

CENTRAL BANK OF THE GAMBIA



MONETARY POLICY COMMITTEE

Press Release

June 12, 2025

The Monetary Policy Committee (MPC) of the Central Bank of The Gambia (CBG) convened on June 11 and 12, 2025. The Committee reviewed recent economic developments and assessed risks to the inflation and growth outlook. Following deliberations, the Committee decided to maintain the Monetary Policy Rate (MPR) at 17 percent. The summary below outlines the key discussions that informed this decision.

1. The global economy continues to experience a slow and uneven recovery on the back of heightened trade fragmentation, rising debt vulnerabilities, and climate-related supply disruptions. In its April 2025 World Economic Outlook, the International Monetary Fund (IMF) downgraded its global output projection by 0.5 percentage points to 2.8 percent for 2025, which is lower than the 3.2 percent estimated for 2024. Similarly, the OECD and World Bank also projected subdued global growth for 2025.

2. Global headline inflation continues to moderate, but the pace of deceleration remains slow. The IMF projected global inflation to average 4.3 percent in 2025, which is lower than the 5.8 percent recorded in 2024. This reflects the effects of monetary tightening and subdued global commodity prices. However, core inflation remains persistent in many economies due to strong wage growth and service sector price pressures. Moreover, inflationary risks persist, particularly in emerging markets and developing economies, due to currency depreciation, commodity price volatility and climate-related supply disruptions.
3. Global trade is expected to weaken further, with trade volumes projected by the IMF to grow by only 1.7 percent in 2025. This reflects rising protectionism and trade barriers, regulatory divergence, and ongoing logistical bottlenecks. Financial conditions have eased slightly in advanced economies but remain tight in many low-income countries, constrained by elevated risks and limited access to external financing.

4. Global commodity markets remain volatile, shaped by geopolitical instability, climate-related risks, and uneven demand conditions. In recent months, however, crude oil prices have declined notably, reflecting softer demand and ample supply. Brent crude declined to an average of US\$64 per barrel in May 2025, which is the lowest level since the COVID-19 pandemic.
5. The FAO Food Price Index declined by 0.8 percent in May compared to April 2025. The decline in cereals, sugar and vegetable oils more than offset increases in dairy and meat. Despite this month-on-month dip, the index was 6.0 percent higher than the level it was a year ago. In contrast, the FAO All Rice Price Index rose by 1.4 percent in May 2025. For net food-importing economies like The Gambia, these shifts in staple commodity prices continue to be a primary driver of domestic inflation dynamics.

6. On the domestic front, the Gambian economy is expected to maintain its growth momentum in 2025 and over the medium term. Preliminary estimates from the Gambia Bureau of Statistics indicated that real GDP expanded by 5.3 percent in 2024, higher than the 5.0 percent revised figure for 2023. Growth was supported by strong performance in the services and industry sectors. Agriculture, on the other hand, contracted by 1.1 percent in 2024 due mainly to unfavourable weather conditions during the past rainy season. The Central Bank staff forecast the economy to grow by 6.5 percent in 2025, underpinned by improved business sentiment, public infrastructure development, tourism, financial services and telecommunications. Despite the favourable outlook, the domestic economy remains vulnerable to external shocks, particularly commodity price volatility, ongoing global trade fragmentation and climate-related risks.
7. The findings of the Central Bank's Business Sentiment Survey revealed cautious optimism among respondents, with most firms expecting a gradual improvement in economic activity in the next quarter. Inflation expectations remain elevated but have started declining.

8. Preliminary balance of payments estimates showed an improved current account in the first quarter of 2025, driven by stronger tourism receipts, steady remittances, and lower electricity imports. The deficit narrowed to US\$13.2 million (0.6 percent of GDP) in the first quarter of 2025, from US\$21.1 million (0.9 percent of GDP) in the fourth quarter of 2024. The deficit in the goods account narrowed from US\$297.1 million (13.0 percent of GDP) in the fourth quarter of 2024 to US\$248.1 million (10.3 percent of GDP) in the first quarter of 2025. The trade deficit continues to be driven by the importation of fuel, electricity, and food, amid a low export base.
9. The domestic foreign exchange market continues to function smoothly with robust activity volumes. In the first quarter of 2025, total activity volumes, measured by aggregate purchases and sales of foreign currency, increased to US\$670.1 million, compared to US\$600.9 million reported in the same period a year ago. Private remittance inflows, which continue to be a major source of foreign currency supply, amounted to US\$207.9 million in the first quarter of 2025, higher than the US\$187.2 million reported in the fourth quarter of 2024. The United States continues to be the largest source of diaspora remittances, accounting for 26.3 percent of total inflows during the quarter.

10. The exchange rate of the Dalasi continues to be relatively stable, reflecting improved market confidence and supply conditions. From January to March 2025, the Dalasi depreciated against the United States dollar by 1.7 percent, the British pound sterling by 0.2 percent, and the CFA franc by 0.5 percent. However, it appreciated against the Euro by 1.2 percent during the review period.
11. The Central Bank continues to hold comfortable levels of international reserves, amounting to US\$508.54 million as of end May 2025. This is sufficient to finance over 4.6 months of prospective imports of goods and services.
12. Preliminary estimates indicated an improved government fiscal position in the first quarter of 2025, driven by strong revenue performance. The deficit (excluding grants) fell to D2.7 billion (1.6 percent of GDP), from D4.6 billion (2.6 percent of GDP) reported a year earlier. Total revenue and grants increased by 14.5 percent during the period to stand at D8.8 billion (5.1 percent of GDP). Total expenditure and net lending also increased during the quarter by 0.2 percent to D10.1 billion (5.8 percent of GDP).

