CENTRAL BANK OF THE GAMBIA

MONETARY POLICY COMMITTEE

MINUTES OF MEETING NO.93 **February 26-27, 2025**

The Monetary Policy Committee (MPC) of the Central Bank of The Gambia (CBG) convened on February 26-27, 2025. 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
Mrs. Halima Singhateh -Jagne	Member
Mr. Karamo Jawara	Member
Mr. Sheriff Touray	Member
Mr. Amadou Ceesay	Member
Mr. Mohamed Gillen	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. Binta Beyai	Senior Economist, Banking and Payment Systems Department
Mrs. Ancha Ceesay	Bank Examiner, Banking Supervision Department
Mrs. Awa Bayo	Senior Bank Examiner, Banking Supervision Department
Mr. Alkali Barrow	Officer, Other Financial Institutions Supervision Department
Mrs. Amie Ndure	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 first Monetary Policy Committee Meeting (MPC) for the year 2025. He started by welcoming and congratulating Mr Mohamed Gillen on his appointment as an external member for a two-year term and expressed confidence in working closely with him.
3. While briefing Mr. Gillen on the core mandate of the MPC, the Chairman highlighted price stability as its primary objective. The Committee utilises the monetary policy rate (MPR) as the main instrument to achieve this objective. He noted that the MPC convenes quarterly to set the MPR that determines the direction of monetary policy. He urged all members to continue their commitment to fulfilling the Bank's objective by providing their unreserved support while we navigate this challenging policy environment.

4. He stressed that the role of the CBG in economic development is through price and exchange rate stability while fostering financial inclusion. He noted the improvement in financial inclusion in The Gambia, while underscoring the role Fintech companies are playing in this regard.

5. The Governor noted that with this trend, the country is likely to meet the 75 percent target for financial inclusion in the next two years. Emphasising the need for inclusive economic growth, he noted that access and usage of financial services are one critical enabler for businesses, especially the SMEs and petty traders. It creates jobs and builds capital for a higher standard of living. Thus, the CBG will continue to invest in digitalisation and improve the regulatory environment to create a thriving financial system that supports economic transformation.

6. On recent economic developments, the Chairman mentioned that the rebound in tourism supported economic activity in the final quarter of 2024 and the first quarter of 2025, including its positive impact on the exchange rate. However, he expressed concern about the rigidities in administered prices as a major obstacle hindering inflation from declining faster. Notwithstanding, he was resolute that,

with moderating global food prices and improved domestic supply conditions, inflation would likely decline to the single digits in 2025.

7. In conclusion, he commended the staff and MPC Members for their steadfastness in supporting the MPC in delivering its mandate. He noted that while so much has been achieved, there is no room for complacency, and all hands must be on deck to ensure we continue to deliver on our mandate.

Review and Adoption of Minutes of MPC Meeting No. 92

8. The minutes of the MPC Meeting No.92 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)
    - Results of the Financial Lending Survey
    - 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 January 2025 update of the 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 indicated that the global economy remained solid as inflation gradually converged to central banks' targets, with easing monetary policy supporting activity in both advanced economies and emerging market and developing economies. Nonetheless, significant divergences remained, with the US economy expected to outperform expectations, driven by strong domestic demand, while Europe continued to struggle with weak growth and persistently high energy costs. For emerging markets and developing economies, economic activity was projected to remain resilient, with China poised for a modest recovery.

12. Against this backdrop, in its January 2025 World Economic Outlook (WEO) update, the International Monetary Fund (IMF) revised its 2025 global growth projection upward to 3.3 percent, up from 3.2 percent in the October 2024 WEO, while the forecast for 2026 remained unchanged at 3.3 percent. Similarly, the World Bank and OECD projected solid global economic growth at 2.7 percent (2025–2027) and 3.3 percent (2025–2026), respectively, supported by declining inflation, easing monetary policy, stronger trade, and increased investment. However, the outlook continued to be shrouded with significant uncertainties, including ongoing geopolitical tensions in Ukraine and the Middle East, and heightened geoeconomic fragmentation, which could further disrupt global trade and economic activity.

13. The report noted that the disinflation process that started in 2024 remained on track. However, signs of slowing progress had emerged in some countries. In certain cases, inflation remained persistently high, due mainly to pressures from

service prices. The presentation indicated that global headline inflation was projected by the IMF to ease to 4.2 percent in 2025 and further down to 3.5 percent in 2026. Advanced economies were projected to reach their inflation targets sooner than emerging markets and developing economies. This is due to easing labour market conditions, which were expected to contain demand-driven pressures, and the moderation in energy prices. Inflation in sub-Saharan Africa was forecast to decline at a slightly faster pace in 2025 but remain higher than previously projected in 2024.

