



BANK OF GHANA

MONETARY POLICY COMMITTEE DECISION

SUBMISSIONS BY MEMBERS

JULY 2025

At the 125th Monetary Policy Committee (MPC) meetings held from 28th to 30th July, 2025, the Committee, by a majority decision, reduced the Monetary Policy Rate (MPR) by 300 basis points to 25.0 percent. In taking the decision, the Committee asserted its commitment to the price stability mandate while creating conditions for inclusive and sustainable growth. The Committee also provided forward guidance to reduce the policy rate further, should the disinflation trend continue.

POLICY DECISION SUBMISSIONS BY MPC MEMBERS

MEMBER 1

The global economic environment continues to be challenging, reflecting uncertainty regarding trade and economic policy outlook. These conditions have led to stickier than anticipated headline inflation and deterioration of business and consumer confidence. The heightened uncertainty and its dampening effect on global economic activity, adverse impact on the disinflation process, and in turn, financing conditions, require that policymakers, especially in Emerging Market and Developing Economies (EMDEs), maintain a cautious policy stance.

Domestic macroeconomic developments have significantly improved since the last MPC meetings, and the outlook remains favourable. Nonetheless, a few risks remain and require close monitoring. Economic activity has continued to pick up, and confidence has markedly improved. High-frequency measures of activity, including the Bank's Composite Index of Economic Activity (CIEA) and the Purchasing Managers Index (PMI), point to continuing robust real sector activity. Also, both the business and consumer sentiment surveys significantly improved. The output gap has continued to close, albeit with a strong disinflationary impulse from the current tight monetary and fiscal policy stance.

The external payments position continued to improve. A significant increase in the current account balance, largely driven by increased gold and cocoa exports, has resulted in an accelerated accumulation of international reserves, surpassing programme expectations. This, along with the current tight monetary policy stance and strong cedi liquidity management, is supporting the disinflation process.

The pace of disinflation improved in the second quarter. Inflation declined sharply in June 2025, the sixth consecutive decline and was faster than anticipated. This was on account of the tight monetary policy stance, fiscal consolidation and significantly improved external payments position. In the outlook, the disinflation process is expected to continue, given that:

- The easing price pressures are broadening, and both core and headline inflation expectations are declining;
- Demand pressures are easing, reflected in the slower pace of expansion of the key monetary aggregates; and
- Continuing tight real monetary conditions.

While risks to both the inflation and growth outlook remain muted, unanticipated shifts in the global economy and any further heightening of uncertainty would require close monitoring. Similarly, passthrough effects of administrative price adjustments will need close monitoring.

The current developments provide scope for a recalibration of the monetary policy stance. However, given that inflation remains higher than the medium-term target amid global economic uncertainty, adopting a cautious monetary policy stance is required. In addition, it is important for the Bank to remain vigilant and stay the course of cedi liquidity management to firmly anchor the disinflation process. Under the circumstances and in commitment to the mandate of price stability, I vote to cut the MPR by 350bps to 24.5 percent.

MEMBER 2

I note that global economic developments remain broadly unchanged from the last meeting, and still reflect trade wars, geopolitical tensions, tariff policy uncertainty, sticky headline inflation, weakening business and consumer confidence, and tighter financial conditions. These are likely to dampen global growth prospects in line with projections.



BANK OF GHANA

MONETARY POLICY COMMITTEE DECISION

SUBMISSIONS BY MEMBERS

JULY 2025

In the domestic economy, headline inflation recorded a steep decline to 13.7 percent in June 2024 for the sixth consecutive month, from 18.4 percent in May, as both food and non-food dropped. Food inflation declined to 16.3 percent, from 22.8 percent in May, and non-food inflation moved down to 11.4 percent, from 14.4 percent over the same period.

Economic growth has remained resilient. In the first quarter, GDP growth was 5.3 percent, driven by the agriculture and services sectors, compared with 4.9 percent growth in the same period of 2024. Without oil, GDP growth recorded a much higher outturn of 6.8 percent, indicating strong economic activity over the period.

The Bank's updated CIEA picked up to 4.4 percent, year-on-year, in May 2025, relative to 3.4 percent in May 2024, driven by port activity, exports, imports, construction, and tourist arrivals. In addition, consumer confidence index hit an all-time high of 119.2 in June, from 103.6 in May. This significant pickup in confidence was broad-based as both the current and future expectations of consumers improved on the back of easing inflationary pressures and increased optimism about growth prospects. Business confidence index, though good, was not as optimistic, increasing to 105.5 in June compared to 102.2 in April.

