BANK OF GHANA
MONETARY POLICY COMMITTEE (MPC)
PRESS RELEASE
March 28, 2025

Good afternoon, ladies and gentlemen of the press.

1. Thank you for joining us today for this press briefing following the conclusion of the 123rd regular meeting of the Monetary Policy Committee (MPC) held this week to assess recent economic developments and risks to the inflation outlook. As part of our continued commitment to transparency and accountability, this briefing provides an overview of the key discussions on recent macroeconomic developments and the decision taken by the Committee on the monetary policy stance.

A. Global Economic Developments

2. **The global economy was resilient through 2024 supported by strong real income growth and a less restrictive monetary policy stance relative to 2023**. In the first few months of 2025, trade frictions arising from an emerging tariff war, elevated global interest rates, and geopolitical tensions have heightened uncertainty about the global growth outlook. These uncertainties have weighed negatively on consumer and business confidence, softened investor sentiment, and increased downside risks to growth.

3. **The disinflation path has stalled in some Advanced Economies, on the back of persistence in services inflation, resurgence in goods inflation, and the recent tariff actions by the U.S**. The imposition of additional tariffs by the U.S. and retaliatory responses have pushed up long-term inflation expectations in some Emerging Market Economies. In addition, the process of disinflation, which was expected to be supported by a decline in crude oil prices, could be partly offset by the effect of the tariff increases. Against this backdrop, global inflation is expected to remain high in the near-term.

4. **Global financial conditions remain broadly restrictive.** This is driven by high monetary policy rates, rising long-term bond yields, declining capital flows to Emerging Market and Developing Economies, and volatile equity markets. The Federal Reserve, Bank of Japan, and Bank of England all kept their policy rates unchanged in March 2025 on account of rising trade and economic uncertainty, while the European Central Bank cut its policy rate to boost growth in the Euro Area.

Expectations of higher-for-longer policy rates and rising uncertainty kept long-term bond yields high, while equity markets remained cautious due to concerns about the effects of tariffs.

B. Domestic Macroeconomic Conditions

5. **On the domestic front, growth continued to rebound, exceeding initial expectations.** Provisional data from the Ghana Statistical Service estimated real GDP growth at 5.7 percent in 2024, higher than the programmed growth rate of 4.0 percent for 2024, and the 3.1 percent recorded in 2023. Non-oil GDP grew at 6.0 percent compared with 3.6 percent recorded in 2023. The growth outturn in 2024 was driven by activities in the industry and services sectors. However, growth in the agricultural sector was slower, driven by lower crop yield due to adverse weather conditions, among other factors.

6. **The Bank's real sector indicators point to a sustained improvement in economic activity, amid significantly improved business and consumer sentiments**. The updated Composite Index of Economic Activity (CIEA) rose by 5.7 percent year-on-year in January 2025, relative to 3.5 percent in the same period of 2024, driven by increased consumption, international trade activities, and private sector credit growth. The confidence surveys conducted in February 2025 also showed significant improvement in both consumer and business sentiments, buoyed by expectations for an improved macroeconomic environment.

7. **Inflation remained high in 2024 and sticky around 23 percent, significantly higher than expectation.** The latest data released by the Ghana Statistical Service indicates that headline inflation eased marginally from 23.8 percent in December 2024 to 23.1 percent in February 2025, due to easing but still high non-food inflation. Food inflation has remained elevated on account of unfavourable climatic conditions and other constraints.

8. **The Bank's main core measure of inflation eased marginally in the first two months of 2025.** Inflation, excluding energy and utility items from the consumer basket, eased from 23.1 percent in December 2024 to 22.4 percent in February 2025, and compared with 24.0 percent in the same period last year. This notwithstanding, latest inflation expectations, as derived from the Bank's model, the yield curve, and surveys point to softening of expectations, although still above the medium-term target.

9. **Private sector credit is beginning to show signs of recovery.** In February 2025, private sector credit recorded 26.9 percent annual growth, compared with 5.1 percent in February 2024. In real terms, credit growth was 3.1 percent, compared with a decline of 14.7 percent in February 2024.

10. **The banking sector performance continued to improve**. Total bank assets recorded 34.0 percent growth at the end of February 2025 relative to 12.1 percent growth, in the same period last year. With regulatory reliefs, the banking industry's Capital Adequacy Ratio (CAR) was higher at 14.4 percent compared to 13.6 percent in the same period last year. Without reliefs, CAR was 12.1 percent. The industry's Non-Performing Loan (NPL) ratio declined to 22.6 percent in February 2025 from 24.6 percent in February 2024. Excluding the loans in the loss category, which are fully provisioned, the NPL ratio as at end-February 2025 was 8.9 percent. Overall, the Financial Soundness Indicators showed broad improvements in asset growth, solvency, liquidity, efficiency, and profitability.

11. **The fiscal policy stance was more expansionary than expected in 2024.** The 2024 fiscal deficit, on commitment basis, was 7.9 percent of GDP against a target of 3.8 percent of GDP, on the back of higher expenditures than target. This notwithstanding, early indications from banking sector data suggest some improvements in fiscal performance in early 2025. This, along with the commitment to fiscal consolidation presented in the 2025 budget, should support the fiscal outlook. Also, the ratio of public debt declined supported by the debt restructuring.