14. On international commodity prices, the presentation pointed to a downward trend, despite ongoing geopolitical tensions. The World Bank projected commodity prices to fall by 6.0 percent in 2025 and 2.0 percent in 2026. The Bank attributed this to improved supply conditions for energy and food commodities. However, the prices of most commodities remained significantly above pre-pandemic levels, which continues to bolster economic activity in many commodity-exporting countries.

15. Furthermore, the FAO Food Price Index (FFPI), a key measure of global food commodity prices, declined slightly in January, attributed to a significant fall in sugar prices that outweighed the increases in dairy products and cereals. In January 2025, the index was 1.7 percent (2.1 points) lower compared to its December 2024 value. While this marked a month-on-month decrease, the index remained 6.2 percent higher than a year ago, indicating that food prices were still elevated. However, the index was well below its March 2022 peak, signalling a broader moderation in global food prices. The report also noted further encouraging developments in international rice prices, driven mainly by subdued demand and improved supply conditions. The FAO Rice Price Index fell by 4.7 percent in January 2025 from the previous month and was 20.4 percent lower than last year.

16. The presentation concluded by pointing out the implications of recent developments in the global economy on the Gambian economy. It stressed that

the encouraging growth prospects in The Gambia's major trading partner countries, such as China, India, and sub-Saharan Africa, would improve trade and support the domestic economy. Higher growth in advanced economies, including the UK and the US, would aid 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. The ongoing economic fragmentation, and renewed trade tensions as key factors that could affect the domestic disinflation process.

17. Reacting to the presentation, the Committee noted the encouraging developments in global growth and the fight against inflation. In addition, the start of monetary easing in some advanced economies will likely support global growth in the medium term, positively impacting the Gambian economy. On the declining global inflation, members remarked that this could positively impact domestic inflation development, although the volatile fuel prices remain a risk.

18. Nonetheless, the Committee was concerned with the renewed waves of tariff war, particularly between the two biggest economies in the World. These conflicts could disrupt trade flows and global supply chains, potentially driving up global commodity prices. Such developments could hurt global growth prospects and risk disrupting the disinflation process. This, in turn, poses a significant risk to the domestic growth outlook and inflation.

19. Moreover, the Committee expressed concern that rising protectionism could fuel inflation. If that happens, advanced economies may delay monetary easing. This would keep interest rates higher in those countries and strengthen their currencies. As a result, developing countries, including The Gambia, could face further depreciation pressures. It could also trigger increased capital outflows.

20. Members lamented the adverse impact of the recent announcement by some advanced countries of cuts in official development assistance (ODA) to developing countries. Combined with new immigration rules in the US, this could

affect inflows of foreign currency into The Gambia. As a result, critical sectors of the economy, such as government infrastructure projects, and private investment and consumption could be affected. This would dampen domestic demand and growth prospects.

21. Against this backdrop, Members underscored the need to start looking inward and diversify the economy. This would include reducing the country's dependency on tourism, remittance inflows and foreign aid, which are volatile and unpredictable. It was mentioned that the government should also explore other innovative ways to finance its development agenda by leveraging the domestic capital market and public-private partnership (PPP) arrangements. Members noted that this will allow investment in critical projects to progress without putting undue pressure on the budget and the debt level.

22. On the Central Bank side, the Committee emphasised the need for the Bank to invest more in payment system infrastructure and leverage digitalisation. This will allow for specialised services such as connecting borders and shipping lines, potentially reducing transportation costs and boosting trade. It was mentioned that an improved payment system infrastructure will also support financial system development, thus positioning the economy better in terms of attracting startups and investment opportunities.

Domestic Macroeconomic Developments

Banking Sector Developments

23. 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 one large bank and two medium-sized banks controlling about 56 percent of total industry assets. The remaining nine small banks held 44 percent of the industry's assets.

24. The report revealed that the banking industry continued to be stable, with healthy financial soundness indicators. The overall risk-weighted capital adequacy ratio increased significantly, from 24.9 percent in September 2024 to 28.5 percent in December 2024, driven by retained earnings. Additionally, the presentation noted that all banks met the new capital requirement of D300 million as of end-December 2024.

25. The presentation highlighted that the industry liquidity ratio moderated to 76.1 percent in December 2024, from 81.8 percent reported in September 2024. Nonetheless, the industry remained profitable, with total net income increasing by D840 million to reach D2.8 billion in December 2024. The presentation also showed that industry non-performing loans (NPLs), although still elevated, moderated slightly from 15.8 percent in September 2024 to 14.6 percent in December 2024. The industry continued to adequately provide for these loans.