On the banking sector, I note continued improvement in the financial soundness indicators, especially, asset growth, profitability, liquidity, and solvency. Asset quality improved marginally in June, due to lower growth in Non-Performing Loan (NPL) stock relative to credit growth. In addition to the adherence to sound risk management practices to dampen credit risks, the ongoing recapitalisation efforts through retained earnings and capital injections will also provide additional impetus to the banking sector's resilience.

Over the first half of the year, the 2025 budget execution was broadly aligned within set targets, demonstrating strong commitment to the expenditure-led fiscal consolidation efforts. Overall, fiscal deficit on commitment basis was 0.7 percent of GDP, outperforming the target of 1.8 percent at the end of June 2025. The resilience of the external sector has persisted, supported by higher commodity prices, and increased export volumes of gold and cocoa. Developments in the current and financial accounts resulted in significant reserve buildup. At the end of June 2025, Gross international reserves stood at US\$11.1 billion, equivalent to 4.8 months of import cover, up from US\$8.9 billion at end-December 2024.

Backed by the tight monetary policy stance and strong reserve buffers, the cedi has maintained its stability in the first half despite minor pressures experienced in the latter part of June. On a year-to-date basis, the cedi appreciated by 40.7 percent against the US dollar in July 2025, compared to 18.6 percent depreciation a year ago.

Finally, I note that headline inflation is on a downward trajectory, supported by the tight monetary policy stance, stable currency, and strong fiscal consolidation. The headline inflation for June at 13.7 percent, trending downwards for the sixth consecutive month, presents a significant variance of 14.3 percent between the monetary policy rate at 28 percent. Interest on the 91-day Treasury Bill rate, closed June at 14.73 percent, from 27.73 percent in December 2024.

The sharp decline in inflation, both food and non-food, the 1,300 basis points decline in the 91-day Treasury bills rate, a stable exchange rate, developments in the CIEA and PMI, alongside improved business and consumer sentiments all point to improving growth prospects and confidence in the economy. All these indicators should have warranted a higher cut in the MPR. However, external pressures from geopolitical tensions, global tariffs wars, alongside domestic pressures from pending quarterly adjustments in utility tariffs, energy sector levy on ex-pump prices and emerging pressures on crude oil prices present upside risks to inflation. I therefore vote for 300-basis points cut in the MPR to 25 percent with forward guidance for possible further cuts subject to market conditions.

MEMBER 3

My decision today will be based on what staff have presented regarding the data used for the analysis - the initial conditions of the economy, the state of the fundamentals, and the outlook for inflation and growth.

First, is on the initial conditions of the economy. At this MPC round, staff have informed us that the initial conditions of the domestic economy, together with global conditions, which informed the forecasts, are in a better position than they were at the last MPC round in May 2025.



BANK OF GHANA

MONETARY POLICY COMMITTEE DECISION

SUBMISSIONS BY MEMBERS

JULY 2025

Foreign inflation has declined, and growth remains steady, foreign interest rates have declined, domestic inflation has gone down by a big margin, domestic growth conditions remain weak, impulse from fiscal policy implementation is relatively weaker than at the last MPC round, and domestic monetary conditions have tightened further. In my view, these conditions, which show a better position of the economy relative to what the Committee faced at the last MPC meeting, are expected to yield improved forecast outcomes for inflation.

On the state of macroeconomic conditions, it is clear that conditions have improved; reserve buffers have been accumulated above expectations, disinflation is ongoing, fiscal policy implementation is stimulus neutral, economic agents are recalibrating-in lower inflation expectations, the exchange rate has stabilized following strong appreciation and is aligned with the fundamentals, and confidence in the economy is returning as suggested by surveys. While recognising these gains, it is important to maintain current policies to safeguard the stable macroeconomic environment.

On the external side, developments for the first half of the year show a marked improvement in the current account balance which recorded a surplus of US\$3.4 billion as against a surplus of US\$283 million for the same period in 2024. Together with developments in flows to the capital account and foreign direct investments, the economy registered an overall balance of payments surplus of US\$2.2 billion which was added to reserves. Staff stress-tested the outlook for the current account for the rest of the year under various adverse assumptions of output and prices of our key export commodities with the results showing that the current account balance for 2025 will remain healthy. I see this as a positive development which provides assurances for the economy's capacity to contain potential pressures from the exchange rate.

