BANK OF GHANA
MONETARY POLICY COMMITTEE
PRESS RELEASE
May 23, 2025

Good afternoon, ladies and gentlemen of the press. Thank you for attending this press briefing of the Monetary Policy Committee, following the 124th regular meetings which evaluated recent economic developments and assessed the risks to the inflation and growth outlook. This briefing is meant to share with the press a summary of the key discussions and the Committee's decision on the monetary policy stance as part of our commitment to transparency and accountability.

Global economic developments in the first four months of the year were characterised by low growth prospects, unsynchronised disinflation outcomes, and restrictive global financial conditions, driven largely by significant headwinds associated with the trade policy shifts in the United States. The potential spillover effects of the imposition of the trade tariffs by the United States and counter-tariff measures have heightened policy uncertainty, weakened investor sentiments, and lowered global growth prospects. In the event, monetary policy decisions by central banks have been mixed, reflecting divergence in inflation outcomes. While some countries have adopted tighter-for-longer stance, others have cut policy rates, citing gradual ease in inflation towards central bank targets.

On the domestic front, the Bank's high frequency real sector indicators point to a sustained pickup in economic activity. The updated Composite Index of Economic Activity increased by 2.3 percent year-on-year in March 2025, compared with 1.0 percent over the same period last year, mainly driven by exports, credit to the private sector, and construction activities. In addition, the Ghana Purchasing Managers' Index rose above the 50-benchmark as output and new orders increased, signaling improved growth prospects. Based on easing inflationary pressures and optimism about macroeconomic conditions, the latest confidence surveys showed significant improvement in consumer and business indices, the highest in the last seven years.

Headline inflation has declined consecutively in the first four months of the year by 2.6 percentage points to 21.2 percent in April 2025, driven by both food and non-food inflation. A confluence of factors, including tight monetary policy stance, stepped-up liquidity sterilization efforts, downward revisions in ex-pump petroleum prices, and exchange rate stability have supported the gradual decline in inflation. The Bank's core inflation measure, which excludes energy and utility prices, as well as inflation expectations of consumers, businesses, and the banking sector point to easing inflationary pressures.

Fiscal policy implementation so far has been broadly aligned with the 2025 Budget. In the first quarter of 2025, provisional data on budget execution indicated that although revenues fell below target, some expenditure rationalisation took place to accommodate the revenue shortfall. The primary fiscal balance (on commitment basis) has also improved in the first quarter. At the end of March 2025, the stock of public debt stood at GH¢769.4 billion (55.0% of GDP), compared with GH¢726.7 billion (61.8% of GDP) at end-December 2024. Continued maintenance of a strict fiscal consolidation for the 2025 Fiscal Year will further strengthen the ongoing recovery process and firm up macroeconomic stability.

The external sector has continued to improve, with a record provisional current account surplus of US$2.1 billion in the first quarter of 2025, driven mainly by higher prices and increased production volumes of gold and cocoa, and strong remittance inflows. The current account surplus, together with net outflows in the capital and financial account, resulted in an overall Balance of Payments surplus of US$1.1 billion. The strong external performance resulted in significant reserve accumulation. Gross International Reserves (GIR) amounted to US$10.7 billion in April 2025, equivalent to 4.7 months of import of goods and services. Broadly, the external sector outlook remains favourable, largely anchored on expectations of increased gold and cocoa export receipts, as well as inflows from remittances.

The cedi has rebounded strongly against the major trading currencies driven by a combination of factors, including tight monetary policy stance, ongoing fiscal consolidation, record reserve accumulation, strict enforcement of foreign exchange market rules, and improved market sentiment. In the year to May 21, 2025, the cedi had appreciated against all the major currencies – 24.1 percent against the US dollar, 16.2 percent against the British pound, and 14.1 percent against the euro.

The latest forecast points to continued easing of inflationary pressures on the back of tight monetary policy stance, exchange rate stability, and fiscal consolidation. Inflation is expected to ease faster towards the medium-term target in the first quarter of 2026 as opposed to the second quarter as earlier envisaged, barring unanticipated shocks.

Despite these positive developments, the Committee observed that the current level of inflation remains high relative to the medium-term target and will require maintaining the tight stance to reinforce the disinflation process. Under the circumstances, the Committee, by a unanimous decision, maintained the policy rate at 28.0 percent.

Additional Policy Measure

The Committee decided to amend the Dynamic Cash Reserve Ratio (CRR) as follows:

- The CRR for all banks will now be maintained in their respective currencies. This means that foreign currency reserves for foreign currency deposits and domestic currency reserves for domestic currency deposits.

This policy measure will become effective on June 5, 2025.

Informational Note: The next Monetary Policy Committee (MPC) meeting is scheduled to start on Wednesday, July 21, 2025, and conclude on Friday, July 25, 2025, with the announcement of the policy decision.