CENTRAL BANK OF THE GAMBIA

MONETARY POLICY COMMITTEE

**Press release** **February 27, 2025**

The Monetary Policy Committee (MPC) of the Central Bank of The Gambia (CBG) convened on February 26 and 27, 2025. After reviewing current 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. Global economic growth remains stable, underpinned by declining inflation and easing monetary policy in advanced economies. The International Monetary Fund (IMF) in its January 2025 World Economic Outlook update, revised global economic growth projections upward to 3.3 percent for 2025, reflecting stronger-than-expected activity in the United States and a moderate recovery in China. The OECD and World Bank also anticipate steady, moderate growth for 2025. However, escalating uncertainties linked to trade protectionism and geopolitical tensions pose significant risks. These could undermine business and consumer confidence, disrupt global supply chains, and dampen investment and trade flows.

2. Global disinflation continues but progress is slow. The IMF projects global inflation to decline, from 5.7 percent in 2024 to 4.2 percent in 2025 and further to 3.5 percent in 2026. Nevertheless, divergence remains with advanced economies projected to reach their inflation targets sooner than emerging markets and developing economies. In sub-Saharan Africa, inflation is expected to decline at a slightly faster pace in 2025 but will remain higher than earlier projected in 2026.

3. On commodity prices development, the World Bank projects global commodity prices to decelerate to 6.0 percent in 2025 before falling to 2.0 percent in 2026. This is largely on the back of improved supply conditions for energy and food commodities despite ongoing geopolitical tensions. However, despite this sustained downward trend, most commodity prices remain volatile and are significantly above pre-pandemic levels, posing an upside risk to the disinflation process.

4. Furthermore, FAO Food Price Index, a key measure of global food commodity prices, declined slightly in January 2025, attributed to the significant fall in sugar prices that outweighed the increase in dairy products and cereals. The index was 1.7 percent lower in January 2025 than it was in December 2024 but remains 6.2 percent higher than a year ago. Similarly, international rice prices saw a significant decline in January 2025 due to subdued demand. The FAO Rice Price Index fell by 4.7 percent from December 2024 to January 2025, and 20.4 percent year-on-year.

5. On the domestic economy, preliminary data from the Gambia Bureau of Statistics indicate that the Gambian economy grew on average by 7.2 percent in the first three quarters of 2024. This strong performance was precipitated by solid growth in financial services, distributive trade, construction, mining and quarrying. Similarly, the Central Bank's Composite Index of Economic Activity (CIEA) pointed to an average growth in economic activity of 5.8 percent in 2024 rising to 6.1 percent in January 2025. Against this backdrop, CBG staff projected 5.7 percent growth for the Gambian economy in 2024, rising to 5.9 percent in 2025. However, renewed global trade fragmentation, geopolitical tensions, and volatility in commodity prices continue to pose significant risk to this outlook.

6. The Central Bank's Business Sentiment Survey for the fourth quarter of 2024 indicated an improvement in business sentiments on the prospects of the Gambian economy. Majority of respondents expect economic activity to grow in the next three months, indicating favourable near-term outlook. Although

inflation expectations remain elevated, respondents expressed optimism that inflation will continue to moderate.

7. Preliminary balance of payments estimates indicate a modest improvement in the current account balance in 2024, supported by a rebound in tourism, private remittances, and official inflows. The current account balance moderated 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.

8. However, the deficit in the goods account continues to widen, from US$877.4 million (40.3 percent of GDP) in 2023, to US$1.0 billion (44.6 percent of GDP) in 2024. The growing deficit in the trade balance continues to be driven by increasing imports of food items, electricity and fuel, on the back of a low export base.

9. The domestic foreign exchange market continues to function smoothly with robust activity volumes. From January to December 2024, total activity volumes, measured by aggregate purchases and sales of foreign currency, stood at US$2.1 billion, compared to US$1.9 billion reported in the same period a year ago. Private remittance inflows, which continues to be a major source of foreign currency supply, remains robust, amounting to US$775.6 million in 2024, higher than US$746.8 million reported in 2023.

10. The exchange rate of the Dalasi continues to be relatively stable, mirroring the improved supply conditions. From September to December 2024, the Dalasi depreciated against the US dollar by 2.3 percent, the British pound sterling by 1.6 percent and the CFA franc by 0.9 percent. However, it slightly appreciated against the Euro by 0.3 percent in the review period.

11. The Central Bank continues to hold comfortable levels of international reserves, amounting to US$515 million in January 2025. This is sufficient to finance over 4.6 months of prospective imports of goods and services.

12. Preliminary estimates of government fiscal operations for 2024 indicate that despite strong revenue performance, the overall deficit widened. The overall deficit, excluding grants, increased from D17.1 billion (11.9 percent of GDP) reported in 2023 to D18.9 billion (13.2 percent of GDP) in 2024. Similarly, the overall budget deficit, including grants, increased to D6.7 billion (4.7 percent of GDP) in 2024, compared to D5.1 billion (3.6 percent of GDP) in 2023.

13. The stock of domestic debt rose by 12.2 percent to D46.4 billion in 2024, from D41.3 billion in December 2023. However, the ratio of domestic debt to GDP declined from 28.2 percent in 2023 to 26.9 percent in 2024. Short-term government securities, with a maturity of one year or less, accounted for 48.6 percent of the total domestic debt stock. The weighted average treasury bill rate declined, from 11.3 percent in 2023 to 10.4 percent in 2024.

