GHANA | MACROECONOMIC UPDATE | MONETARY POLICY | INSIGHTS

FUNDAMENTALS

GHANA MPC UPDATE:

Same floor, lower ceiling

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IN BRIEF

11.0%	5.5%	5.5%	USD 12.1bn	-11.3%	-0bps
Policy Rate (-300bps)	Oct-2026 Inflation (Sep: 5.2%)	Real Policy Rate (Oct: 8.5%)	Gross Int'l Reserve, 17-Nov (4.4mnth)	Cedi vs USD, YTD	Effective easing, IC Insights estimate

- **Narrowing the policy corridor by 300bps leaves the policy floor unchanged but the rate cut aligns the policy anchor with market transaction rates.** Our analysis showed that since April 2026, OMO yields, which is the effective policy anchor, held at 10.5% and interbank rates ranged between 10.2% – 10.4%, while the 14.0% policy rate only served as a reference rate. Resetting the policy rate to 11.0% and narrowing the corridor to ±100bps (from ±400bps) leaves the 10.0% policy floor unchanged but closes the 300bps policy-vs-market gap without altering interbank pricing. In effect, we note that the only genuine easing is a 600bps cut to the policy ceiling, reducing the cost of emergency liquidity for commercial banks.

- **The end of rate easing cycle:** With the policy rate now reset to 11.0% and our expectation of inflation uplift towards 8.0% in 2027, we firmly believe the MPC has reached the end of the rate cutting cycle. At current levels, we believe the policy stance has shifted from restrictive to broadly neutral, with no further cut needed against the backdrop of the upcoming fiscal impulse in 2027.

Cutting to align with the market anchor

The Bank of Ghana's Monetary Policy Committee (MPC) surprised us and the market with three major decisions at the November 2026 meeting. The authorities concluded the meeting with what looks, at first glance, like an aggressive 300bps cut in the policy rate but carefully avoided the word "cut" and opted to use "align" to describe the policy rate shift. Although the MPC announced three policy changes, we note that only one made the headlines with an almost immediate yet still unfolding impact on domestic bond pricing.

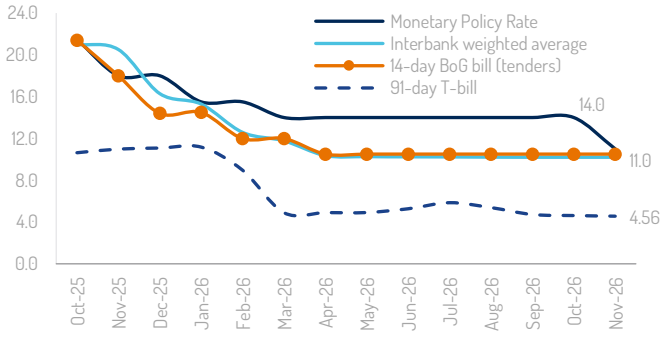
The three changes announced by the MPC were:

- Align the Monetary Policy Rate (MPR) from 14.0% to 11.0%
- Narrow the policy corridor from MPR ±400 basis points to MPR ±100 basis points, and
- Replace the 14-Day Open Market Operation (OMO) instrument with a 7-Day instrument.

Our general assessment is that the decision moves the signpost (the policy rate) to where the road already runs (interbank levels) but credit portfolio and net interest margins may yet compress as our simulated Ghana Reference Rate drops to between 8.8% - 9.0% for December 2026.

Narrowing the policy corridor by 300bps leaves the policy floor unchanged but the rate cut aligns the policy anchor with market transaction rates. The outcome of our analysis of the policy decision supports the MPC's view that shifting the policy rate down by 300bps substantially narrows the spread between the policy rate and OMO yields. We note that since April 2026, OMO yields, which represents the effective policy anchor and the operational cost of sterilisation, stood at 10.5% whereas the headline policy rate was held at 14.0%. Over the same period, the interbank weighted average interest rate ranged between 10.4% and 10.2%. In effect, we observed that the 14.0% MPR was only a reference rate but lacks an influence on transaction pricing. The combined decision of reducing the policy rate to 11.0% (from 14.0%) and narrowing the policy corridor to ±100bps (vs ±400bps) preserves the policy floor at 10.0%, the same floor as pre-MPC and broadly the same levels for interbank and OMO interest rates. This is where our analysis confirms the MPC's realignment view.

POLICY RATE vs MARKET INTEREST RATES (%)



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

With interbank interest rates currently quoted at 20bps above the policy floor, the spread between the policy rate and the market closes by 300bps without an expected change in the rate at which banks transact among themselves. Nevertheless, the decision cut the policy ceiling by 600bps, reducing the cost of emergency liquidity support to commercial banks.

THE NEW POLICY FRAMEWORK vs OLD FRAMEWORK

Parameter	Old framework	New framework	Change
Monetary Policy Rate	14.0%	11.0%	-300bps
Policy Ceiling (lending facility)	18.0%	12.0%	-600bps
Policy floor (deposit facility)	10.0%	10.0%	Unchanged
Corridor width	800bps	200bps	-600bps
OMO instrument	14-day BOG bill	7-day BOG bill	Tenor halved
Interbank (Nov 2026) vs MPR	-380bps	-80bps	Gap closes by 300bps
Interbank (Nov 2026) vs floor	+20bps	+ 20bps	Unchanged

SOURCE: BANK OF GHANA, IC INSIGHTS

The new OMO instrument will decide the true outcome. After exactly one year of reinstating the 14-Day BOG bill to replace the 56-Day bill, the Bank of Ghana has further reduced the liquidity management instrument to 7-Day tenor. We believe this decision complies with an IMF requirement under the Policy Coordination Instrument to modernise Ghana's monetary policy operations. We expect the 7-Day OMO instrument to enhance the BOG's capacity to manage liquidity more frequently and respond quickly to fluctuations in banking system liquidity, especially as the 2027 budget signals upcoming GHS 85.0bn net domestic borrowing amid DDEP principal repayment of GHS 58.0bn. Furthermore, we believe the effective change in the policy stance now depends on where the new 7-Day BOG bill clears as the BOG is yet to disclose the pricing framework (whether remaining at the current 10.5% or moving up to the new policy rate of 11.0%). We simulated three possible scenarios with a high conviction on the base case.

Scenario	7-day bill	Mechanics	Effective change	Odds
Floor-plus (base case)	-10.50%	OMO rate unchanged Interbank 10.0% – 10.2%	0 – 20bps easing	**High**
Midway	-10.75%	OMO rate +25bps Interbank 10.4% – 10.7%	20 – 50bps tightening	**Medium**
At MPR	-11.00%	OMO rate +50bps Interbank 10.7% – 11.0%	50 – 80bps tightening	**Medium**

SOURCE: IC INSIGHTS, BANK OF GHANA

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