Meeting with Parliamentary Committee on Economy and Development

Statement

by

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Honourable Chairperson, Honourable Ranking Member, and distinguished Members of the Committee, good morning.

I am grateful for the opportunity to appear before the Committee to provide an update on the conduct of monetary policy during the first half of 2026 and to discuss the broader macroeconomic and financial sector developments that have shaped our policy decisions.

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I consider this engagement an important part of the Bank of Ghana's accountability to Parliament and the Ghanaian people as it provides an opportunity to explain the considerations underlying our policy decisions, assess the outcomes achieved, and address the challenges and risks confronting the economy. Before I yield the floor to my technical team to present the detailed Monetary Policy Report, allow me to provide some context for today's discussion.

Honourable Members, Ghana entered 2026 from a considerably stronger macroeconomic position than in the preceding year. Headline inflation had declined from 23.8 per cent in December 2024 to 5.4 per cent in December 2025. Real GDP grew by 6.0 per cent in 2025, gross international reserves increased to US$13.8 billion, equivalent to 5.7 months of import cover, and the cedi appreciated by 40.7 per cent against the US dollar over the year.

These gains provided an important foundation for policy in 2026. Our task shifted from restoring macroeconomic stability to consolidating the gains, while carefully supporting economic activity and remaining alert to emerging risks.

Monetary Policy Decisions in 2026

Honourable Members, the Monetary Policy Committee met five times between January and September 2026. Its decisions were guided by an assessment of inflation trends, economic activity, monetary and liquidity conditions, external developments and the balance of risks to the outlook.

At its January meeting, the Committee reduced the Monetary Policy Rate by 250 basis points, from 18.0 per cent to 15.5 per cent. In March, it reduced the rate by a further 150 basis points to 14.0 per cent. These decisions reflected the sustained decline in inflation, improving macroeconomic fundamentals and the assessment that real interest rates remained high.

However, in May, the Committee decided to hold the policy rate at 14.0 per cent. This was a deliberate and forward-looking decision in response to emerging inflationary risks. The escalation of the conflict in the Middle East had pushed up global crude oil prices, utility tariffs had been adjusted, and inflation had begun to edge up from its March low of 3.2 per cent.

The Committee considered it prudent to pause the easing cycle, preserve the credibility built through the disinflation process and allow the effects of earlier policy reductions to work through the economy. The policy rate is an important anchor for inflation expectations, and the management of expectations is as important as the rate itself in shaping inflation outcomes.

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The Committee subsequently maintained the policy rate at 14.0 per cent at its July and September meetings. These decisions, taken unanimously, underscore our commitment to a data-dependent approach in which policy responds to the evolving outlook rather than follows a predetermined path.

Macroeconomic Outcomes in the First Half of 2026

Honourable Members, the first-half outcomes confirm that the macroeconomic stability achieved in 2025 was broadly sustained, even as global conditions became less favourable. Real GDP grew by 6.4 per cent in the first quarter of 2026, compared with 6.2 per cent in the corresponding period of 2025. Growth was supported by the services and industrial sectors.

On inflation, the disinflation process continued into the first quarter, with headline inflation declining to 3.2 per cent in March before rising to 5.3 per cent in June. Despite this increase, inflation remained below the lower bound of the medium-term target band of 6 to 10 per cent. Core inflation and inflation expectations also remained subdued. The uptick reflected, in part, emerging

external cost pressures and domestic price adjustments, reinforcing the need for caution in the conduct of monetary policy.

The easing of monetary policy translated into lower market interest rates and improved credit conditions. The average lending rate declined from 27.0 per cent in June 2025 to 15.6 per cent in June 2026, while the 91-day Treasury bill rate fell from 14.7 per cent to 5.3 per cent over the same period. Private sector credit growth strengthened to 41.2 per cent in June 2026, supporting the recovery in credit to productive sectors of the economy.

The external sector also recorded strong outcomes. Ghana posted a trade surplus of US$8.81 billion and a current account surplus of US$5.1 billion in the first half of 2026, reflecting strong export performance and favourable external inflows. Gross international reserves stood at US$12.94 billion at end-June, equivalent to five months of import cover.

The cedi depreciated by approximately 7.9 per cent against the US dollar during the first half of the year. This adjustment reflected increased demand for foreign exchange, particularly for energy-related imports and dividend payments, as well as heightened global uncertainty associated with the Middle East conflict.

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On the fiscal front, the overall deficit was estimated at 0.4 per cent of GDP, against a target of 2.0 per cent, while public debt stood at approximately 45.0 per cent of GDP. These developments provided important support for monetary policy and the broader macroeconomic stabilisation effort.

The banking sector also remained resilient. Total banking sector assets increased by 30.7 per cent to GH¢502.4 billion. The capital adequacy ratio stood at 20.4 per cent, while the non-performing loans ratio declined from 23.1 per cent in June 2025 to 16.1 per cent in June 2026. These developments point to improved asset quality and stronger capital buffers, although the Bank remains focused on sustaining the resilience of the sector.

Policy Reforms and Operational Measures

Honourable Members, beyond the policy rate decisions, the Bank has continued to implement important reforms to strengthen the monetary policy and foreign exchange frameworks. These reforms are intended to improve the effectiveness of policy transmission, manage liquidity more efficiently and support orderly conditions in the foreign exchange market.

Liquidity Management and Reserve Requirements

The Bank of Ghana continued to manage liquidity actively in 2026, although the mix of instruments has changed.

