



**TRANSCRIPT OF THE
123RD MONETARY POLICY COMMITTEE MEETINGS PRESS BRIEFING HELD
ON 28 MARCH 2025 AT THE BANK SQUARE**



Following the Monetary Policy Committee (MPC) press briefing on Friday, 28 March 2025 by the Governor, who is also the Chairman of the MPC, the Press sought clarifications on several issues. Below is an edited transcript of questions by the Press and responses by the Governor.

Questioner: *The Committee has increased the Monetary Policy Rate (MPR) by 100 basis points to 28%. Currently, the short-term treasury bill rate is below 20%, and the Ghana Reference Rate (GRR), which serves as the base rate for bank lending, is at 27%, the same as the MPC rate before today.*

Given the negative real interest rate on short-term government borrowing compared to inflation, how will you maintain interest in government treasury bills? Additionally, how will you ensure that the benefits of falling interest rates for short-term treasury bills are passed on to borrowers, who are still facing borrowing rates over 30% due to the GRR being at 27%?

Governor: There are distinct objectives between the Bank's policy tools and the government instruments. The Bank focuses on sterilising and managing liquidity conditions, whereas the government borrows from the money market to close the financing gap. Despite these differing objectives, it is crucial that our efforts complement each other. The recent decline in yields on government instruments is a positive development, reflecting effective cash management by the fiscal authorities. However, in taking the decision to raise the policy rate, the Bank's MPC emphasised that failing to manage the current liquidity conditions could further slow the disinflation process and keep inflation high. As I mentioned earlier, the Committee is prepared to move towards an easing path depending on future inflation readings. Also, we will continue to monitor liquidity conditions through our Financial Markets Department to ensure our policy objectives are being met.

Questioner: *During the National Economic Dialogue Forum, you mentioned that the Bank is considering using a portion of commercial banks' reserves to support agriculture, particularly through GIRSAL, to address food inflation. Given the potential risks associated with direct central bank involvement in sectorial credit allocation, would the Bank consider strengthening Ghana-Incentive-Based Risk-Sharing System for Agricultural Lending (GIRSAL) indirectly through liquidity support instead of deploying reserves directly? Additionally, how does the Bank plan to balance this initiative with its core mandate of ensuring price stability, especially under the current IMF program?*

Governor: Let me be clear on this. I did not state that the Bank would support GIRSAL directly. During the Question-and-Answer session at the Dialogue, someone inquired about the potential use of DMBs [Deposit Money Banks] reserves held by the Bank, and I clarified that the scope for management of these reserves is quite limited. I posed a hypothetical situation, suggesting that if there was a guarantee fund to which we could commit part of the reserve funds without posing any risk, supporting GIRSAL might be a viable option. So, to be clear, there is no definitive plan for the Bank to support GIRSAL directly. However, it is important to note that the Bank of Ghana, in collaboration with the Ministry of Finance and the African Development Bank, commenced the GIRSAL project with seed funding in 2014. GIRSAL was subsequently transferred to the Ministry of Finance. Despite this, the Bank remains committed to GIRSAL's objectives and believes it can significantly contribute to supporting agriculture, at least indirectly.

Questioner: *How did the recent development in the treasury bills market influence the Monetary Policy Committee's decision to adopt a more aggressive stance? Furthermore, considering the recent 2025 budget statement, which indicated significant shortfalls in meeting programmed targets –*

and the IMF's history of advocating for tighter monetary policy under such circumstances–, is there a renewed likelihood of pressure on Bank of Ghana to further hike the policy rate? You previously indicated that the situation would be monitored closely; does the current context suggest a return to that trajectory?

Governor: It is indeed the case that some of the IMF programme targets were missed last year, which underscores the need for intensified efforts to realign with the programme objectives. From our perspective, inflation remains a critical variable. At the current level of 23.1 percent – well-above the projected 17 percent – we clearly have a considerable task to get inflation back on track. The MPC took these developments into account, particularly the substantial liquidity injections last year. These factors necessitate a more proactive monetary policy stance. The upcoming inflation reading will be pivotal and will guide our future policy direction. I must emphasise that our policy decisions are not driven by external pressure from the IMF, rather, they reflect a clear need to manage liquidity effectively, prevent potential second-round effects on inflation, and ensure that inflation returns to its target path within the envisaged timeframe. These were the key considerations that informed our recent decision.

Questioner: *Governor, you mentioned several Specialised Deposit-taking Institutions (SDIs) are currently undercapitalised and are being monitored to determine where the Bank of Ghana might intervene. Have these institutions been already identified, and if so, could you indicate how many there are – and perhaps name one or two?*

Governor: Regarding undercapitalised SDIs, the Bank has been actively engaging on this issue for some time now. A few of these institutions are already under the framework we refer to as the Prompt Corrective Action (PCA) regime. For more specific details – including the number of affected SDIs and the nature of our interventions – I would refer you to the Head of Banking Supervision, who is available and can provide a more in-depth briefing.