26. The banking industry's total assets declined marginally from the previous quarter by 4 percent to stand at D100.3 billion in December 2024. The decline was attributed mainly to investments that matured during the year. Nonetheless, this figure was 18.3 percent higher 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 34.2 percent, balances due from other banks stood at 22.7 percent, loans and advances made up 17.7 percent, and off-balance-sheet items represented 13.4 percent.

27. The presentation further indicated that customer deposits remained the main source of funding for banks. It increased marginally by 0.6 percent to stand at D66.4 billion in December 2024, compared to D66.1 billion reported in September. Demand and savings deposits continued to account for more than 90 percent of total deposits.

28. The report also highlighted some improvements in financial intermediation. From September to December 2024, loans and advances as a percentage of GDP increased marginally by 0.6 percentage points to stand at 11.0 percent. During the same period, total loans and advances rose by 12.6 percent to stand at D18.8 billion in December 2024. This increase was mainly driven by higher lending in other commercial loans and advances, other loans and advances, as well as lending to the building and construction, and manufacturing sectors. Additionally, the loan-to-deposit ratio, although low compared to peer countries within the region, improved to 28.2 percent in December 2024, from 25.2 percent in September 2024.

29. The presentation on the results of the industry-wide stress test exercise once again identified credit concentration and liquidity as significant sources of vulnerability for the banking system in The Gambia. While the overall market risk of the industry remained low, banks' exposure to the sovereign also posed a significant risk to the financial system. Nonetheless, the presentation indicated that the ongoing capital augmentation and high liquidity buffer would cushion the banking system from any potential liquidity shocks.

30. Reacting to the presentation, the Committee welcomed the positive developments in the banking industry. Improvements in the financial soundness indicators and financial intermediation were cited as strong indicators of financial and macroeconomic stability. Members also noted that the profitability of the industry will continue to strengthen confidence in the financial system and foster access and utilisation of financial services.

31. Notwithstanding, Members expressed concern about the lingering effects of high non-performing loans in the banking industry, citing the presence of high borrower concentration as a potential risk to banks' asset quality. The Committee was informed that the affected banks had been engaged to facilitate recovery, and the facilities were restructured. Following this intervention, the borrowers have resumed servicing the facilities. Furthermore, Members were informed that the

ongoing capital augmentation and other supervisory measures were expected to address asset quality and enhance the resilience of the banking system.

32. The Committee also raised concern about the banking sector's exposure to government, including its potential impact on financial stability and the risk of crowding out the private sector. It was mentioned that the government had already started utilising the capital market and other innovative financing methods to raise long-term financing, which would free up credit for the private sector to tap into.

33. On the results of the banking sector stress-testing exercise, the Committee welcomed the outcome, noting that it pointed to resilience and stability in the industry. Nonetheless, Members once again reiterated their concern regarding the elevated credit concentration risk, owing largely to large borrower concentration and the industry's exposure to the sovereign. Members opined that CBG should rationalise the use of the single obligor waiver and encourage diversification in lending to reduce credit concentration risk. The Committee also recommended that banks be encouraged to pursue loan syndication to minimise the risk of being exposed to a single borrower or sector. Additionally, this will effectively spread the risks and returns among participating banks.

Developments in Other Financial Institutions

34. 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 registered robust growth during the period, providing reliable financial services to low-income groups in The Gambia. The sector consisted of seven Finance Companies, two of which were Islamic microfinance institutions, and fifty-six Credit Unions.

35. In December 2024, the industry asset base expanded by 7.0 percent to reach D8.2 billion, compared to D7.6 billion reported in September 2024. This was driven by a

36 percent increase in industry loans and a 16 percent rise in cash and bank Balances, reflecting sustained credit demand and strengthened liquidity positions. On a year-on-year basis, total industry assets grew by 20 percent, underscoring the sector's resilience and continued expansion. The report noted that Finance Companies accounted for 57 percent of total assets, maintaining their dominant position, while Credit Unions (CUs) contributed 43 percent.

36. The presentation showed that customer deposits rose by 6 percent, from September to December 2024, reaching D6.1 billion. On a year-on-year basis, total deposits expanded significantly by 24 percent. This underscores the sector's improved liquidity position and growing customer base. Finance Companies continued to hold the larger portion of the industry's deposits at 54 percent, while CUs accounted for the remaining 46 percent.