While banks continue to be solvent, liquid, and profitable, the current information suggests that activity is concentrated in treasury instruments and credit growth continues to decline from the peak we observed in November 2024. Part of the reason is due to high real interest rates, which constrain demand for credit.

Turning to forecasts, given improvements in the initial conditions of the economy at this meeting round, staff indicated that inflation would get to the target range faster than earlier envisaged, by the end of this year, as opposed to March 2026 when the forecast was prepared in September 2024. I am reassured that the Bank's sterilization efforts will be stepped-up to help contain liquidity pressures from spilling into inflation in the economy.

Based on the current strong fundamentals of the economy, declining inflationary trends, the fact that inflation is getting to within target faster than envisaged and the high real interest rates constraining demand for credit, I have a bias towards lowering the policy rate to help growth alongside falling inflation. But I acknowledge also that there are upside and downside risks in the outlook. Factors that could push inflation up include the spillover effects of global tariff implementation uncertainties, emerging pressure on crude oil prices, implementation of the energy sector levy, expectation for a major tariff adjustment in 2025 Q4 which will impact consumer prices in the first quarter of 2026 and introduction of road tolls country wide. These upside factors will probably cause pricing behaviour of economic agents to be biased upwards. At the same time, there are mitigating factors which include, continued adherence to zero monetary financing, current tight monetary policy stance, strong sterilization efforts, stable exchange rate conditions, a fiscal policy stance that is impulse-neutral and expected downward review of taxes on industrial and agricultural imports. In my view, the mitigating factors far outweigh the upside risks. On balance, I judge the risks to the baseline projection as being on the downside.

Based on these, I will vote conservatively to lower the policy rate by 250 basis points to 25.5 percent. At the same time, I will want to add that should the third quarter inflation numbers come in lower than expected, I will consider a steeper lowering of the policy rate at the September MPC round of meetings.

MEMBER 4

The global growth outlook has become increasingly challenging and projected to slow from 3.3 percent in 2024 to 3.0 percent in 2025. Trade barriers are contributing to increased economic and trade policy uncertainties, giving rise to declining business and consumer confidence. The uncertainty is impacting global trade and investments adversely, while tariff measures are contributing to tighter financing conditions. Headline inflation remained stickier than anticipated in some countries.



BANK OF GHANA

MONETARY POLICY COMMITTEE DECISION

SUBMISSIONS BY MEMBERS

JULY 2025

On the domestic front, the external sector remained strong in the first half of 2025. The trade balance recorded a surplus of US\$5.6 billion and a current account surplus of US\$3.4 billion. This compares with respective US\$1.4 billion and US\$283.6 million in the first half of 2024. These improvements contributed to a higher reserve accumulation with gross international reserves reaching US\$11.1 billion at the end of June 2025, from US\$8.9 billion (sufficient to cover 4.8 months of imports) at the end of December 2024.

The real sector recorded a strong GDP growth of 5.3 percent in the first quarter of 2025 compared with 4.9 percent in the corresponding quarter of 2024. Similarly, non-oil growth was 6.8 percent, compared to 4.3 percent in the same comparative period. The Bank's CIEA signalled a pick-up, and the consumer confidence, business sentiments, and consensus views from experts all improved significantly.

In terms of monetary development, broad money supply declined significantly in June 2025, supported by tight monetary policy stance. Credit to the private sector moderated, signalling reduced financial intermediation by banks who prefer Bank of Ghana instruments. There was liquidity influx across market segments inducing sharp declines in rates.

The cedi performed strongly, recording a cumulative appreciation of 40.7 percent against the US dollar on the back of inflows from gold, cocoa, forex purchases, and remittances; supported by positive sentiments from the country's improved credit ratings.

Headline inflation has steadily declined for six consecutive months to 13.7 percent in June from 23.8 percent in December 2024, mainly on the back of the strong cedi performance. The decline reflected in both food and non-food inflation. Core inflation measures have also eased since the last MPC meeting. Under these circumstances, especially the rapid pace of disinflation, wide real interest rate gap, and the need to re-anchor current market expectations, I vote for a 300-basis points cut in the MPR to 25 percent, together with a forward guidance to lower further if the downward trend in inflation continues.

MEMBER 5

I note the challenging global outlook stemming from substantial trade barriers and deteriorating consumer and business confidence. Global growth may be hampered by these trade actions, increasing trade costs and contributing to inflationary pressures. Headline inflation has remained stickier than anticipated in some countries owing to persistent core goods inflation. As a result, central banks may be compelled to maintain a contractionary monetary policy stance, leading to tight financial conditions in the near term. These global developments present upside risks to the inflation outlook and downside risks to the growth outlook, with implications for EMDEs through the trade and financial channels. However, the impact of these shocks may be moderated in the domestic economy.

