131st Monetary Policy Committee Meeting

Opening Remarks

by

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Good morning, and welcome to the 131st Monetary Policy Committee Meeting. I extend a warm welcome to our external members and to the staff team whose analytical work will inform our deliberations over the coming days.

At the 130th meeting, the Committee held the Monetary Policy Rate at 14.0 percent and, in the same decision, replaced the dynamic Cash Reserve Ratio framework with a uniform requirement of 20 percent to be held in domestic currency. Against significant external uncertainty, the Committee judged that strengthening the operational framework was, at that moment, a more appropriate response than adjusting the policy rate. A related development also falls within this review period: with effect from 1 July, the Bank ceased prefinancing the Ghana Gold Board's gold purchases through its auction arrangements. This represents an important change in the sources of domestic liquidity and will form part of our assessment this week.

Over the course of this meeting, the Committee will assess how those measures have affected liquidity conditions, monetary policy transmission and broader macroeconomic outcomes, and what they imply for the policy stance the Committee should adopt this week.

The Global Environment

Turning to the broader environment, global developments have broadly evolved along the lines we anticipated at our previous meeting, though downside risks have become more pronounced. The mid-June ceasefire briefly eased tensions and allowed oil prices to retrace much of their earlier increase. Renewed hostilities around the Strait of Hormuz have since reignited volatility in energy markets, with Brent rebounding above US$85 per barrel earlier this week. The persistence of elevated energy prices has slowed the anticipated pace of global disinflation and prompted several central banks to reassess the timing of further easing. The renewed volatility also reinforces the importance of the scenario analysis this Committee undertook earlier in the year.

For Ghana, as a commodity-exporting yet energy-importing economy, these developments reinforce the need to assess carefully the extent to which external cost pressures may influence the domestic inflation outlook over the policy horizon.

Domestic Conditions: Inflation, Growth, Exchange Rate and Financial Conditions

The domestic picture is one of continued resilience alongside a change in the inflation trajectory that requires careful reading. Headline inflation has risen for three consecutive months, from 3.2 percent in March to 5.3 percent in June, driven largely by transport and haulage prices. At 5.3 percent it remains below the lower bound of the Bank's target band of 8 percent, plus or minus 2 percentage points, and substantially below the 13.7 percent recorded a year earlier. The prolonged disinflation phase has ended, and inflation is now returning towards the target band. Whether that return reflects orderly normalisation, or the beginning of a more persistent change in the outlook, is the central question for this meeting.

Growth has held up well and this trend is expected to continue. The economy expanded by 6.4 percent in the first quarter, up from 6.2 percent a year earlier, with the GDP deflator easing to 4.1 percent. Real private sector credit has accelerated to 34.1 percent, against a 4.5 percent contraction a year ago. This largely reflects the easing in domestic credit conditions associated with the disinflation process, and the Committee will need to assess whether the pace is broad-based and sustainable. The exchange rate has remained broadly stable through the first half of July. The banking system remains sound and well-capitalised, though the still-elevated non-performing loan ratio indicates that credit risk has not yet been fully worked through the system.

Main Issues to dominate the Committee's Discussions

Against that backdrop, four issues will guide our discussions.

First, the inflation outlook. The Committee must reach a considered view on whether the recent increase in inflation reflects a temporary response to higher imported energy costs or signals a more persistent shift in the inflation outlook. This assessment must take into account the interaction between external commodity-price pressures on one hand, and prospective adjustments to utility tariffs and transport fares on the other hand, which could add a domestic impulse to what began as an external shock. The central judgement is not whether inflation has moved, but whether it is beginning to influence the expectations that shape price-setting behaviour.

Second, the effectiveness of the May reforms. At the 130th meeting, the Committee noted that the interbank rate had shown persistent stickiness at the lower bound of the policy corridor, and the revised Cash Reserve Ratio framework was designed to address this. Staff will need to establish whether the alignment of short-term market rates with the policy rate has since improved, and whether further refinements to the operational framework are warranted.

Third, the changing composition of domestic liquidity. The cessation of Bank prefinancing for GoldBod purchases removes one source of liquidity injection at a time when private sector credit is expanding rapidly. The Committee must assess what this implies for the calibration of the current stance, and whether the balance of sterilisation and structural measures remains appropriate.

Fourth, the external environment. The Committee must consider what renewed volatility in global oil markets implies for the balance of payments, reserve accumulation, and the exchange rate. Ghana's external buffers remain a source of resilience, and disciplined reserve management alongside continued exchange-rate flexibility will remain central to how we navigate the period ahead.

Colleagues, the Committee meets at a time when the domestic economy continues to demonstrate resilience, even as the external environment remains uncertain. Our engagement with the Fund on the transition to the proposed Policy Coordination Instrument continues in parallel and reinforces institutional priorities the Bank maintains as a matter of its own mandate: a credible inflation-targeting framework, effective transmission, and disciplined liquidity management.

Our task this week is not simply to assess the latest data. It is to determine whether the framework we strengthened in May remains fit for the conditions now before us, and whether the choices we made then continue to serve the medium-term objectives on which our credibility depends.

Remarks on the MPC-EOP

Before I conclude, let me also highlight an important initiative that reflects the Bank's continued commitment to transparency, public engagement, and strengthening the understanding of monetary policy among future generations of economists and policymakers.

As part of the 131st Monetary Policy Committee Meetings, the Bank is pleased to host the inaugural cohort of the Monetary Policy Committee Educational Observership Programme (MPC-EOP), with selected students from the University of Ghana participating in aspects of this week's proceedings.

Monetary policy is most effective when it is understood, trusted, and supported by the public. Through this initiative, we seek to demystify the monetary policy process by providing students with practical exposure to the analytical work, technical discussions, and communication processes that underpin the Committee's decisions. We hope that this experience will deepen appreciation of the rigour, evidence-based analysis, and accountability that characterise the Bank's decision-making framework.

The MPC-EOP forms part of our broader efforts to enhance transparency, strengthen policy credibility, and build stronger linkages between academia and policy institutions. We are delighted to welcome our student observers and faculty representatives to The Bank Square and look forward to their participation in this programme and the 131st Monetary Policy Committee Meetings.

With these few remarks, I declare the 131st Monetary Policy Committee Meeting open.