

CENTRAL BANK OF THE GAMBIA



MONETARY POLICY COMMITTEE

Press release September 1-2, 2025

The Monetary Policy Committee (MPC) of the Central Bank of The Gambia (CBG) met on September 1 and 2, 2025. After assessing domestic and global economic conditions and near-term outlook, the Committee decided to maintain the Monetary Policy Rate (MPR) at 17 percent. The following is an overview of deliberations that informed the Committee's decision:

1. The International Monetary Fund (IMF) has revised its global growth forecast upward, projecting 3.0 percent in 2025 and 3.1 percent in 2026. The revision reflects stronger-than-expected performance in the first half of the year, supported by front-loaded trade activity, improved financial conditions, and fiscal expansion in major advanced and emerging economies. Nonetheless, global growth remains below the pre-pandemic average of 3.7 percent.
2. The softer growth outlook is accompanied by easing global price pressures. Headline inflation is forecast to decline to 4.2 percent in 2025 and 3.6 percent in 2026, according to IMF estimates. Advanced economies are broadly on track to reach central bank targets. However, inflation dynamics remain more challenging in developing economies. Elevated energy costs, currency depreciation, and fiscal

vulnerabilities continue to exert upward pressure on inflation. In Sub-Saharan Africa, inflation is projected to ease gradually to 7.5 percent in 2025 and 6.8 percent in 2026, still above the global average but reflecting a steady disinflation path.

3. The global inflation trajectory is closely linked to commodity price movements, which remain volatile amid trade frictions and climate-related disruptions. Energy prices are softening, but food and raw material prices remain firm. Overall, elevated commodity costs continue to strain import-dependent economies, complicating efforts to bring inflation under control. The IMF projects oil prices to average US\$66.9 per barrel in 2025, a 15.5 percent year-on-year decline, reflecting weaker demand and rising supply.
4. According to the Food and Agriculture Organization (FAO), the food Price Index rose by 1.6 percent from June to July 2025, led by increases in vegetable oils and meat. The FAO Rice Price Index, on the other hand, fell by 1.8 percent in the same period.
5. The Gambian economy maintained strong momentum, registering 5.3 percent growth in 2024. This performance was driven by gains in financial services, trade, construction, and mining. Private remittance inflows and public investment also continue to support domestic demand. The growth outlook for 2025 remains robust, as reflected in the 6.2 percent average expansion of the Central Bank's Composite Index of Economic Activity in the first half of the year. Moreover, staff projected a real GDP growth of 6.4 percent for 2025. Nevertheless, external risks pose significant challenges to the near-term economic outlook. This includes the ongoing trade fragmentation, commodity price volatility, and climate-related uncertainties affecting agriculture.

6. The Central Bank's latest Business Sentiment Survey indicates a rise in optimism among respondents. The majority of firms anticipate a gradual improvement in economic activity over the next quarter. While inflation expectations remain elevated, they have continued to trend downward, reflecting an improving outlook.
7. The current account deficit widened to US\$36.9 million (1.5 percent of GDP) in the first half of 2025, from US\$25.1 million (1.1 percent of GDP) in the first half of 2024. The goods account deficit widened to US\$488.0 million (20.3 percent of GDP) in the first half of 2025, compared to US\$474.4 million (20.2 percent of GDP) in the first half of 2024. Total imports of goods increased by 11.3 percent to US\$697.7 million, primarily driven by electricity, fuel, construction and food imports. Meanwhile, total exports grew by 37.3 percent, reaching US\$209.7 million during the same period.
8. The domestic foreign exchange market continues to function smoothly with robust activity volumes. Total activity volumes measured by aggregate purchases and sales of foreign currency amounted to US\$1.3 billion in the first half of 2025, which was 8.3 percent higher than what was recorded in the corresponding period a year ago. This improvement was supported mainly by private remittance inflows, amounting to US\$426.0 million from January to June 2025, an increase of 4.9 percent year on year. A rise in income from tourism was also a contributor to the improvement in foreign currency liquidity.
9. The exchange rate of the Dalasi showed moderate depreciation in the second quarter of 2025, despite an improvement in foreign currency supply conditions. From March to June 2025, the Dalasi weakened by 0.8 percent against the US dollar, 7.6 percent against the Euro, 5.0

percent against the British pound, and 1.5 percent against the CFA franc.

10. Gross international reserves strengthened, reaching US\$502.4 million by end-July 2025, compared to US\$486.6 million at end-March 2025. This is adequate to cover 3.9 months of prospective imports of goods and services.
11. Preliminary estimates of government fiscal operations for the first half of 2025 indicate that the overall deficit narrowed, compared with the same period a year ago. The overall deficit, excluding grants, decreased from D11.0 billion (7.7 percent of GDP) in the first half of 2024 to D11.6 billion (7.4 percent of GDP) in the first half of 2025. Similarly, the overall budget deficit, including grants, narrowed to D5.0 billion (3.5 percent of GDP), compared to D6.4 billion (4.4 percent of GDP) during the same period.
12. The stock of domestic debt increased marginally by 1.5 percent between December 2024 to July 2025, reaching D47.1 billion. However, domestic debt to GDP ratio declined to 23.5 percent in July 2025, from 24.3 percent in December 2024. Medium to long-term debt instruments accounted for 50.8 percent of the domestic debt stock, while short-term debt instruments, including treasury bills and Sukuk Al Salaam bills, made up the remaining 49.2 percent.
13. Annual money supply growth decelerated to 13.2 percent in June 2025, from 14.4 percent a year earlier. Reserve money, the Bank's operating target, grew at a more subdued pace of 2.0 percent, down from 3.1 percent a year earlier. This decline largely reflects the 52.3 percent contraction of the Central Bank's net domestic assets. Credit to the private sector grew strongly, rising by 21.5 percent year-on-year,

compared to a growth of 0.7 percent recorded in the corresponding period of 2024.