37. The report highlighted the pivotal role the NBFI industry continued to play in financial intermediation. With loan-to-deposit ratio of 57.4 percent, it provides credit to small businesses and low-income households. From September to December 2024, total loans grew by 9.0 percent to reach D3.5 billion. The presentation noted that most of the loans were extended to petty traders (43 percent), transportation (14 percent), agriculture (11.0 percent), construction (10.0 percent), personal loans (8.0 percent), services and consumables (6.0 percent), and the remaining 2.0 percent went to health and cottage industries.

38. The presentation noted the profitability of the industry, backed by healthy financial soundness indicators. FCs reported a capital adequacy ratio of 32 percent in December 2024, slightly lower than the 38 percent reported in September 2024. However, it remained above the 20 percent regulatory benchmark. Similarly, the capital adequacy ratio for CUs in December 2024 stood at 22 percent, the same as in September 2024, and above the regulatory requirement of 16 percent.

39. The presentation also highlighted that the sector remained liquid, with FCs and CUs registering liquidity ratios of 80.0 percent and 27.0 percent, respectively. In terms of asset quality, the sector registered an improvement during the review period. Non-performing loans of FCs declined to 7.0 percent in December 2024, from 10.0 percent in September 2024. Similarly, non-performing loans of CUs dropped to 3 percent in December 2024, from 4.0 percent in September 2024, remaining below the regulatory benchmark of 5.0 percent.

40. Reacting to the presentation, the Committee welcomed the positive developments within the NBFIs industry, noting key improvements in asset quality, financial intermediation, and the sector's strong liquidity position. Nonetheless, Members raised concern about the high lending interest rates within the industry, citing their implications on SME viability. The Committee urged the CBG to take appropriate measures, including moral suasion, to address the situation.

Government Fiscal Operations

41. The presentation on the fiscal developments report provided key highlights on government operations for the fiscal year 2024. Preliminary estimates on government operations indicated a deteriorated fiscal position, despite strong revenue performance.

42. In December 2024, the overall deficit (including grants) widened to D6.7 billion (4.7 percent of GDP), compared to D5.1 billion (3.6 percent of GDP) in 2023. Similarly, the overall budget deficit excluding grants increased, from D17.1 billion (11.9 percent of GDP) in 2023 to D18.9 billion (13.2 percent of GDP) in 2024. However, the primary balance improved to D0.5 billion (0.4 percent of GDP), compared to D0.3 billion (0.2 percent of GDP) in 2023.

43. The report emphasised the improvement in domestic revenue mobilisation, with total revenue performance reaching D35.7 billion (24.7 percent of GDP). This marked a substantial 19.3 percent rise from the previous year, attributed to

improved tax administration. The increase was largely driven by increased tax and non-tax revenue, which rose by 27.0 percent and 43.2 percent, respectively. Furthermore, official budget support rose by 2.5 percent to reach D12.2 billion (8.5 percent of GDP) in 2024, financing critical government projects and programs.

44. The presentation revealed that government total expenditure and net lending in 2024 increased by 21.0 percent to D42.3 billion (29.5 percent of GDP), from D34.9 billion (24.3 percent of GDP) in 2023. This increase was mainly due to a surge in recurrent expenditure, which accounted for the largest share of total government expenditure during the period. In 2024, recurrent expenditure rose significantly by 35.6 percent to D25.1 billion (17.5 percent of GDP), compared to D18.5 billion (12.9 percent of GDP) in 2023. It continued to account for the bulk (60 percent) of total expenditure and net lending. Similarly, capital expenditure, which was largely externally financed, increased to D17.2 billion (12.0 percent of GDP) in 2024, from D16.4 billion (11.4 percent of GDP) in 2023.

45. The presentation concluded with a fiscal sustainability assessment, including a simulation of a primary deficit shock, interest rate shock, and climate shock on growth and public debt dynamics. It was shown that exchange rate depreciation and the primary balance were the key channels through which climate shocks impacted debt sustainability in The Gambia. The report recommended prudent fiscal policy and investments in climate adaptation infrastructure for both fiscal sustainability and durable, long-term economic growth.

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

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

Domestic Debt Market Developments

48. 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 the domestic debt stock increased by 12.1 percent to D46.4 billion in December 2024, from D41.3 billion at end-2023. This increase was primarily driven by the increased issuance of medium-term government bonds to finance the budget and refinance maturing securities.

