

FUNDAMENTALS

GHANA MPC UPDATE:

A narrowing policy space

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**Economist and Head, Insights**

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IN BRIEF

14.0%

Policy Rate (hold)

5.0%

Aug CPI (Jul: 4.6%)

9.0%

Real Policy Rate

USD 12.0bn

GIR, 22-Sep (4.5mnth)

-9.5%

Cedi vs USD, YTD

29.0%

Real Private Credit, y/y

- **Policy space narrows as external risks keep Bank of Ghana's MPC on hold.** The Bank of Ghana's MPC unanimously retained the policy rate at 14.0% (as expected) but adopted a less dovish tone. The Governor's emphasis on external conditions constraining the use of domestic policy space suggests limited scope for near-term easing. The Committee's deliberations focused on inflation, external resilience and the interaction between fiscal operations in 4Q2026 and monetary policy with external sector risks seemingly being the dominant topic at the meeting.
- **Decline in external buffers and expected fiscal spending complicate the FX outlook.** The MPC sees inflation's recent rise as largely contained but acknowledges growing upside risks as headline inflation approaches the target range "over the next few quarters". This suggests a more measured climb in inflation and a 2027 return into the target band of 6.0% – 10.0%. Meanwhile, the weaker FX reserves highlight Ghana's external vulnerabilities, with rebuilding of reserves targeted as a key priority in the months ahead. We believe this implies two likely outcomes: (1) Intensified GOLDBOD exports to boost reserves and (2) allowing greater Cedi flexibility. The expected rise in fiscal spending could also inject liquidity, lift demand and add moderate pressure on the Cedi, reinforcing the case for cautious monetary policy.

A less dovish hold

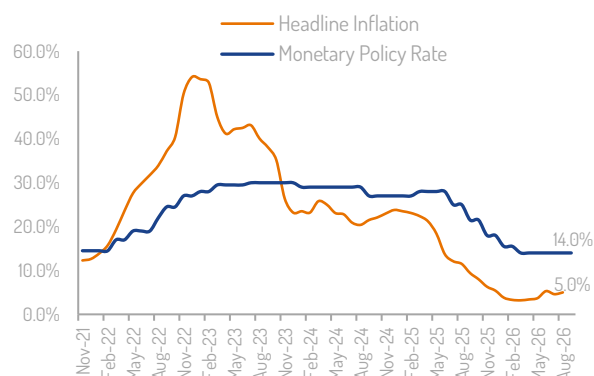
The monetary policy committee (MPC) of Ghana's Central Bank was unanimous in its decision to retain the monetary policy rate at 14.0% during the September 2026 MPC meeting, in line with the consensus and our expectation for this meeting. While we expected the "rate-hold" decision, we noted a seeming shift in the Committee's tone which suggested a less dovish sentiment than the prior meetings since July 2025. In his opening remarks at the start of the three-day MPC meeting, the Governor reiterated that the domestic position affords policy space, but the external position determines how much of this policy space can be used. We interpret his comment as closing the door on near-term policy rate easing as mounting global uncertainty begins to test Ghana's external resilience. This sharply contrasts with the July 2026 MPC tone, which suggested the authorities leveraging of the policy space afforded by sub-6.0% inflation and FX reserves which stood at 5.0-months of import cover.

Three issues dominated the MPC's deliberations at this meeting with careful considerations of the risks associated with each.

- The inflation trajectory
- The external position and
- The expected interaction between upcoming fiscal operations in 4Q2026 and monetary policy

Transitory or persistent: Judging the renewed increase in inflation. We reiterate our longstanding view that disinflation has ended, and inflation has bottomed out in March 2026 at 3.2% with the near-term trend pointing to the upside despite intermittent dips. Unsurprisingly, the MPC flagged this emerging upward trend which had delivered a cumulative 180bps uptick in inflation to 5.0% as of August 2026, albeit noting that the rate remains below the lower bound of the target band. The Committee's deliberation on whether the "expected rise over the coming months" will be a one-off adjustment to cost-push pressures or the beginning of persistent pressure underscores the emerging upside risk to inflation. Nevertheless, the authorities judged the outlook to be largely contained and less persistent with headline inflation rising into the target band (6.0% – 10.0%) "over the next few quarters" rather than months. This suggests a 2027 return to the band.

INFLATION AND POLICY RATE PATH



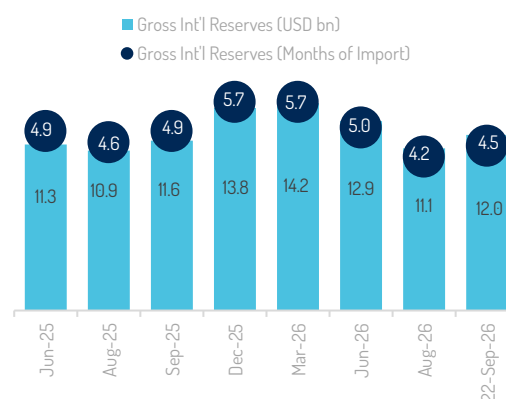
SOURCE: BANK OF GHANA, GHANA STATISTICAL SERVICE, IC INSIGHTS

External resilience is being tested as FX reserves fell. In our [July 2026 MPC update](#), we flagged the lingering vulnerability of Ghana's gold-funded FX reserves to external shocks as elevated energy prices and higher external payments pose the risk of drawdowns. The updated FX reserves showed a further decline to USD 11.1bn (4.2 months of import cover), representing a 14.0% drop within two months, before recovering to USD 12.0bn (4.5 months of import cover) as of 22 September 2026. The Sep-2026 MPC meeting revealed another layer of risk – an irregular export of gold by GOLDBOD compared to the past year and early 2026. In our view, this reflects the new normal where GOLDBOD takes full control of gold trading activities (financing, domestic purchase and exports) but will deploy price hedging strategies to minimise the risk of trading losses. In the event of unfavourable global price movements, this will delay export decisions to avoid exporting into lower prices. We believe this hedging strategy underpinned the slower export since mid-August but picked up markedly in the past week to revive gross reserves to USD 12.0bn by 22 Sep-2026.

Notwithstanding the recovery, we note that the FX reserve buffer remains below the 5.7-months cover attained in March 2026 and the 4.6-months cover in August 2025 amid the higher import prices and rising seasonal import demand. The Committee's call to rebuild reserves as a key priority in the coming months raises two possibilities in our view. (1) intensify GOLDBOD exports and/or (2) accommodate a slightly more depreciation of the Cedi. We think the former will be a priority while the USDGHS continues to adjust in line with inflation momentum and will likely drift faster if the projected current account deficit in 3Q2026 materialises.

Expected upscaling of public spending within the fiscal framework raises liquidity and FX implications. The fiscal operations in 7M2026 reflected a tight grip on public spending amid improving but still lagging revenue outturn. This puts the fiscal balance in a strongly better position than targeted for the period and raises expectation of higher spending in 4Q2026 in line with the 2026 budget framework. This will likely elevate Cedi liquidity, aggregate demand, with moderate pressure on the Ghanaian Cedi especially with USD 1.13bn required for Eurobond service in 2027 (of which, c. USD 570mn in January 2027).

TREND IN GROSS INTERNATIONAL RESERVES



SOURCE: BANK OF GHANA, IC INSIGHTS

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