

FUNDAMENTALS

GHANA MPC UPDATE:

Easing without loosening

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**Economist and Head, Insights**

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IN BRIEF

- **Monetary easing with a tight policy grip and anchored inflation.** Ghana's MPC delivered another deep but cautious 350bps cut in the policy rate to 18.0%, reinforcing our observation of its commitment to maintaining a double-digit real policy rate and keeping monetary conditions firmly restrictive despite a bullish inflation outlook. With the BOG's latest forecast pegging the end-2025 inflation between 4.0% – 6.0% and within the 6.0% – 10.0% target band through 1H2026, the Committee signalled growing confidence that disinflation is firmly anchored. While we broadly concur with this outlook, we remain alert to the upside risk from the multi-year utility tariff hike expected in 1Q2026. Nonetheless, the authorities appear confident that any price pressures will emerge from below the lower band and remain contained within the target.
- **The easing cycle continues but the monetary stance will remain tight into 1H2026.** Despite the 350bps cut that lowered the real policy rate to 10.0%, both the BOG's and our disinflation forecasts for the remaining two months of 2025 point to a further rise in the real rate by year-end, likely exceeding 12.0%. We expect the MPC to pause in January 2026 to monitor potential risks from the anticipated utility tariff hike, with double-digit real rates likely persisting through 1H2026 to pre-empt any second-round inflationary effects.
- **Reintroduction of the 14-day BOG bill marks a tactical pivot from structural liquidity tightening to an active liquidity management.** Following the 2023 DDEP and a prolonged Treasury bond hiatus, the BOG aggressively absorbed excess Cedi liquidity through longer-dated 56-day and 273-day OMO bills, cumulatively mopping-up GHS 99.8bn by 26 November 2025. We believe the sharper-than-expected disinflation in 2025 now allows the BOG to fine-tune liquidity conditions more regularly, easing Cedi tightness in the interbank market and creating a supportive window ahead of the Treasury's 2026 bond issuance. We anticipate a downward re-pricing of money market instruments (fixed deposits and Repos) and lower borrowing costs via a compressed Ghana Reference Rate. Additionally, FX stability will remain safeguarded by the BOG's disciplined oversight of banks' US Dollar positions and a robust forex reserve covering 4.8 months of import cover.

A calibrated monetary easing

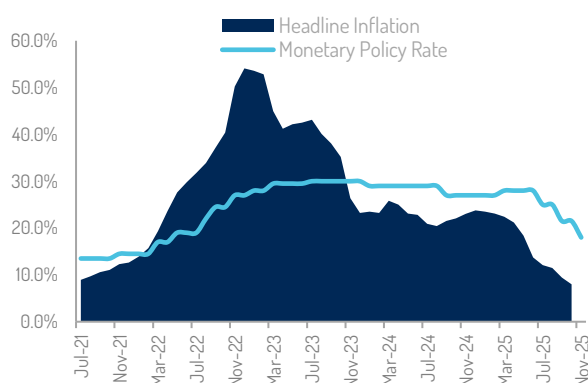
The Monetary Policy Committee of the Bank of Ghana voted by a majority decision to reduce the policy rate by 350bps to 18.0% at its final MPC meeting for 2025 in November. The magnitude of the rate cut was broadly in line with our expectation but came in 50bps lower than our maximum expected cut of 400bps.

We view this deep, yet cautious, rate cut as a signal of the MPC's continued preference for double digits real policy rate at every point in this phase of the rate cutting cycle which began in July 2025. The cut effectively reduced the real policy rate from 13.5% (pre-MPC) to 10.0% (post-MPC), retaining the monetary stance in a very restrictive zone, in our view, although the MPC struck a bullish tone on price stability in 2026.

Similar to the September 2025 meeting, the Committee stressed its confidence in the firmly anchored macro-outlook with its latest forecast pointing to continued stable inflation profile within the target band of 6.0% – 10.0% well into 1H2026.