49. Furthermore, the report also highlighted the composition of the total domestic debt, with short-term instruments accounting for the highest share at 48.6 percent. Medium-term instruments and long-term securities accounted for 34.4 percent and 17.1 percent, respectively. The presentation noted that the concentration of debt on the short end posed significant refinancing risks. In 2025, domestic debt service was projected to reach D5.6 billion (24 percent of revenue), representing a 7.8 percent increase compared to 2023. Of this amount, domestic interest expense was projected at D4.9 billion (21.0 percent of domestic revenue) in 2025, significantly higher than D2.4 billion (13.8 percent of domestic revenue) reported in 2023.

50. Short-term market interest rates were generally stable, although they remained well below the monetary policy rate. This reflected liquidity conditions in the banking system. The weighted average Treasury bill rate declined slightly from 11.3

percent in 2023 to 10.4 percent in 2024. On interbank market operations, the presentation indicated that total trade volumes moderated to D13.1 billion in 2024, from D14.2 billion in 2023. The weighted average interest rate in the market dropped to 5.6 percent, compared to 7.5 percent recorded a year ago.

51. Additionally, monetary policy operations and liquidity management remained active during the review period. The Bank's interest rate corridor (the standing deposit and standing lending facilities) registered increased activity. In the year to end December 2024, borrowing through the corridor amounted to D21.4 billion, higher than the D8.6 billion recorded in 2023, with an annual interest rate of 18 percent. Similarly, deposits through the corridor increased to D14.2 billion by end 2024, relative to D9.8 billion in 2023, with an interest rate of 4 percent.

52. Reacting to the presentation, the Committee raised concern about the rising domestic debt, the servicing of which continued to strain fiscal resources. With increased borrowing, interest costs were also projected to rise, placing a burden on resources and posing significant refinancing and fiscal sustainability risks. To ensure debt sustainability and to create fiscal space, Members stressed the need for fiscal consolidation and policy coordination.

53. It was recommended that a comprehensive assessment of the public debt situation be carried out to gain a clear understanding of the debt profile and associated risks. Such an analysis should include debt incurred by SOEs and other government entities.

Balance of Payments Developments

54. The presentation on the balance of payments provided an update on key developments in the external sector. Preliminary balance of payments estimates showed that the current account balance narrowed to a deficit of US$74.4 million (3.2 percent of GDP) in 2024, from a deficit of US$120.1 million (5.5 percent of GDP) in 2023. This was largely on account of improvements in the services account and the secondary income account.

55. The report further highlighted that despite the improvement in the current account balance, the trade balance, measured by the goods account balance, widened to a deficit of US$1.0 billion (44.6 percent of GDP) in 2024, from a deficit of US$877.4 million (40.3 percent of GDP) in 2023. This was largely explained by a rise in imports to US$1.4 billion (60.3 percent of GDP) in 2024, compared to US$1.2 billion (55.3 percent of GDP) in 2023. This more than offsets the marginal increase in exports, from US$325.9 million (15.0 percent of GDP) in 2023 to US$363.3 million (15.8 percent of GDP) in 2024.

56. Furthermore, the presentation showed that the services account balance registered a surplus of US$314.2 million in 2024, up from US$241.7 million a year ago, driven by an increase in tourist arrivals. Similarly, the report noted that the secondary income account rose to US$554.0 million, compared to US$540.1 million in 2023, due to robust remittance inflows and significant grant inflows during the final quarter of 2024.

57. The presentation indicated that during the review period, there were substantial capital inflows related to official disbursements, which helped improve the capital account balance to a surplus of US$117.9 million in 2024. However, this figure was below the amount registered in 2023, which stood at US$142.4 million. Similarly, the financial account registered a total net inflow of US$337.2 million in 2024, compared to US$267.0 million a year ago, highlighting the increase in inflows from foreign direct investments and other investments (trade credits, loans, and currency and deposits) during the period.

58. Presented alongside the balance of payments report were the results of the Financial Assets and Liabilities (FAL) survey, conducted by staff of the ERD. The objective of the survey was to bridge the data gap on financial flows in the balance of payments statistics and international investment position (IIP) data, which is critical for investors eyeing the Gambian economy. The findings revealed a significant increase in Foreign Direct Investment (FDI) between 2020 and 2023, highlighting an improvement in the country's investment climate. Similarly, the

presentation showed that trade credit (trade receivables and trade payables) also surged during the period, suggesting increased utilisation of trade financing instruments by Gambian businesses.

59. Reacting to the presentation, the Committee noted the improvement in the current account balance, supported by the rebound in tourism and robust capital inflows during the period. Nonetheless, Members reiterated concern over the persistent balance of payments challenges that continued to put enormous pressure on the exchange rate, complicating the fight against inflation. On this note, the Committee tasked the ERD to investigate the low re-export trade numbers, given its potential as a major source of foreign currency supply. Members were informed that the Department had already planned a cross-border trade survey for the second quarter of the year, and the findings might provide insights into these concerns.

