

# FUNDAMENTALS

## GHANA MPC UPDATE:

**Softer on Rates, Tighter on  
N.O.P. limits**

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## IN BRIEF

- **Loosening the monetary sails on disinflation tailwind.** The Bank of Ghana's MPC surprised with a deeper-than-expected 350bps cut in the policy rate to 21.5% (IC Insights: -300bps), frontloading part of our expected future easing and striking a more bullish note. The Committee reaffirmed its confidence in continued decline in inflation to within the medium-term target band of 8.0%  $\pm$  2.0% by end-2025, while reframing the risk from the looming utility tariff hike as a medium-term concern. We now see inflation around the midpoint of the medium-term target range by end-2025.
- **Banks' FX trading gains likely constrained in tightened NOP limits.** In a surprise move, the Bank of Ghana revised banks' Net Open Position limit from  $\pm$ 5% to a band of 0% (flat net FX position) to -10% (short net FX position), effective 01 October 2025. We think this move partly aims to mitigate potential FX risk from lower yield on OMO securities likely arising from the policy rate cut. We expect this to push banks into unwinding FX buffers, shift into long Cedi positions, and boost short-term FX turnover. However, we foresee tighter FX liquidity on banks' balance sheets and a weaker prospect for FX trading income.
- **The Golden fortress anchors Ghana's forex reserves.** Ghana's external sector is enjoying its strongest cycle in over a decade, with record trade and current account surpluses driving reserves to USD 10.7bn (4.5 months import cover) despite the Eurobond debt service outflow in July 2025. We note that the robust gold exports, which already surpassed FY2024 levels on higher prices and stronger official retention, are anchoring this momentum. We expect the World Bank inflows, cocoa proceeds for the 2025/26 season, and continued strong gold export to reinforce reserves in 4Q2025, offering a shield of stability for the Ghanaian Cedi.

## More dovish than the market doves

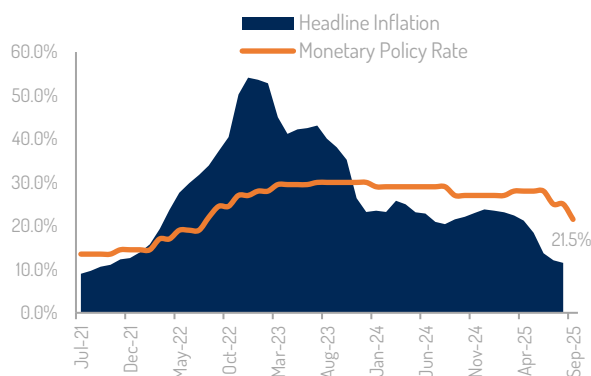
The Bank of Ghana's Monetary Policy Committee (MPC) delivered a more dovish tilt than both the consensus and our expectation at the September 2025 MPC meeting. The Committee voted by a majority decision to reduce the Monetary Policy Rate (MPR) by 350bps to 21.5% compared to the consensus and our expectation of a 300bps reduction. This likely frontload part of our expected policy rate cut at the November 2025 MPC meeting.

The MPC struck a bullish tone about the disinflation outlook, reiterating its expectation for inflation to fall within the medium-term target band of 8.0%  $\pm$  2.0% by end-2025. Importantly, we noticed a slight tweak in the language for the upside risk expected from the impending utility tariff hike. The Committee introduced "medium-term" to describe the time horizon for the upside risk anticipated from the major utility tariff hike. Given that the utility service providers and other stakeholders have only commenced simulations on the appropriate magnitude of hike, we think the final hike would be announced in 4Q2025 with effective date in January 2026. This probably underpins the MPC's tone that the utility tariff hike "could exert some price pressures in the medium term". Within this context, we now expect inflation to land around the midpoint of the BOG's medium-term target band by end-2025.