In his opening remarks at the start of the MPC meeting on 24 Nov-2025, the Governor noted the BOG's forecast for inflation to likely close 2025 between 4.0% – 6.0%. This expected sharp disinflation below the lower band of the BOG's target underpinned the MPC's view that the current risks that could shift inflation away from the target have significantly moderated. Although we broadly align with the MPC on the favourable inflation outlook for 2026, we remain cautious of the potential upside risk from the expected multi-year utility tariff hike in 1Q2026. We believe the authorities are equally minded by this upside risk but are confident that any resultant upswing in inflation will largely be contained within the band as the pressure likely builds from below the lower band.

INFLATION AND POLICY RATE PATH SINCE 2021



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

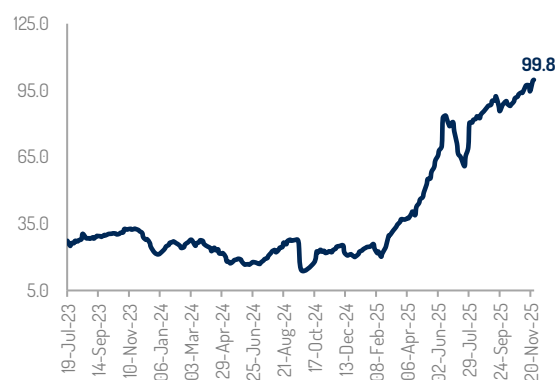
The easing cycle continues but the monetary stance will remain tight into 1H2026. Despite the 350bps reduction in the policy rate which trimmed the real rate to 10.0%, the BOG's and our forecast disinflation for the remaining two months of 2025 suggest a further rise in the real rate by FY2025. Our forecast shows a likely increase in the real policy rate above the 12.0% mark by end-2025 with the MPC likely hitting a pause in January

2026 to observe the potential risk from utility tariff hike. We expect this double-digit real policy rate to persist through 1H2026 as the authorities will seek to avert a potential second-round effect from the tariff hike. This monetary stance will align with the 2026 budget statement, which note that *"monetary easing will be cautious and conditional on continued stability, and the Bank stands ready to act swiftly should inflationary risks resurface"*

Reintroduction of the 14-day BOG bill marks a tactical pivot from structural liquidity tightening to an active liquidity management. The Committee also announced a re-introduction of the 14-day BOG bill which was replaced in April 2023 with the longer-dated 56-day tenor. In our view, the 2023 DDEP which led to the non-issuance of Treasury bonds for three consecutive years have left a legacy of structural liquidity overhang on the interbank market amid limited placement options. This required aggressive liquidity mop-ups by the Central Bank via the 56-day BOG bill (reintroduced in April 2023) and a one-off use of the 273-day bill (in June 2025) to lock-up excess Cedi liquidity for longer.

Our estimate revealed that this structural liquidity tightening by the BOG led to a cumulative mop-up of GHS 99.8bn as of 26 November 2025. However, we opine that the sharper-than-expected disinflation in 2025 has opened the scope to reset the policy toolkit from the structural liquidity tightening stance to an active liquidity management. This affords the BOG with a greater flexibility to regularly fine-tune liquidity conditions in line with market needs.

BANKS' OUTSTANDING HOLDING IN BOG BILLS (GHS Bn)



SOURCE: BANK OF GHANA, IC INSIGHTS

Additionally, we argue that the reintroduction of the 14-day Open Market Operation (OMO) instrument will soften the Cedi liquidity conditions on the interbank market and provide a favourable demand window ahead of the Treasury's return to domestic bond issuances in 2026. Overall, we expect a downward re-pricing of domestic interest rates, especially on money market instruments such as fixed deposits and Repos while the cost of credit is also dragged lower via a suppressed Ghana Reference Rate (currently at 17.9%). However, we do not anticipate significant risk to FX stability due to the BOG's restraint on banks' net open position on US Dollar and a strong forex reserve (at 4.8 months of imports).



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