12. **Prices of Ghana's major export commodities traded mixed on the international commodities market in early 2025**. Gold prices crossed the US$3,000 per fine ounce on March 14, 2025, on account of heightened economic uncertainty triggered by the trade and geopolitical tensions, persistent inflation, and weakening US dollar. In February 2025, gold prices averaged US$2,897.3 per fine ounce, indicating a year-on-year growth of 9.7 percent. Similarly, crude oil prices recorded a marginal annual growth of 2.4 percent to settle at an average price of US$74.95 per barrel. Cocoa prices, however, declined by 8.5 percent driven by improving supply outlook for the current 2024/25 season.

13. **The strong external sector performance in 2024 continued in early 2025, indicating a significant improvement in the accumulation of reserves.** In the first two months of 2025, the trade account recorded a surplus due to higher export receipts relative to imports. Total exports posted 50.0 percent annual growth to reach

US$4.3 billion, driven by increased gold and cocoa exports arising from both price and volume effects. In contrast, crude oil exports declined as output from the three oil producing fields fell. Total imports increased by 7.3 percent year-on-year to US$2.7 billion.

14. **Consequently, international reserve accumulation met the IMF programme expectation for 2026.** The stock of Gross International Reserves, at the end of February 2025, was US$9.4 billion, enough to cover 4.2 months of imports of goods and services. This compares to the stock of US$5.9 billion at the end of December 2024, equivalent to 4.0 months of imports of goods and services. The Gross International Reserves, as defined under the IMF programme to exclude the encumbered assets and petroleum funds, increased to US$6.9 billion, equivalent to 3.0 months of imports of goods and services, in February 2025.

15. **The foreign exchange market has continued to witness stability in recent months, aided by improved liquidity from remittance inflows and the Domestic Gold Purchase Programme**. The stability in the FX market is expected to remain, reflecting stronger reserve buffers and positive market sentiments. As of March 26, 2025, the Ghana cedi depreciated at a slower pace of 5.3 percent against the US dollar, compared to 7.6 percent in the same period of last year.

C. Summary and Outlook

16. **In summary, the Committee noted that the global environment has become more challenging, reflecting trade and economic policy uncertainty.** The series of tariffs announced by the U.S. administration is evolving and may have negative effects on the global economy. These developments have already triggered downgrades in GDP growth forecasts in the two largest economies—U.S. and China—and in turn, global growth. In addition, the disinflation process appears to have stalled in some countries, while financial conditions remain broadly restrictive as central banks slow the pace of monetary policy easing. The persistence of these external headwinds may spill over to the domestic economy through the trade and financial channels, highlighting the need for policy to remain proactive.

17. **On the domestic front, early indications point to improved growth prospects**. The Bank's CIEA rebounded, and the Ghana Purchasing Managers' Index moved above the 50-benchmark in February, implying increases in new orders by companies. Both business and consumer confidence have improved, and private

sector credit growth is recovering. These developments suggest a positive outlook for the economy.

18. **The external sector outlook remains strong**. This is against the backdrop of increases in gold exports driven by sustained implementation of the Gold-for-Reserve programme, continued growth in remittance inflows, and commitment to the implementation of policies and reforms under the IMF programme. In the outlook, the continued buildup of reserve buffers is expected to support the stability of the currency.

19. **The banking sector has remained broadly stable.** Credit risks within the banking sector, however, remain elevated, as underscored by increased non-performing loan ratios. The Bank's latest macroprudential risk assessment indicates some moderation in systemic risks on the back of improved solvency, liquidity, efficiency, and profitability. Going forward, the Bank will continue to closely monitor undercapitalised banks to safeguard the stability and soundness of the banking sector.

20. **The Committee observed that the fiscal stance was expansionary in 2024.** This has created significant fiscal impulses, and a liquidity overhang that needs to be carefully managed. The strong liquidity conditions could spill over into other segments of the economy and derail the disinflation path. While the government has signalled a strong commitment to fiscal consolidation, monetary policy restraint is required.

21. **While headline inflation has declined marginally, it remains a concern.** Both food and non-food inflation are significantly above expectation, and core inflation remains elevated. While food inflation was driven largely by supply side factors, preventing second-round effects from such increases will be essential. The persistent inflation dynamics over the past year, partly driven by both fiscal and monetary policy missteps, will require a policy reset to re-anchor the disinflation process. To restore price stability going forward will require a tight monetary policy stance, strong liquidity management, and commitment to the 2025 budget which seeks to reset the fiscal consolidation process.

D. Monetary Policy Decision

22. Under the circumstances, the Committee, by a majority decision, decided to raise the Monetary Policy Rate by 100 basis points to 28.0 percent to re-anchor the

disinflation process. As inflation becomes firmly anchored, the Committee will reassess the scope for a gradual easing in the policy stance.

Additional Operational Measures

23. In addition to the adjustment in the policy rate, the Bank is implementing complementary measures to strengthen liquidity management and enhance monetary policy transmission. In this regard, the Bank will:

- Introduce a 273-day instrument to augment the existing sterilization toolkit.
- Intensify the monitoring of banks' Net Open Positions (NOPs) to ensure compliance.
- Review the current structure of the Cash Reserve Ratio (CRR) to assess its broader impact on liquidity conditions and financial intermediation in the economy.

END.