**New limit on NOP will prevent banks from holding FX buffers and potentially constrain FX trading income.** In a surprise shift, the Bank of Ghana revised the limit on banks' Net Open Position (NOP) from the current  $\pm 5.0\%$  of net owned fund to between zero and  $-10.0\%$ , starting from 01 October 2025. This tweak effectively prevents banks from holding forex buffers on their balance sheet (previously allowed at  $+5.0\%$  of net owned fund) and creates a structural demand for Cedi position on the interbank market. We think this is partly aimed at offsetting any FX risk arising from the lower policy rate and resultant decline in yield on OMO securities.

We expect banks to begin trimming their net long FX positions in the next 2-weeks, potentially boosting FX turnover and tilting banks' balance sheet into long Cedi positions. This will also tighten FX liquidity available to banks for trading purposes and potentially dampen the prospects for FX trading income.

### INFLATION AND POLICY RATE PATH SINCE 2021



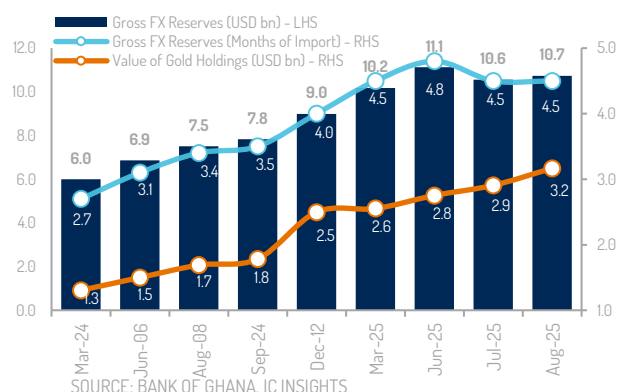
SOURCE: BANK OF GHANA, GHANA STATISTICAL SERVICE, IC INSIGHTS

## The Golden fortress anchors Ghana's forex reserves despite the blip in July.

Ghana's external account balances appear to be in the best cyclical shape in over a decade with record-high trade surplus (7.1% of GDP in 8M2025) while the 3.9% current account surplus in 6M2025 suggests a strong potential to end-2025 above 7.0%. This supported gross reserves to USD 10.7bn (4.5 months of import cover), albeit showing a slight m/m dip from the 4.8 months in June 2025. In our view, the drop is largely due to  $\approx$ USD 350mn Eurobond debt service in July 2025 instead of FX market operations. Given the USD 360mn second tranche disbursed by the World Bank under the Development Policy Operation support in September, the steady inflows from cocoa proceeds (as buyers commence advance part payments for 2025/26 crops), and low external debt service, we expect stronger FX reserves in 4Q2025.

Our analysis of the trade balance revealed strong inflows from gold exports to USD 11.2bn (+68.4% y/y). Notably, the gold receipts in 8M2025 already exceeded the FY2024 gold exports by 8.6%, reflecting both the benefit of higher world market prices (+28.5% realised value in 8M2025) and improved official volume retention. In our view, the improved official volume retention was supported by the government's policy to transition the Precious Minerals Marketing Company into Gold Board with legislative backing to be the sole exporter of gold from Ghana's small scale mining sector. With small scale mining accounting for almost half of Ghana's gold output (4.8 million ounces in FY2024) amid elevated prices, we expect the precious metal to provide the golden fortress for stronger reserves and stable Cedi in the near-term.

### GHANA FOREIGN EXCHANGE RESERVES



SOURCE: BANK OF GHANA, IC INSIGHTS

We also observe a rebound in cocoa export receipts, supporting our near-term bullishness on the current account surplus and forex reserve. Cocoa exports surged 170% y/y to USD 2.5bn in 8M2025, largely reflecting the benefit of higher world market price and output recovery. With 100,000 tonnes remaining to be fulfilled out of the 330,000 tonnes contract deferred from the 2023/24 cocoa season, we believe Ghana is increasingly regaining the capacity to take advantage of the higher global cocoa prices as domestic cocoa production steadily recovers (average real growth of 2.3% y/y in 1H2025). This will offer additional tailwind for gross international reserves despite depressed earnings from crude oil exports, but higher external financing in 2026 is a risk.



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