Post - 130 MPC Engagement with Heads of Banks

Opening Remarks

by

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Chief Executive Officers and Heads of Banks,
Deputy Governors,
Officials of the Bank of Ghana,
Distinguished Ladies and Gentlemen,

Good morning.

It is my pleasure to welcome you all to this bi-monthly meeting of Heads of Banks and express my sincere appreciation to each of you for the continued engagement and collaboration between the Bank of Ghana and the banking industry. These engagements have become an important platform for open and candid dialogue, collective reflection, and coordinated action towards building a resilient and inclusive financial system.

I will start by highlighting the key outcomes of the recently held Monetary Policy Committee meetings, which convened at a time when the domestic economy continued to exhibit resilience amid a complex and volatile global environment. The Committee noted that, although inflationary pressures remained contained, potential risks persisted, at least at the time, especially those associated with prolonged geopolitical tensions. The Committee assessed that the risks to inflation and growth were broadly balanced and, accordingly, decided to maintain the Monetary Policy Rate at 14.0 per cent. Clearly, the outlook since yesterday has now changed, and we are monitoring events in the coming days and weeks until the next meeting of the MPC.

The decision reflects our commitment to preserving macroeconomic stability while supporting the ongoing recovery in economic activity. The current policy stance provides an appropriate balance between safeguarding price stability and facilitating continued growth in private sector credit and investment.

The Committee also decided to amend the dynamic Cash Reserve Ratio (CRR) framework and replace it with a uniform Cash Reserve Ratio of 20 per cent, to be maintained entirely in domestic currency, effective 4 June 2026. The adjustment to CRR policy was carefully calibrated to enhance the effectiveness of liquidity management within the banking system. Maintaining reserves in domestic currency will improve liquidity forecasting, strengthen monetary policy transmission, reduce operational complexities associated with the previous dynamic framework, and support the continued deepening of the domestic financial market. Importantly, the new framework provides a more predictable and equitable reserve management structure across institutions while preserving adequate liquidity buffers within the system.

Generally, the domestic economy continues to demonstrate remarkable resilience. The Composite Index of Economic Activity expanded by 12.6 per cent in March 2026, compared with 2.3 per cent in the corresponding period last year. This strong performance was supported by robust growth in private sector credit, industrial activity, consumption, and trade. Although business and consumer confidence softened marginally in April due to concerns regarding global developments, sentiment remains positive and supportive of economic activity.

Inflation remains firmly under control. Headline inflation edged up slightly to 3.4 per cent in April and further to 3.7 per cent in May 2026, from 3.2 percent in March, marking the first consecutive increases since December 2024. However, core inflation continued to decline, confirming that underlying inflationary pressures remain subdued.

Fiscal performance has remained supportive. Expenditure containment measures and prudent fiscal management resulted in a fiscal surplus of 0.1 per cent of GDP during the first quarter of 2026, exceeding programme expectations.

The external sector remains resilient, too. The current account surplus strengthened to US$3.1 billion during the first quarter of the year, supported by strong export earnings from gold and cocoa, together with stable remittance inflows. Gross International Reserves increased to US$14.4 billion, providing import cover of 5.7 months and strengthening buffers against external shocks.

I am particularly encouraged by the continued improvement in the banking sector. Total banking sector assets expanded by 26.6 per cent to GH¢493.9 billion. Capital adequacy strengthened significantly, with the industry Capital Adequacy Ratio increasing to 22.3 per cent from 17.5 per cent a year ago. Asset quality has also improved, with the Non-Performing Loan ratio declining from 23.6 per cent to 18.0 per cent. These developments demonstrate the resilience of the banking sector and reflect the collective efforts undertaken by all institutions represented here today.

Nevertheless, we must not become complacent. Elevated credit risks remain a concern, and banks must continue to strengthen credit underwriting standards, improve recovery processes, and comply fully with regulatory requirements aimed at reducing non-performing loans to tolerable prudential targets.

As we sustain stable macroeconomic conditions, let me reiterate that the banking industry must increasingly turn its attention to its fundamental role of financial intermediation and support for productive economic activity. The long-term sustainability of our financial system ultimately depends on the strength of the real sector. A vibrant manufacturing sector, competitive agriculture, efficient services sector and thriving export-oriented businesses are essential for generating sustainable credit demand, quality assets, employment, and economic prosperity.

I therefore urge banks to leverage the gains from macroeconomic stability, declining interest rates, and advances in financial technology to develop innovative products that meet the evolving needs of households and businesses.

Banks must go beyond financing and increasingly position themselves as strategic partners to businesses. This includes providing business advisory services, supporting entrepreneurship, facilitating market access, and developing export clinics that help businesses identify opportunities in markets where your parent institutions, subsidiaries, and strategic partners already operate.

In addition, the Bank of Ghana will be collaborating closely with product leads of banks and other stakeholders to strengthen channels that convert remittance inflows into productive investments.

By creating innovative investment-linked remittance products, we can mobilise a larger share of these flows toward business expansion, infrastructure development, and long-term capital formation. Such efforts will not only deepen our financial markets but also strengthen economic resilience and support sustainable growth.

Now, I will briefly touch on a few important regulatory and supervisory matters.

1. The Bank continues to advance a comprehensive regulatory reform agenda aimed at enhancing the resilience, soundness, and stability of the financial system. Earlier this year, we issued six exposure drafts for industry consultation, including directives and guidelines on liquidity risk management, liquidity monitoring tools, stress testing, recovery planning, interest rate risk in the banking book, and the Internal Capital Adequacy Assessment Process (ICAAP).

   These reforms are aligned with international best practices and are intended to ensure that our regulatory framework remains robust and forward-looking in an increasingly complex operating environment. I encourage all banks to provide their comments and input before the consultation period closes at the end of June. The effectiveness of these frameworks will depend not only on regulatory design, but also on meaningful industry participation and ownership.

2. Second, the Bank has observed troubling instances involving fraudulent land title documentation used to support credit applications. Additionally, our supervisory work has identified growing fraud risks associated with third-party collateral arrangements. Properties have been pledged without the knowledge of legitimate owners, ownership documents have been forged, and consent letters falsified. The implications are severe. When collateral cannot be legally enforced, loan recoveries are compromised, balance sheets are weakened, and public confidence is undermined. I therefore urge all Chief Executive Officers to act decisively. Banks must formalise robust policies governing third-party collateral, strengthen due diligence procedures, enforce strict verification standards, address control weaknesses, and take decisive disciplinary action against staff involved in misconduct.

3. Third, as you are aware, Ghana is currently undergoing the third-round mutual evaluation process by the Financial Action Task Force (FATF) and the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA). This exercise goes beyond assessing laws and regulations; it evaluates the effectiveness of implementation. The outcome will have important implications for correspondent banking relationships, investor confidence, and Ghana's international financial standing. I therefore encourage all institutions to continue supporting this national effort through strong compliance and effective controls.

As I conclude my remarks, let me reiterate that the challenge before us is not merely to preserve stability, but to transform stability into prosperity. Let us therefore leverage this stability and work together to channel capital into productive sectors, empower entrepreneurs, support exports, deepen regional integration, and strengthen public confidence in our financial system.

The Bank of Ghana remains firmly committed to working closely with all stakeholders to build a resilient, inclusive, and globally competitive financial sector that serves the aspirations of the Ghanaian people.

I thank you for your continued partnership and wish us all fruitful deliberations.

Thank you.