On the domestic front, the positive developments observed in the external sector should continue to offer stability to the cedi and support the disinflation process. The first half of 2025 exhibited robust performance with a significant current account surplus and improved international reserves, adequate to cover 4.8 months of imports.

On the real sector, provisional data show real GDP growth of 5.3 percent in the first quarter of 2025, compared with 4.9 percent recorded in the same period last year. The real CIEA showed an increase in economic activity in May 2025. Both consumer confidence and business confidence picked up in June 2025 compared to April 2025, while consensus experts' views indicate expected improvement in key macroeconomic indicators.

Annual growth in broad money supply moderated, mainly driven by slowdown in the Net Foreign Assets, but with an expansion in the Net Domestic Assets. The pace of growth of private sector credit decreased compared with the same period last year, partly on account of banks' desire for investments in BoG bills and the exchange rate effects. Interbank Weighted Average Rate seems to be trending below the lower bound of the policy corridor, signalling excess liquidity situation on the interbank market. The observed stability in the foreign exchange market has continued to support the disinflation efforts.

The financial sector continues to exhibit improved performance as shown in the solvency, liquidity, efficiency, and profitability indicators. Systemic risks moderated due to an improvement in solvency measures amid strong liquidity conditions and earnings. The NPL ratio improved in June 2025 compared to June 2024. However, overall asset quality remains a concern, which needs attention. It is expected that implementation of NPL guidelines would improve the asset quality situation, and the recapitalisation efforts should improve the banking sector's resilience and support growth.



BANK OF GHANA

MONETARY POLICY COMMITTEE DECISION

SUBMISSIONS BY MEMBERS

JULY 2025

Also, favourable economic prospects and sound credit risk management on the part of the intermediaries remain key in sustaining the improved solvency conditions in the banking sector and support financial intermediation.

Fiscal operations continue to signal consolidation with the budget deficit for the first half year being better than the target and that of last year. This development is expected to aid the disinflation drive. The fiscal authority needs to religiously implement the proposed mitigation measures to deal with the risk to the fiscal outlook.

On recent price development, headline inflation has continued to decline, driven by both food and non-food inflation. The significant disinflation, since the start of this year, was occasioned by the strong appreciation of the cedi. The disinflation process is expected to persist in the third quarter. On balance, risks to the inflation outlook are tilted to the downside.

These developments warrant a significant reduction in the policy rate. However, I believe with a real rate of around 11.3 percent, the monetary policy stance will still be tight enough to anchor the disinflation process. I therefore vote for a cut in the MPR by 300-basis points to 25 percent, in addition to providing forward guidance. It is especially important to demonstrate commitment to the core mandate of ensuring price stability to support a stable macroeconomic environment as a precondition for driving growth.

MEMBER 6

Global economic prospects remain subdued, as growth projections have been revised downward amid ongoing trade tensions, elevated economic and trade policy uncertainty, and tighter financial conditions. Headline inflation has remained stickier than expected, driven by surging global food prices and rising inflationary expectations across advanced and emerging markets. Though as staff indicated, global inflation is expected to decline, most central banks are certain to maintain relatively high policy rates to counter the somewhat persistent inflation, reflecting the continued tightening of financial conditions globally. Although these global developments and risks to the global outlook have implications for the domestic economy, I expect the transmission to be mitigated by the improved macroeconomic environment over the first half of 2025.

Domestic economic activity has continued to show resilience in the face of global headwinds. Real GDP growth increased by 5.3 percent in the first quarter of 2025, up from 4.9 percent in the corresponding period in 2024. High frequency indicators also signal a pickup in economic activity. The CIEA for May 2025 also signalled a positive momentum while confidence surveys conducted in June reflected improvements in consumer and business sentiments supported by improvements in key macroeconomic indicators and favourable industry prospects.

The external sector continues to show strong improvements; the trade balance for the first half of the year recorded a surplus of US\$5.6 billion driven by gold and cocoa exports compared to a surplus of US\$1.4 billion at the end of 2024. Consequently, the current account recorded a surplus of US\$3.4 billion compared with a surplus of US\$0.28 billion in the corresponding period in 2024.