14. The interbank Dalasi market remains stable with robust activity volumes. Total trade activity volumes amounted to D13.1 billion in 2024, slightly lower than D14.2 billion reported in December of 2023. The weighted average interest rate prevailing in the interbank market declined from 7.5 percent in 2023 to 5.6 percent in 2024, following the three-month Treasury bills rate.

15. The banking sector continues to grow, with the industry asset base rising by 18.3 percent to D100.3 billion in 2024. Similarly, total customer deposits, which continue to be the main source of funding for banks, increased by 13.1 percent in 2024 to stand at D66.4 billion.

16. On financial soundness indicators, the industry aggregate risk-weighted capital adequacy ratio increased to 28.5 percent in December 2024, significantly higher than the 24.9 percent recorded in September 2024. The rise is attributable to a growth in paid-up capital in line with the capital augmentation directive issued by the Bank in 2023. The liquidity ratio of the industry slightly moderated to 76.1 percent in December 2024, from 81.8 percent reported in September 2024. The industry's non-performing loans slightly improved in December 2024 to stand at

14.6 percent, from the 15.8 percent reported in September 2024. The Bank's latest stress testing results suggest that the banking sector remains resilient to potential capital and liquidity shocks.

17. Annual money supply growth moderated to 7.8 percent in 2024, lower than the 9.3 percent reported in 2023. This reflects the moderation in the net domestic assets of depository corporations, despite an increase in the net foreign assets of the Central Bank and commercial banks during the review period. Similarly, growth in reserve money, the Central Bank's operating target, also decelerated by 5.6 percent in 2024, compared to a 14.1 percent growth reported in 2023. Credit to the private sector growth accelerated (year-on-year) by 20.4 percent in December 2024, from a growth of 9.2 percent recorded in the same period in 2023.

18. Domestic price pressures are easing, despite recent short-term fluctuations in inflation. In January 2025, headline inflation held steady at 10.2 percent, unchanged from December 2024. However, staff projections indicate that, barring any unexpected shocks from international commodity prices or administrative price adjustments, headline inflation is likely to fall into single digits by mid-2025.

19. Food inflation eased marginally to 12.7 percent in January 2025, down from 12.8 percent in December 2024. This moderation in food inflation reflects the easing of some major components in the food basket, including the price indices of fish, milk, cheese and eggs, fruits and nuts, vegetables, and sweets, which offsets the increase in the prices of bread and cereals, meat and oil and fats. On the other hand, non-food inflation rose, from 6.6 percent in October 2024 to 7.3 percent in January 2025, primarily driven by increases in the price items of housing, energy, and services.

20. The Central Bank's core inflation measure, which excludes volatile food and energy prices, remained stable but edged up to 4.6 percent in January 2025, from 3.5 percent in December 2024. Nonetheless, this uptick signals underlying inflationary pressures in the economy, underscoring the need for continued prudence in monetary policy.

**The Committee observed as follows:**

- Global economic growth remains stable despite persistent uncertainties, supported by easing inflation and a gradual shift toward less restrictive monetary policies. However, progress in reducing inflation has slowed in some economies, with advanced economies expected to reach their targets ahead of emerging markets and developing economies.

- Commodity prices remain volatile in 2025 but are generally expected to trend downward during the year. However, ongoing geopolitical tensions and rising trade protectionism continue to add uncertainty to global commodity markets and efforts to curb inflation. As a result, risks to the global outlook remain skewed to the downside. For small open economies like The Gambia, fluctuations in commodity prices could have significant implications for inflation, exchange rate stability, and overall macroeconomic conditions. This underscores the need for a cautious and adaptive policy approach.

- Global interest rates could shift higher again, particularly as inflation remains persistent. Central banks around the world may maintain or tighten monetary policy as inflation persists. For developing economies like the Gambia, this could translate into increased debt servicing burdens, capital outflows, and currency depreciation, potentially dampening economic growth and exacerbating fiscal challenges.

- On the domestic economy, recovery continues to gain momentum, with a more favorable medium-term outlook. The Committee expects economic growth to remain close to 6 percent this year and next, supported by public infrastructure investments, increased private construction activities, a sustained recovery in tourism, and steady remittance inflows.

- Significant progress has been made in reducing inflation, driven by prudent monetary policy measures and subdued global commodity prices. However, inflation remains persistent, declining at a slower pace than previously projected. While the upward trend observed since late 2024 has stalled, the Committee anticipates a further decline in inflation through 2025. Single-digit inflation is expected by mid this year, with a return toward the implicit target of 5 percent by 2026, barring unforeseen shocks.

- Given the heightened global uncertainties and potential risks to domestic inflation, the Committee underscores the need to maintain a tight monetary policy stance to support the disinflation process.

- Moreover, the Committee acknowledges the rapidly evolving policy landscape in some advanced economies and is closely monitoring its implications for macroeconomic stability in The Gambia.

**Policy Decisions**

21. 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.

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, May 28, 2025**. The meeting will be followed by the policy decision announcement on **Thursday, May 29, 2025.**