CENTRAL BANK OF THE GAMBIA

MONETARY POLICY COMMITTEE

Press Release **December 4, 2025**

The Monetary Policy Committee (MPC) of the Central Bank of The Gambia (CBG) met on December 3 and 4, 2025. After assessing domestic and global economic conditions and near-term outlook, the Committee decided to cut the Monetary Policy Rate (MPR) by 100 basis points to 16 percent. The following is an overview of deliberations that informed the Committee's decision.

1. The global economic recovery is losing momentum after a strong start to the year. Growth remains fragile and long-term challenges are increasingly weighing on the outlook. The International Monetary Fund (IMF) projected global growth at 3.2 percent in 2025 and 3.1 percent in 2026, which are still below the pre-pandemic average of 3.7 percent. Advanced economies are expected to grow at 1.6 percent, while emerging markets and developing economies will expand by 4.2 percent. Growth in Sub-Saharan Africa is forecast at 4.0 percent, aided by easing inflation and stabilising exchange rates, though recovery remains uneven.

2. Global inflation continues to moderate, projected at 4.2 percent in 2025 and trending toward 3.7 percent in 2026, supported by softer energy prices and improved supply conditions. The decline in inflation is more pronounced in the euro area and Asia. Inflation dynamics, however, remain more challenging in developing economies, where elevated food and energy costs, currency depreciation, and fiscal vulnerabilities persist.

3. Commodity prices are expected to remain broadly subdued in 2025. Energy prices have eased compared to last year, with crude oil projected to average around US$66.9 per barrel, down from US$79.2 in 2024. This reflects ample supply and softer global demand. Food prices have also stabilised, though the outlook remains fragile amid trade tensions, geopolitical risks, and climate-related disruptions. The FAO Food Price Index declined by 1.6 percent between September and October 2025, marking a second consecutive monthly drop. Similarly, the FAO Rice Price Index fell by 2.5 percent over the same period.

4. The Gambian economy showed strong growth in 2024, and the outlook for 2025 remains broadly favourable. The Gambia Bureau of Statistics (GBoS) revised real GDP growth for 2024 to 5.6 percent. The Central Bank growth projection for 2025 remains unchanged at 6.4 percent, supported by strong private and public investment, higher performance in services, construction and agriculture. Private remittance inflows and public investment also continue to bolster domestic demand. However, global economic uncertainties and volatility in commodity prices remain key downside risks to the growth outlook.

5. The Central Bank's Business Sentiment Survey for the third quarter of 2025 shows rising optimism among firms regarding the near-term outlook for the Gambian economy. The majority of respondents anticipate further improvements in economic conditions in the fourth quarter. While inflation expectations remain elevated, they are trending downward in line with the decline in headline inflation.

6. The current account deficit narrowed to US$66.7 million (2.8 percent of GDP) in the first nine months of 2025, compared to US$78.7 million (3.3 percent of GDP) in the corresponding period of

2024. This improvement was largely attributed to higher tourism income, an increase in exports and sustained remittance inflows.

7. The goods account deficit declined to US$698.7 million (29.1 percent of GDP) in the first nine months of 2025, from US$727.9 million (30.5 percent of GDP) in the same period of 2024. Total imports increased by 2.9 percent to US$1.0 billion. The main imported items were electricity, fuel, construction materials, and food imports. Meanwhile, total exports increased by 22.8 percent to reach US$309.6 million over the same period.

8. The domestic foreign exchange market continues to function smoothly. Aggregate foreign currency purchases and sales reached US$2.4 billion in the first nine months of 2025, compared to US$2.1 billion in the corresponding period of 2024, reflecting improved foreign exchange supply conditions. Private remittance inflows, 24.3 percent of which originated from the United States, amounted to US$638.4 million between January and September 2025.

9. The dalasi remains broadly stable during the year. Between June and September 2025, the dalasi appreciated by 0.1 percent against the US dollar, but depreciated by 4.3 percent against the euro, 1.0 percent against the British pound, and 2.6 percent against the CFA franc.

10. The Central Bank continues to maintain a strong external reserve position to safeguard the economy against external shocks. Gross international reserves stood at US$493.11 million as of end-October 2025, providing adequate cover for 4.4 months of prospective imports of goods and services.

11. Preliminary estimates of government fiscal operations for the first half of 2025 indicate an improvement in the fiscal position relative to the same period in 2024. The overall deficit, including grants, narrowed to D6.0 billion (5.0 percent of GDP), compared to D8.6 billion (6.1 percent of GDP) a year earlier. This positive trend is driven primarily by stronger domestic revenue mobilisation, supported by ongoing improvements in tax administration. On the other hand, the overall deficit, excluding grants, slightly increased by 1.8 percent from D15.2 billion (10.8 percent of GDP) in the first nine months of 2024 to D15.5 billion (11.0 percent of GDP) for the same period in 2025.