In May, the Monetary Policy Committee replaced the dynamic cash reserve ratio with a uniform cash reserve ratio of 20 per cent, held in domestic currency with effect from 4 June 2026. This simplified the reserve requirement framework and allowed banks to use part of their existing investments in open market operation bills to meet the new requirement.

As a result, the stock of interest-bearing OMO bills declined, helping to lower the Bank's sterilisation costs. The Bank has nevertheless continued to use OMO bills to absorb residual excess liquidity, alongside the sterilisation of foreign exchange purchases and coordination with the Ministry of Finance on government cash management. These measures are important in minimising unintended liquidity injections into the financial system.

Reform of the Foreign Exchange Intervention Framework

The next major reform area concerns the foreign exchange market, particularly the framework through which the Bank continues to operate to manage excessive exchange rate volatility.

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Before the reforms, the Bank's foreign exchange intervention framework did not provide the level of transparency and predictability that market participants needed to form stable expectations. The timing, scale and modalities of interventions were not communicated sufficiently in advance, contributing to information gaps and uncertainty about the Bank's intentions. In 2025, the Bank overhauled its intervention framework around three guiding principles: transparency, rules-based conditionality and certainty for market participants.

First, the Bank moved towards pre-announced intervention windows, supported by clearer communication of volumes and objectives. This is intended to reduce information asymmetry between the Bank and the market.

Second, interventions are guided by clearer, rules-based triggers to minimise excessive volatility, reduce discretion and limit the uncertainty that can amplify market movements.

Third, the Bank has strengthened forward guidance on its foreign exchange reserve objectives and the conditions under which it would not intervene. This provides exporters, importers and financial

institutions with a more predictable framework for planning, hedging and managing foreign exchange exposures.

The cedi depreciated by 7.9 per cent against the US dollar in the first half of 2026 and by 9.5 per cent by 18 September. This adjustment followed the substantial appreciation of 40.7 per cent in 2025 and reflected higher energy-related import payments, dividend repatriation and global risk aversion associated with the Middle East conflict. Even so, volatility during the first half was lower than in the corresponding period of each of the previous four years, while market conditions remained orderly.

Reserve accumulation is now anchored by the Ghana Accelerated National Reserve Accumulation Programme (GANRAP), which became operational in April 2026 and targets 15 months of import cover by 2028. In addition, the transfer of the costs associated with domestic gold purchases to the Ghana Gold Board (GoldBod) is expected to reduce the quasi-fiscal burden on the Bank's balance sheet.

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Developments Since June 2026

Honourable Members, developments since June have continued to reinforce the need for vigilance and a careful assessment of the balance of risks. Inflation decreased from 5.3 per cent in June to 4.6 per cent in July, before inching up to 5.0 per cent in August, 5.2 per cent in September, and 5.5 per cent in October. Although inflation has edged up from its March low, it remains below the medium-term target band. We expect inflation to move into the target band in the coming quarters, although the timing will depend on the evolution of domestic and external price pressures.

The Monetary Policy Committee maintained the policy rate at 14.0 per cent at both its July and September meetings, reflecting concerns about the potential impact of elevated oil prices, global monetary policy developments and domestic price pressures. In particular, crude oil prices above US$100 per barrel, interest rate increases by the US Federal Reserve and the European Central Bank, and the potential effects of a strong El Niño represent important risks to the inflation outlook.

Economic activity has remained resilient, with real GDP growing by 6.0 per cent in the second quarter of 2026. The banking sector resilience continued to improve, with the non-performing loans ratio declining further to 15.7 per cent in August.

On the external front, gross international reserves declined to US$11.07 billion, equivalent to 4.2 months of import cover, at end-August, before recovering to US$12.05 billion, or 4.5 months of

import cover, by 22 September 2026. Rebuilding and sustaining adequate reserve buffers remain important priorities for the Bank, particularly in the face of external uncertainties and the need to maintain confidence in the foreign exchange market.

There have also been important developments in Ghana's engagement with the International Monetary Fund. In July, the IMF Executive Board completed the final review of Ghana's US$3 billion Extended Credit Facility programme and approved a 36-month, non-financing Policy Coordination Instrument. The first review under the PCI commenced in October. The new programme provides a framework for sustaining the reform momentum and consolidating the macroeconomic gains achieved under the ECF.

Conclusion

Honourable Chairperson and distinguished Members, the first half of 2026 was a period of consolidation. We achieved further monetary policy easing as inflation declined but appropriately paused when external and domestic risks began to emerge. The results included continued economic growth, lower interest rates, stronger private sector credit, improved external balances and a resilient banking sector.

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The subsequent developments have reinforced the importance of maintaining a cautious and data-dependent policy stance. While inflation remains below target, pressures from global oil prices, exchange rate movements and domestic price adjustments require continued vigilance. The Bank will monitor these developments closely and take the necessary policy actions to safeguard price stability.

We also remain committed to strengthening the operational and institutional foundations of monetary policy through more effective liquidity management, a transparent foreign exchange framework, reserve accumulation and reforms to restore the Bank's financial position.

Honourable Members, the Bank of Ghana remains committed to transparency, accountability and constructive engagement with Parliament. I look forward to the Committee's questions and to a meaningful discussion on the conduct of monetary policy and the measures being undertaken to safeguard macroeconomic stability.

Thank you very much.