13. In March 2025, the stock of government domestic debt slightly declined to D45.6 billion (23.4 percent of GDP), compared to D46.4 billion (27.0 percent of GDP) reported in 2024. In terms of composition, the stock of short-term instruments, including treasury bills and Sukuk Al Salaam bills, accounted for 49.2 percent of the domestic debt stock. Medium and long-term debt instruments represented 33.9 percent and 17.1 percent, respectively. The weighted average treasury bill rate rose from 11.3 percent in 2024 to 14.6 percent in March 2025.

14. The interbank Dalasi market remained stable in the first quarter of 2025. Total trade volumes increased to D13.4 billion, up from D13.1 billion in the fourth quarter of 2024. The weighted average interest rate declined marginally, from 5.6 percent to 5.3 percent, following movements in three-month Treasury bill rates.

15. The banking sector continues to be stable and resilient. From December 2024 to March 2025, total assets of commercial banks rose by 7.2 percent to stand at D107.6 billion in March 2025. Similarly, customer deposits, the main source of funding for banks, increased by 1.5 percent to D67.5 billion during the same period. The risk-weighted capital adequacy ratio of the industry stood at 28.4 percent, slightly lower than 28.5 percent in December 2024.

The industry liquidity ratio was 76.1 percent in March 2025, slightly lower than the 76.5 percent recorded in December 2024. On asset quality, the industry's non-performing loans improved to 13.5 percent in March 2025, from 14.6 percent in December 2024. The latest stress test results confirmed the sector's resilience to both capital and liquidity shocks.

16. On monetary aggregates developments, annual money supply grew by 11.3 percent in March 2025, up from 9.4 percent in 2024. The increase was driven by net foreign assets of the banking system. Reserve money, the bank's operating target, declined by 0.7 percent, reversing an 8.5 percent increase a year earlier. Credit to the private sector grew by 15.1 percent year-on-year, compared to 19.3 percent in March 2024.

17. Domestic price pressures are moderating. Headline inflation decelerated to 8.1 percent in April 2025, from 9.1 percent in March 2025, marking the lowest level since early 2023. This improvement reflects better domestic food supply, subdued global commodity prices, and the lagged effects of monetary tightening. Nonetheless, inflation is still above the Central Bank's medium-term target of 5 percent.

18. Food inflation slowed to 8.8 percent, supported by subdued global food prices. Non-food inflation eased slightly to 7.4 percent, driven by lower international oil prices and reduced transportation costs. However, core inflation measures reversed earlier declines. It accelerated to 6.9 percent from 5.7 percent in March, highlighting persistent underlying price pressures in housing, utilities, and services.

19. The outlook for inflation remains cautiously optimistic, with the potential for further moderation if global commodity markets remain stable. However, risks remain tilted to the upside, due to the ongoing geopolitical tensions among others.

20. The Committee observed as follows:

- The global economic outlook remains highly uncertain, posing significant challenges for policy implementation. The unprecedented rise in protectionist policies is stifling global trade and investment, as well as increasing costs for goods and services globally. For The Gambia, these global headwinds underscore the importance of maintaining prudent monetary policy and reinforcing financial stability frameworks to bolster economic resilience.

- Many central banks have entered a cautious phase of monetary policy easing, amid falling inflation and signs of slowing global demand. However, the pace of policy normalisation remains asymmetric and contingent on inflation expectations and domestic vulnerabilities. In sub-Saharan Africa, the monetary policy space remains constrained largely by inflation volatility and external imbalances.
- The Gambian economy continues to register strong growth, with a positive medium-term outlook. However, elevated global uncertainties mentioned earlier underscore the need to sustain reforms, reinforce fiscal prudence and build policy buffers to enhance resilience and safeguard macroeconomic stability.
- Inflation is easing but remains above the Bank's implicit medium-term target. While the outlook remains favourable, with inflation expected to stabilise around the medium-term target this year, significant upside risks persist. This calls for a cautious and well-calibrated approach to monetary policy.

Policy Decisions

In view of the above, the Committee concludes that monetary policy should stay the course and has taken the following decisions:

- i. The Monetary Policy Rate (MPR) will be maintained at 17.0 percent.
- ii. The Required Reserve (RR) ratio of commercial banks will be maintained at 13.0 percent.
- iii. The interest rate on the standing deposit facility will be maintained at 4.0 percent.
- iv. The interest rate on the standing lending facility will remain at 18.0 percent or MPR plus 1.0 percentage points.
- v. The Committee will continue to monitor developments in both the domestic and global economy in deciding its next policy steps.

Information Note

Date for the next MPC meeting

The next Monetary Policy Committee (MPC) meeting is scheduled for **Wednesday, August 27, 2025**. The meeting will be followed by the policy decision announcement on **Thursday, August 28, 2025**.