60. For longer-term solutions to moderate external vulnerabilities, the Committee stressed the need to address the trade imbalance by investing in critical infrastructure to reduce transportation costs and improve port logistics. Furthermore, addressing supply-side constraints through investment in domestic agricultural production for import substitution in the short term and boosting exports in the medium to long term should be a priority for the country. It was noted that Afreximbank has facilities that could help address the financing gap in agriculture, and authorities should explore these avenues.

Foreign Exchange Market Developments

61. The presentation provided key highlights of the foreign exchange market since the last MPC. The report noted that the foreign exchange market continued to function smoothly, with robust activity volumes in 2024. Total volumes of transactions, measured by aggregate purchases and sales of foreign currency, rose by 14.1 percent (year-on-year) to US$21 billion in 2024, reflecting improved liquidity conditions in the market.

62. Furthermore, the report indicated that private remittance inflows, which continued to play a significant role in providing foreign exchange liquidity in the domestic economy, rose by 3.9 percent to stand at US$775.6 million in 2024. The steady inflow of private remittances helped contain exchange rate depreciation. From December 2023 to December 2024, the dalasi depreciated against the United States dollar, euro, Great Britain pound, and CFA franc by 10.5 percent, 10.2 percent, 13.9 percent, and 10.5 percent, respectively. The weakening of the dalasi reflected persistent demand pressures to finance the importation of goods and services.

63. Commenting on the presentation, the Committee lamented persistent depreciation pressures, which averaged around 10 percent during the year. It was mentioned that as a net-importing country of basic food and essential commodities, this rate of depreciation was not sustainable and posed significant risks to macroeconomic stability. Thus, Members reiterated the call to leverage domestic food production to reduce the high level of imports, which remained the main driver of exchange rate pressures.

64. The Committee was informed of the significant increase in shipments during the year, which was seen as an indication of improved supply conditions. On this note, Members called for prudent management of currency shipments in order not to starve the market of much-needed liquidity, thereby putting further pressure on the exchange rate.

Monetary Developments

65. 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 to the fight against inflation.

66. The report mentioned that the MPC maintained the monetary policy rate at 17 percent for the seventh consecutive meeting to ensure the disinflation process

that began in 2024 was sustained. Despite the reversal in the declining inflation trend, real interest rates remained positive since September 2024.

67. On monetary aggregates, the report indicated a moderation in the annual money supply growth to 7.8 percent in 2024, compared to 9.3 percent in 2023. The deceleration was driven by the contraction in the net domestic assets (NDA) of depository corporations during the review period. In 2024, the NDA of depository corporations contracted by 0.8 percent to stand at D44.3 billion. It contributed negative 0.5 percent to money supply growth. On the other hand, the net foreign assets (NFA) of depository corporations increased by 22.6 percent to D32.1 billion in 2024, compared to a growth of 12.6 percent in 2023, reflecting the increase in budget support inflows. The report also noted that for the period under review, NFA of the banking system contributed 8.3 percent to money supply growth.

68. The presentation showed that the Central Bank's NFA reached D19.3 billion in 2024, marking a significant 25.7 percent increase compared to the previous year. This was due to a 21.0 percent rise in claims on non-residents. Similarly, the NFA of other depository corporations grew annually by 18.2 percent in 2024 to stand at D12.8 billion, mirroring a 22.3 percent increase in commercial banks' claims on non-residents.

69. Furthermore, the presentation highlighted that despite the contraction in the NDA of the banking system, credit to the private sector continued to grow. It registered a growth of 18.8 percent in 2024, higher than the 12.2 percent recorded in 2023. Similarly, growth in claims on government rose to 18.9 percent in 2024, significantly higher than the 3.0 percent growth registered a year ago.

70. On reserve money growth, which is the Bank's operating target in its conduct of monetary policy, the report indicated that it contracted by 5.6 percent in 2024, compared to a 14.1 percent growth in the previous year. The deceleration reflected a 22 percent contraction in CBG net claims on government. On the demand side, the contraction in reserve money was driven by a decline in currency in circulation and moderate growth in liabilities to other depository

corporations. It mirrored a combination of contractionary monetary policy (higher interest rates) and reduced cash demand (due to a shift to digital payments).

71. Reacting to the presentation, the Committee stated that the moderation in money supply growth was consistent with the stance of monetary policy. The Committee, however, welcomed the solid growth in private sector credit.