14. The banking sector continues to exhibit resilience and stability, underpinned by strong capital and liquidity levels and increased profitability. Total industry assets expanded by 7.2 percent between March and June 2025, reaching D110.9 billion, equivalent to 64.3 percent of GDP. Customer deposits also rose, amounting to D81.4 billion or 41.9 percent of GDP, reflecting sustained confidence in the banking sector. The capital adequacy ratio remains robust at 28.4 percent in June 2025, higher than the regulatory requirement of 10 percent. Liquidity conditions improved, with the liquidity ratio strengthening to 78.5 percent, indicating enhanced capacity to meet short-term obligations.
15. The non-performing loan (NPL) ratio declined to 8.9 percent in June 2025, supported by ongoing loan restructuring efforts and improved repayment conditions. The industry's earnings remain strong, registering return on assets (ROA) and returns on equity (ROE) of 3.7 percent and 16.7 percent, respectively. The Bank's quarterly stress test results reaffirmed the sector's resilience to both capital and liquidity shocks.
16. Microfinance institutions maintained strong performance in the first half of 2025, with total assets increasing to D9.3 billion and deposits reaching D7.1 billion as at end-June 2025. This growth was underpinned by sound liquidity conditions, adequate capital buffers, and improved risk management. Gross loans expanded by 37 percent year-on-year to D1.5 billion, with the bulk of the credit extended to micro, small, and medium-sized enterprises (MSMEs).
17. Fintech and mobile money operators also continued to expand rapidly, reinforcing progress in financial inclusion. By end-June 2025, registered

accounts stood at 4.5 million, of which 2.4 million were active. Cash-in transactions amounted to D20.4 billion, while cash-out transactions totalled D20.8 billion, reflecting the growing use of digital financial services.

18. The Central Bank continues to strengthen the regulatory and supervisory framework, enhance cybersecurity resilience, and modernise payment systems infrastructure to ensure that the rapid growth of fintech and mobile money translates into deeper and more sustainable financial inclusion.
19. Domestic price pressures continue to moderate. Headline inflation eased to 7.2 percent in June 2025, the lowest since late 2021. It, however, edged up to 7.5 percent in July, due to an uptick in food inflation, which mirrors the volatility in global food prices.
20. Food inflation increased to 8.5 percent in July, from 7.9 percent in June 2025, reflecting higher global vegetable oil and meat prices alongside seasonal pressures in perishables. Non-food inflation, by contrast, slowed steadily to 6.1 percent in July, from 6.3 percent in June 2025. The decline was aided by subdued global oil prices, as well as stable domestic transport costs and utility tariffs.
21. Core inflation, which is measured by stripping out energy and volatile food items from headline inflation, edged up slightly to 5.8 percent in July, from 5.3 percent in June.
22. On the outlook, staff assessed the July uptick in inflation as a temporary deviation from the disinflation path and maintained the forecast that headline inflation will converge toward the 5 percent implicit target by year-end. Nonetheless, this outlook remains subject to considerable risks

emanating from the global economic environment, particularly commodity price volatility and the domestic fiscal policy path.

23. The Committee observed as follows:

- Globally, while inflation is easing in advanced economies, disinflation in developing countries continues at a slower pace, with risks from volatile commodity markets, geopolitical tensions, and climate-related disruptions. These uncertainties call for caution, as external shocks could transmit to the domestic economy through food and fuel prices.
- Domestically, the economy is showing resilience, supported by robust remittances, tourism, and investment. The foreign exchange market continues to be stable, supported by improved liquidity conditions and ample gross international reserves. The foreign exchange market remains liquid, though the Dalasi experienced modest depreciation due to persistent demand pressures.
- Inflation has moderated significantly, easing to 7.2 percent in June 2025 before edging up slightly to 7.5 percent in July, driven mainly by food price volatility. While the disinflation trend is encouraging, risks remain from external price shocks, exchange rate movements, and potential domestic supply constraints.
- The current policy stance is achieving the intended balance between supporting disinflation and safeguarding growth momentum. Nonetheless, the disinflation process remains fragile, given heightened global uncertainties and potential risks from the domestic fiscal policy path.

24. Policy Decisions

Based on the assessment of global and domestic conditions and outlook:

The Committee concluded that maintaining the current policy stance ensures that real interest rates remain positive, anchoring inflation expectations while providing stability for the financial system and the broader economy.

In this regard, the Committee decided to:

- I. The Monetary Policy Rate (MPR) is maintained at 17 percent.
- II. The Required Reserve (RR) ratio of commercial banks is maintained at 13 percent.
- III. The interest rate on the standing deposit facility is maintained at 4 percent.
- IV. The interest rate on the standing lending facility remains at 18 percent, equivalent to MPR plus 1.0 percentage point.

The Committee reaffirms its commitment to closely monitor domestic and global economic conditions and stands ready to take appropriate action should risks to inflation and financial stability intensify.

Information Note

Date for the next MPC meeting

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