Questioner: *With President Trump increasing tariffs extensively, what is our counter strategy? I believe Trump is acting in America's best interest. I heard you mention the need to keep policy proactive; could you explain what that entails?*

Governor: I appreciate your final statement. While America is pursuing its own interests, it is crucial for us to focus on what is beneficial for our country. The key is to mitigate our risk exposure resulting from any actions taken by the US government, which is precisely what we emphasised in our statement.

Questioner: *Last year, the Bank launched the Ghana Gold Coin to help stabilize the cedi. Could you provide an update on how this initiative is performing in the market in terms of value?*

Governor: Yes, the gold coin was introduced in August last year, and overall, gold and gold-backed instruments have performed reasonably well. However, we acknowledge the need to revisit the roll-out strategy. My understanding is that engagements are currently ongoing with commercial banks as part of efforts to revitalise the initiative, so you can expect to see renewed momentum around the gold coin soon. It remains a strong and viable investment alternative. As you are aware, the domestic investment landscape is relatively limited – typically comprising treasury bills, fixed deposits, and foreign currency. Ideally, we should have broader range of instruments, including bonds and other diversified options. We are actively working on this and will provide further updates. We are confident that the gold coin will soon emerge as a preferred investment choice for Ghanaians.

Questioner: *We have consistently missed the medium-term inflation target. Are there any plans to review or reconsider the Inflation Targeting policy?*

Governor: Your question is as old as my career at this Bank because we have discussed this extensively. To start with, Inflation Targeting does not mean ignoring real sector variables; we do pay attention to them. The term 'inflation targeting' can be misleading, as it suggests a narrow focus. Practically, it involves the use of available data across all sectors of the economy and based on that, we adopt a forward-looking approach in the decision-making. Historically, the Bank's monetary formulation process has moved from direct controls to a monetary targeting regime, and now to inflation targeting. This approach means utilising comprehensive data to make informed decisions. As I mentioned in the press statement, the Committee is prepared to reassess the situation based on evolving conditions. The framework of inflation targeting itself is not the issue. It is the challenges we face from both external and domestic shocks, which destabilise the economy and disrupt the inflation path. Since my tenure began, I have proposed several improvements to enhance the policy framework. For instance, we are working towards greater transparency, allowing you to understand the rationale behind the rate adjustments. By the next MPC date, you will see various reforms aimed at clarifying our actions. We are also addressing other areas, including the forecasting model, to reduce errors. During our deliberations, we discussed employment data from the Ghana Statistical Service, which we will incorporate into our analysis. This will enable us provide insights into job creation in the economy. In summary, while the inflation targeting framework is sound, we must modernise it further, introduce new variables, and refine our forecasting model to better manage inflation moving forward.

Questioner: *At the opening of the MPC Meetings on Monday [March 24], you mentioned that our microfinance and rural banking sectors are showing early signs of stability, but recapitalization and regulatory framework reforms must continue to preserve confidence. In this light, could you provide an update on the status of the Société Générale (SG) move? Last year, your predecessor mentioned that the central bank had requested SG to furnish it with the list of persons seeking to acquire its shares. Could you provide an update on this?*

Governor: When discussing MFIs [Microfinance Institutions] and rural banks, we refer to the SDI [Specialised Deposit-taking Institutions] sector. Yes, there needs to be a cleanup [restructuring] of this sector, and we are engaging the Minister of Finance on this. Regarding the Société Générale issue, the sale of shares is ongoing. Several prospective buyers have contacted us. As the regulator, our role is to issue "a no objection" and ensure that prospective buyers meet the fit and proper requirements. We are awaiting negotiations on their part. Once these are concluded, we will review the necessary aspects to ensure compliance with policy guidelines for mergers and acquisitions. We aim to ensure everything is fit and proper. Currently, we are waiting for the shareholders and the agreements to be reached before proceeding to the next step in the sale.

Questioner: *I would like to understand what measures the Bank of Ghana is implementing to support the stability of the banking sector, particularly in relation to Non-Performing Loans (NPLs), which you referenced in today's briefing. Additionally, for banks exhibiting signs of insolvency, what are the underlying issues driving their financial distress? How is the Bank of Ghana engaging with these institutions to restore their solvency and operational soundness, and ultimately avoid another wave of licence revocations?*

Governor: The issue of NPLs across the banking sector is indeed a major concern. It is important to note that the Domestic Debt Exchange Programme (DDEP) also contributed to the deterioration in asset quality, exacerbating the NPL situation. However, beyond the DDEP, domestic banks have been disproportionately affected. Looking ahead, there is a clear need to strengthen risk management practices within domestic banks. This a priority area, and we are committed to pursuing it aggressively. Domestic banks remain an integral part of the financial ecosystem, with distinct and enduring roles to play. Our focus, therefore, is putting the necessary frameworks in place to mitigate risks and ensure that the banking sector is well-positioned to operate sustainably and support economic growth.

Questioner: *With the likely removal of the E-levy, what will be the impact on broadening banking services and reaching a larger number of people, given that mobile phone businesses drive this initiative? How will this affect efforts to enhance financial inclusivity?*

Governor: Yes, this is indeed welcome news. I believe the Minister of Finance has carefully assessed the fiscal implications, and the removal of the e-levy is expected to yield net benefits. More broadly, any policy move that fosters innovation within the financial sector is a positive development. We are already seeing interest in digital banking, with application for licences from entities seeking to operate fully digital banks – without the traditional brick-and-mortar presence, but with nationwide reach. As we finalise the regulatory framework to support such models, we anticipate the emergence of new players in the space. This shift toward innovation – particularly mobile-based banking solutions – represent the next phase of our financial sector evolution. We welcome these developments and will closely monitor their impact as we move forward.