72. However, the Committee was concerned about the elevated Central Bank gross claims on government, which continued to challenge monetary policy credibility, especially due to its impact on inflation and the exchange rate. In this regard, Members stressed the need for close policy coordination and prudent calibration of fiscal policy going forward.

Business Sentiment Survey

73. The presentation of results from the Business Sentiment Survey evaluated business perception and short-term expectations regarding key macroeconomic indicators since the last MPC meeting. The report painted an encouraging near-term economic outlook in terms of growth and inflation. Sentiments among businesses about the prospects of the Gambian economy significantly improved in the fourth quarter of 2024, compared to the third quarter. This followed a strong rebound in economic activity during the quarter, leading to an expansion in production, capital expenditure, and employment. Businesses anticipated this trend to continue into the first quarter of 2025, reflecting strong optimism in the near term.

74. The report noted persistently high inflation expectations among businesses. However, the outlook appeared more encouraging, as respondents anticipated easing inflationary pressures. Respondents also lamented the persistent pressure on the exchange rate, emanating from a rising import bill and limited foreign currency supply sources. Nonetheless, on the policy side, the continued rebound

in tourism, remittance inflows, and tight monetary policy were expected to support the dalasi going forward.

75. Reacting to the presentation, the Committee welcomed the positive view on the prospects of the Gambian economy, indicating that confidence in the economy had further solidified. Members noted that the optimism about higher business activity and increased investment in labour and capital would support the economy and generate jobs. Although inflation expectations remained elevated, the Committee welcomed the decline, which shows that past policy actions are working.

76. Members requested that the survey target more respondents from other sectors such as agriculture, focusing on larger entities for a more balanced view. The Committee was informed that the survey currently targets key players in each sector. However, the response rate among those sectors remained a challenge. Notwithstanding, efforts were being made to engage data providers in a collaborative manner to improve response rate. To this effect, it was mentioned that a stakeholder seminar is being planned for the third quarter of 2025 to address major challenges in this area.

Real Sector Developments

77. The presentation on Real Sector Developments provided key highlights on the recent growth performance of the Gambian economy. The report noted that preliminary data from the Gambia Bureau of Statistics (GBoS) indicated that in the first three quarters of 2024, the Gambian economy registered robust growth, averaging around 7.2 percent. This strong performance was driven by solid growth in financial services, distributive trade, construction, and mining and quarrying. In addition, stable remittance inflows and strong public investment supported domestic demand. Against this backdrop, the presentation showed that CBG staff estimated real GDP growth at 5.7 percent for 2024, with growth projected to rise to 5.9 percent in 2025.

78. The Bank's Composite Index of Economic Activity (CIEA) also pointed to stronger growth in economic activity in 2024, averaging 6.1 percent. This was driven by higher public expenditure and stable remittance inflows, which supported private consumption and investment. However, the presentation cautioned that the favourable outlook was shroud by significant risks, including renewed trade fragmentation, geopolitical tensions, volatility in commodity prices, and climate-related risks.

79. Reacting to the presentation, the Committee welcomed the strong performance of the Gambian economy, highlighting the role of ongoing public investment in critical infrastructure and solid private demand, which was largely financed by remittances. Notwithstanding, Members were mindful of the potential impact of lower-than-expected harvests in key crops such as groundnuts, which could dampen economic performance in 2024.

80. The Committee reiterated the need for strategic interventions in the agricultural sector to boost productivity and build value chains that generate jobs and support economic development. Additionally, to address the limited access to finance for such initiatives, the Committee called for the fast-tracking of the operationalisation of the planned development bank. Meanwhile, leveraging facilities from development finance institutions, such as Afreximbank, could stimulate investment in agriculture. Critically, authorities need to address structural bottlenecks such as access to land, which has the potential to hinder the success of interventions in the agricultural sector.

Inflation Developments

81. The presentation on Inflation Developments provided key highlights on recent price trends and the near-term outlook. The report indicated that headline inflation remained stubbornly elevated at 10.2 percent in January 2025, unchanged from December 2024, reflecting persistent price stickiness. Food inflation eased slightly in January 2025 to 12.7 percent, from 12.8 percent in

December 2024. The moderation in the price indices of fish, milk-cheese-eggs, fruits and nuts, vegetables, and sugar, jam, honey, and sweets were partially offset by increases in the price indices of bread and cereals, meat, and oil and fats. On the other hand, non-food inflation rose to 7.3 percent in January 2025, from 6.9 percent in December, driven by rising energy and fuel-related prices.