Gross international reserves increased to US\$11.1 billion by end-June 2025, providing an import cover of 4.8 months, while the Net International Reserves recorded a buildup of US\$1.7 billion to US\$3.5 billion in June 2025, surpassing the June 2025 target of US\$0.49 billion and December 2025 target of US\$1.4 billion.

The cedi's performance has been strong, recording a year-to-date appreciation of 40.7 percent driven by strong reserve buildup with inflows from the Gold for Reserve Programme, cocoa proceeds, and forex purchases. The continued accumulation of reserve buffers and strict enforcement of market conduct rules is expected to sustain the gains made on the forex market, moderate the exchange rate pass-through to inflation and anchor inflation expectations.

For the first half of 2025, fiscal operations remained on track with the budget deficit below the programmed target on both commitment and cash basis. The overall balance on commitment basis recorded a deficit of 0.7 percent of GDP compared with a target of 1.8 percent of GDP while the primary balance recorded a surplus of 1.1 percent of GDP as against a target of 0.4 percent of GDP. The improved budget performance was driven by prudent expenditure management and enhanced revenue mobilization efforts. It is refreshing to note that financing the deficit was mainly from domestic sources, and while this strategy has and will continue to support the consolidation efforts, it has the potential to crowd out private sector investment.



BANK OF GHANA

MONETARY POLICY COMMITTEE DECISION

SUBMISSIONS BY MEMBERS

JULY 2025

Monetary aggregates continue to reflect the continued tight policy stance. Growth in money stock also decelerated below the long run trend in June 2025, reflecting the tight policy stance. The pace of growth in credit to the private sector also moderated from the beginning of the year-to-date, driven by shifts in banks' appetite for investments in BOG bills and exchange rate effects.

The market remains liquid with interbank trades now concentrated below the Interbank Weighted Average Rate and outside the policy corridor. This could potentially truncate the monetary policy transmission process and limit the effectiveness of monetary policy. The influx of liquidity on the market is reflected in the money market with discount interest rates on 91-day, 182-day, and 364-day treasury bills declining by 1,299bps, 1,309bps and 1,419bps respectively in the first half of 2025. As at July 28, 2025, the interest rate on the 91-day, 182-day and 364-day treasury bills stood at 10.84, 13.23 and 14.31 percent, respectively.

The banking sector remains liquid, well-capitalized and stable compared to end-June 2024. Key financial soundness indicators have continued to improve with increases in capital adequacy ratio, liquidity, profitability, and asset growth. However, NPLs remain high, though it has slightly declined in June 2025 due mainly to the price effect emanating from the cedi appreciation. The capital gap for the industry also narrowed significantly, reflecting the recapitalization of NIB by Government. I noted the staff indication that recapitalization of the undercapitalized banks will improve the resilience of the sector amidst the improved macroeconomic environment.

The disinflation process has continued with headline inflation easing to 13.7 percent in June 2025 from 23.8 percent at the end of 2024. The decline in inflation was reflected in both food and non-food inflation, reinforced by the sharp appreciation of the cedi.

In tandem, the producer price index has also decreased sharply from 26.1 percent in December 2024 to 5.9 percent in June 2025. The inflation expectations matrix as presented by staff showed a lowering of inflation expectations by banks, businesses, and consumers. The inflation outlook for July 2025 and the two months thereafter projects further decline in headline inflation though the pace of disinflation might moderate in August, implying a continuation of the observed disinflationary trend year to date. While the path to disinflation is expected to continue over the next three months, the risks to that outlook are tilted towards the downside.

Given the improvements in the domestic macroeconomic situation, the continuation of the sterilisation efforts, expected fiscal consolidation, building of adequate reserve buffers, appreciation of the cedi and its impact on ex-pump prices and transportation fares should deliver lower inflation towards the year-end target by the end of 2025.

Although there are upside risks to the inflation outlook from the global tensions, ex-pump price pressures and the pending quarterly adjustment of utility tariffs, I see the downside risks to inflation and positive prospects to output as most likely to materialise.

Currently, the exceptionally high real interest rate of over 14 percent makes a cut in the MPR necessary, but also mindful that the decelerating inflation is not yet well-anchored. Therefore, a measured cut with forward guidance, I believe, will send clear signals to the markets that the MPC remains committed to re-anchoring inflation expectations towards the medium-term target band. I will therefore vote for a 300-basis points cut of the MPR to 25 percent and consider another cut if the next inflation readings anchor inflation further within the medium-term target band.

The next Monetary Policy Decision will be published after the MPC meetings in September 2025.

END.