Questioner: *When will the Bank of Ghana publish its statement of accounts?*

Governor: Ordinarily, as with other corporate entities, the accounts are expected to be finalised by the end of March [following the end of the financial year]. However, this year, we anticipate completing the process by the end of April. There is provision to request for an extension, and we are likely to utilise that option. Rest assured, the accounts for 2024 should be available no later than end of April.

Questioner: *Regarding the cocoa sector, could you provide information on what the Bank is doing to mobilise resources, such as funds, to purchase cocoa directly from producers? Additionally, how is this initiative impacting the current exchange rate?*

Governor: This question should best be directed to the Ghana Cocoa Board. However, I can share that they have developed an alternative method to raise funds for cocoa purchases by having some of their off takers prefinance these transactions. This has resulted in a significant level of inflows into the country for cocoa buying, indicating that the Ghana Cocoa Board is effectively managing its responsibilities. The cocoa bills, introduced many years ago to help mobilise cedis for this purpose, have faced challenges. My hope is that we can revive such instruments in the future to further support the sector.

Questioner: *You mentioned reviewing the dynamic Cash Reserve Ratio (CRR), which may be linked to the tiering of banks. Could you share your position on whether it is preferable to have more relatively smaller banks or a few larger banks capable of handling big-ticket transactions, especially from a regulatory perspective? Additionally, to what extent did AI influence this decision?*

Governor: This question arises frequently, and that is, should we continue with the universal banking regime, or should we consider a different approach? While there may be room for flexibility in the future, it is essential that all banks, regardless of their tier, are adequately capitalised. Whether we have a tiered banking system or specialised banks, the priority remains ensuring that all 23 banks are adequately capitalised, which is our current focus. Regarding the review of the dynamic CRR, our intention is to reassess this framework. Although it was introduced for a specific purpose, its impact on stimulating credit growth is uncertain. However, it has successfully mobilised significant liquidity out of the system, which is not inherently negative. Moving forward, we must consider the implications of relaxing the CRR, as it would inject substantial liquidity back into the system. This decision cannot be taken lightly. As mentioned in my statement, the Committee believes it is crucial to thoroughly analyse the numbers. We already have considerable liquidity in the system, necessitating a tightened monetary policy stance. We do not want to exacerbate liquidity conditions, leading to further rate hikes. Therefore, we will continue to review the dynamic CRR regime, and by the next MPC round, we should have a clearer picture to inform our decisions.

Questioner: *Some analysts have partly attributed our recent economic downturn to the collapse of certain banks that were SME friendly. Given your mention of challenges faced by some local banks, should we be concerned about these banks potentially having a further negative impact on the SME sector?*

Governor: Regarding MSMEs, it is true that they are specialised enterprises, and most businesses in Ghana are SMEs. Therefore, it is essential to safeguard their financing needs. However, banks must be well-capitalised to ensure sustainable operations. While I will not delve into past events, it is important to note that we, as regulators, are committed to ensuring the resilience of banks. Once banks are resilient, they can effectively support SMEs. My particular interest lies in seeing local banks thrive. Currently, we have about nine local banks, and a significant number of them require some form of support. We need to encourage these banks to compete with the foreign banks, which is where our focus must be.

Questioner: *Considering recent developments with the Gold Board, could you provide an update on the current stance of the Bank regarding the gold purchase programme? Are there any anticipated changes in how the programme will be operated?*

Governor: You may have heard about the gold-for-oil programme. The Minister of Energy is currently conducting a review of the framework, and we are actively involved in this review to identify potential takeaways. We anticipate that the Gold Board will assume responsibility for these operations, allowing us to focus on building our reserves. The Bank of Ghana will be represented on the Gold Board and will continue to work indirectly with them. It is unlikely that the gold-for-oil program will continue, as I have previously mentioned. Once the Ministry of Energy completes its audit and review, we will provide an update on the next steps regarding the Gold Board.

Questioner: *At the opening of the MPC Meetings, you made a proposal to other members on the publication of the votes to enhance transparency. I want to find out, what was the decision on that and if it was a yes, when are we likely to see the first publication?*

Governor: I mentioned on Monday [March 24] that we are transitioning to this regime, and I can assure you that on Wednesday [April 2], you will see the publication in the Daily Graphic [newspaper] and a few other newspapers. The publication will not include the names of

the members; instead, it will list them as MPC Member One [and so on], along with their comments. The key objective is to understand the reasoning behind the decisions, which is crucial. I noted that the decision was made by majority vote, indicating that not all MPC members supported the hike. Some members had different opinions, but you will be able to read their arguments as well as those of the majority who supported the hike. This will help you understand whether the decision was in the best interest of the economy. We are committed to implementing these reforms, and you will see additional reforms in the next MPC round.

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Communications Department