82. In addition, the report indicated the presence of underlying inflationary pressures. Core 1 inflation, which excludes volatile energy products, increased to 4.6 percent in January 2025, up from 3.5 percent in December 2024. However, it remained well below its peak of 24.2 percent recorded in September 2023. Similarly, Core 2 inflation, which further excludes both volatile energy and food products, also rose to 6.2 percent in January 2025, from 5.3 percent in September 2024, but was still below its peak of 22.5 percent observed in September 2023. The report highlighted non-energy and non-food-related components as key pressure points.

83. Reacting to the presentation, the Committee expressed concern about the stall in the disinflation process. Even though food inflation marginally decelerated, the uptick in some sub-components such as bread and cereals, meat, and oils and fats continued to hold back overall inflation from declining. This, combined with rising non-food inflation, posed significant risks to the inflation outlook. Members warned that renewed trade fragmentation, the effects of which were yet to be fully understood, could further complicate the situation. Members were informed that, barring any unforeseen surprises in global commodity prices, staff judged the recent upticks as temporary and forecast inflation to return to single digits in 2025.

84. In addition, the Committee raised concern about administered price inflation, noting the rigidity in pump prices, despite moderating global oil prices. The Committee lamented that such rigidities could prevent inflation from declining faster and risk triggering additional price increases should global oil prices reverse. On this note, Members emphasized the need to allow pump prices to adjust downward in line with global trends. This would create policy space to manoeuvre should the situation change. Thus, close policy coordination and synchronization

remain critical, especially during heightened uncertainties, to avoid unintended consequences on inflation dynamics and macroeconomic stability.

Staff Assessment and Economic Outlook

85. Staff assessed economic activity in 2024 as strong, with positive medium-term outlook. The outlook was predicated on robust public investment and private demand. In addition, the services and construction sectors, as well as private sustained remittance inflows, will further contribute to economic expansion. With favourable weather conditions and continued investment, agricultural production will continue to rise. Against this backdrop, staff estimated economic growth at 5.7 percent in 2024, rising to 5.9 percent in 2025.

86. Staff assessment indicated that headline inflation remained elevated at 10.2 percent and short-term price pressures had re-emerged, stalling the disinflation process. Nonetheless, barring any further surprises in global commodity prices, staff judged these price pressures as transitory, without further negative implications for inflation. Against this backdrop, CBG staff forecast headline inflation to average around 11 percent by the end of 2024, before declining to single digits in 2025.

87. Notwithstanding, significant risks continued to cloud the inflation outlook, including volatility in global commodity prices, dynamics in domestic administered prices, domestic supply bottlenecks, and weather-related effects on crop production. Thus, cautiously continuing to calibrate monetary policy to ensure that the disinflation process proceeds as anticipated remains paramount.

Policy Justification

Global economic growth remained stable despite uncertainties, supported by easing inflation and a shift toward less restrictive monetary policies. Modest growth in major economies and strong regional performance was expected to benefit The Gambia through trade, tourism, and remittances. Although global commodity prices stayed volatile, they were generally trending downward, aiding domestic disinflation. However, risks such as geopolitical tensions and rising protectionism could impact small open economies like The Gambia, highlighting the need for prudent monetary policy.

88. The Committee noted the strong performance of the Gambian economy, with robust economic activity in 2024, which was expected to continue into 2025. This was to be supported by a better cropping season, a rebound in tourism, robust private sector consumption and investment, and strong public investments. Against this backdrop, the Committee expected economic growth to remain close to 6 percent this year and next.

89. Members acknowledged the stable domestic foreign exchange market, which continued to function smoothly despite persistent depreciation pressures. Additionally, stable inflows of remittances, a rebound in tourism, and anticipated disbursement of budget support were expected to improve foreign currency supply conditions and support the exchange rate. Moreover, the Central Bank continued to maintain a comfortable level of international reserve buffers, sufficient to cover about 4 months of prospective imports of goods and services. These conditions were expected to strengthen market confidence and support the currency going forward.

90. On domestic prices, the Committee noted that significant progress had been made in reducing inflation, thanks to prudent monetary policy measures and subdued global commodity prices. The Committee anticipated a further decline in inflation through 2025, with inflation expected to reach single digits by the first half of the year and return to the Bank's implicit target of 5 percent by 2026. However, given the heightened uncertainties and potential risks to domestic inflation, the Committee emphasised the need to maintain a cautious monetary policy stance to aid the disinflation process.

Decision

91. 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 keep the policy stance and allow previous policy actions to 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):** The interest rate on the standing deposit facility remains at 4.0 percent.
    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 continuing to monitor domestic and international price developments and stands ready to act should the need arise.

Information Note

Date for the next MPC meeting

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