12. The stock of domestic debt increased to D50.1 billion (28.7 percent of GDP) in October 2025, up from D46.4 billion (28.5 percent of GDP) in December 2024. The share of medium- and long-term instruments continued to rise, accounting for 47.8 percent of the domestic debt portfolio. This is in line with the government's strategy to shift toward more sustainable financing. Nevertheless, short-term instruments still dominate the portfolio, representing 52.2 percent of the total domestic debt stock.

13. Annual broad money growth accelerated to 16.4 percent in September 2025, up from 14.4 percent a year earlier, driven mainly by the stronger contribution of net domestic assets. Credit to the private sector also expanded, increasing by 9.4 percent in September, up from 1.9 percent a year ago. Reserve money grew by 12.5 percent, reversing the contraction of 0.3 percent registered the previous year, supported by an improvement in the Central Bank's net foreign assets driven by sustained foreign exchange inflows.

14. The banking sector remains stable and resilient. Total industry assets stood at D116.8 billion (71.3 percent of GDP) in September 2025, compared to D104.5 billion (72.1 percent of GDP) a year earlier. Total deposits increased by 15.6 percent year-on-year to D76.4 billion (46.5 percent of GDP).

15. Capital adequacy remains strong, with capital levels well above regulatory thresholds. The industry aggregate risk-weighted capital adequacy ratio increased to 25.1 percent in September 2025, higher than the 24.9 percent recorded in September 2024. The rise is attributable to a growth in paid-up capital and retained earnings. The liquidity ratio of the industry decreased slightly to 80.3 percent in September 2025, from 81.8 percent reported in September 2024. The loan-to-deposit ratio declined from 25.2 percent to 22.6 percent.

16. As at end-September 2025, Fintech and mobile money operators registered users stood at 4.3 million, down slightly from 4.5 million in June. The total number of active users stood at 2.1 million, representing 49 percent of registered accounts. Cash-in transactions rose by 0.9 percent to D20.5 billion, and cash-out increased by 3.6 percent to D21.6 billion.

17. Domestic price pressures continue to moderate. Headline inflation eased to 7.0 percent in October 2025, down from 7.4 percent in September and well below the peak of 2023. This marks the eighth consecutive month of single-digit inflation, reflecting broad-based easing across major components.

18. Food inflation fell further to 7.4 percent in October, from 8.0 percent in September, driven by lower prices of bread and cereals, fish, dairy products, oils and fats, and other processed food items. Non-

food inflation moderated slightly to 6.2 percent, supported by easing housing and utilities inflation despite some upticks in communication and hospitality services.

19. Core inflation continued to decline. The core inflation, which excludes energy and volatile food items, fell to 4.5 percent in October, from 5.3 percent in September 2025.

20. The Committee observed as follows:

- The global economic outlook for 2025 has softened after a strong start to the year. While growth remains positive, it is still below pre-pandemic levels, and inflation risks are receding globally. Central banks are cautiously moving toward monetary easing, and this policy shift is already well underway in many emerging markets and developing economies. Several central banks have begun lowering interest rates as inflation stabilises, while others remain constrained by external vulnerabilities.

- Global commodity prices remain broadly subdued, reinforcing the global disinflation trend and reducing imported inflation pressures for The Gambia. While uncertainties persist, the risk of spillovers through food and fuel costs is mitigated by strong external buffers and stable foreign exchange.

- Domestically, the economy remains resilient, supported by robust remittance inflows, an expanding tourism sector, and sustained investment activity. The foreign exchange market is orderly and liquid, while the dalasi remains stable.

Policy Decisions

The decision of the Committee reflects steady improvements in inflation and resilient domestic growth. Headline inflation, though above the medium-term target at 7.0 percent, has been in single digits for eight consecutive months, with core inflation also trending downward. Subdued global commodity prices, a stable dalasi, improving external reserves, and strong remittance and tourism inflows provide further support for the economy. The MPC expects inflation to continue easing, and the rate cut is intended to stimulate private sector lending, encourage investment, and sustain economic expansion while maintaining price stability.

In this regard, the Committee decided the following:

I. The Monetary Policy Rate (MPR) is reduced to 16 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 increased to 5 percent.
IV. The interest rate on the standing lending facility will decline to 17 percent, equivalent to MPR plus 1.0 percentage point.

In summary, this measured reduction in the policy rate is a necessary and proactive step to provide additional support to economic growth amid a broad global slowing. We are confident that this measure ensures financial conditions remain appropriate while securing the sustainable return of inflation to our target. The lower policy rate is expected to stimulate private sector activity, while still maintaining positive real interest rates to anchor inflation expectations and safeguard financial stability. The Committee remains prepared to adjust policy, as warranted by evolving economic circumstances. In addition, we will intensify open market operations and policy coordination between the Central Bank of The Gambia and the fiscal authorities to safeguard the stability achieved.

Information Note

Date for the Next MPC Meeting

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