



BANK OF GHANA
MONETARY POLICY COMMITTEE (MPC)
PRESS RELEASE
July 30, 2025

Good afternoon, ladies and gentlemen of the press.

Thank you for attending this press briefing, which follows the conclusion of the MPC's 125th regular meetings, held from Monday, 28 July 2025, to evaluate recent economic developments and risks to the inflation outlook. This briefing summarises the key discussions and the Committee's decision on the monetary policy stance.

Since the last MPC meeting in May, the global economic outlook has become more challenging with increased economic and trade policy uncertainties. The prolonged bilateral tariff actions and retaliatory actions, amid rising geopolitical tensions, are projected to constrain global growth. According to the IMF, global growth is likely to slow to 3.0 percent in 2025 from 3.3 percent in 2024. Alongside the slower growth prospects, the pace of disinflation has moderated, and in response, financial conditions remain restrictive with potential spillover to emerging markets and developing economies. However, the improved domestic macroeconomic conditions are expected to moderate the risks from the global economy.

On the domestic front, the economy was buoyant in the first quarter of 2025, with an annual GDP growth of 5.3 percent, compared to 4.9 percent in the same quarter of 2024, driven by increased activity in the agriculture and services sectors. Excluding oil, the economy grew by 6.8 percent compared to 4.3 percent over the same comparative period. Beyond the first quarter, the Bank's high frequency real sector indicators pointed to sustained pickup in economic activity. The Composite Index of Economic Activity (CIEA) grew by 4.4 percent year-on-year, in May 2025 compared to 3.4 percent in the same period of 2024. International trade activities, consumption, construction and tourist arrivals contributed to the improvement in economic activity during the period. The latest business and consumer confidence surveys reflected improved sentiments on the back of easing inflationary pressures and strong optimism about economic conditions.

Since the last MPC meeting, headline inflation has declined further to 13.7 percent in June 2025 from 18.4 percent in May, the lowest reading since December 2021. The deceleration was underpinned by the tight monetary policy stance, fiscal consolidation, easing food supply constraints, as well as the strong recovery of the cedi. In line with the easing underlying inflation pressures, the Bank's main core inflation measure, which excludes energy and utility items, has declined markedly. Similarly, inflation expectations by banks, consumers, and businesses are broadly anchored.

Growth in monetary aggregates remained subdued during the first half of the year, primarily due to the tight monetary policy stance, strong liquidity management, and reduced government borrowing. In line with the disinflation process and easing inflation expectations, interest rates at the short end of the money market have declined sharply, and in turn, reduced the cost of government borrowing.

Data on budget execution indicated a strong commitment to fiscal consolidation as expenditures adjusted within set targets to accommodate the revenue shortfalls during the first half of 2025. As a result, the overall fiscal deficit on commitment basis was 0.7 percent of GDP, outperforming the budget target of 1.8 percent of GDP. The deficit was largely financed from domestic sources. At end-June 2025, the total public debt had declined to 43.8 percent of GDP from 61.8 percent of GDP at end-December 2024, due to the appreciation of the cedi, lower domestic borrowing, and the external debt restructuring.

In the banking sector, the Financial Soundness Indicators reflected continued asset growth, improved solvency, liquidity, profitability and efficiency in the first half of the year. The non-performing loan ratio eased in June 2025 on account of lower growth of non-performing loan stock relative to credit. Continued improvement in the economic conditions, ongoing recapitalisation efforts from capital injections and profits, coupled with the implementation of strict credit underwriting standards should enhance resilience in the banking sector.

The external sector has improved markedly, with a record current account surplus of US\$3.4 billion in the first half of 2025, supported mainly by higher prices and increased production volumes of gold and cocoa. The current account surplus, together with the outturns in the capital and financial accounts, culminated in an overall balance of payment surplus of US\$2.2 billion, significantly higher than the US\$588.5 million recorded in June 2024. On this score, Gross International Reserves stood at US\$11.1 billion at end-June 2025, equivalent to 4.8 months of import of goods and services, compared to US\$8.9 billion (4.0 months of import cover) as at end-December 2024. The external sector outlook is positive, anchored on favourable commodity prices and improved remittance inflows, despite the resumption of external debt service.

On the back of the strong external sector performance and increased reserve accumulation, the cedi has further strengthened against the major trading currencies. In the year to 25th July, 2025, the cedi appreciated by 40.7 percent against the US dollar, 31.2 percent against the British pound, and 24.2 percent against the euro.

Overall, the Committee noted that macroeconomic conditions have significantly improved, inflation expectations are broadly anchored, external buffers have strengthened, and confidence in the economy is returning. The July forecast also shows that headline inflation is expected to decline further in the third quarter of 2025 and trend within the medium-term target of 8 ± 2 percent by the end of 2025, earlier than initial projections. However, there are upside risks to the inflation outlook, which include potential supply chain challenges emanating from the global trade tensions, and upward adjustment in utility tariffs. This notwithstanding, the impact of these risks

on inflation are expected to be offset by appropriately tight monetary policy stance and continued fiscal consolidation.

Given these considerations, the Committee, by a majority decision, voted to lower the Monetary Policy Rate by 300 basis points to 25.0 percent. Looking ahead, the Committee will continue to assess incoming data and likely reduce the policy rate further, should the disinflation trend continue. The Committee remains committed to the price stability mandate, while creating conditions for inclusive and sustainable growth.

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Informational Note

The next Monetary Policy Committee (MPC) meeting is scheduled for September 15, 2025. The meeting will conclude on September 17, 2025, with the announcement of the policy decision.

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