CENTRAL BANK OF LIBERIA
COMMUNIQUE NO. 23
July 23, 2025

For the Monetary Policy Committee Meeting held on Wednesday, 16 July 2025

The Central Bank of Liberia's (CBL) Monetary Policy Committee (MPC) convened on July 16, 2025. The Committee reviewed recent macroeconomic developments and assessed the risks to the inflation, exchange rate and growth outlook in both the domestic and global economies for the second quarter of 2025. Following the deliberations, the Committee decided to maintain the Monetary Policy Rate (MPR) at 17.25%. The summary below outlines the key discussions that informed this decision.

Global Macroeconomic Developments

The global economy continued to slow down, caused by heightened trade fragmentation, rising debt vulnerabilities, climate related disruptions and geopolitical shocks. In its April 2025 World Economic Outlook, the International Monetary Fund (IMF) downgraded its global growth projection by 0.5 percent to 2.8 percent for 2025; lower than the 3.3 percent recorded in 2024. Similarly, a subdued growth for 2025 was also projected by both the World Bank and the Organization for Economic Co-operation and Development (OECD), reflective of deeprooted productivity slowdown, weakened investor sentiment, tight financial conditions, and geopolitical shocks.

Although the risks are moderating, the Committee noted that the constraints in the global economy continued with cyclical imbalances, policy trade-offs, rising fiscal vulnerabilities and regional divergences in inflation outcomes. While advanced economies are cooling off under the weight of tight monetary policy and fiscal drag, many emerging markets and developing economies are showing greater resilience, particularly those with large domestic demand bases and improving macroeconomic policy frameworks.

Moderation in global headline inflation continued, but the rate of deceleration remains slow. The IMF projected global inflation to moderate to 4.3 percent from the 5.7 percent recorded in 2024, reflecting the effects of subdued global commodity prices, normalization of global logistics, and tighter monetary policy settings across most economies. Core inflation, however, remains persistent in many economies due to strong wage growth and service sector price pressures. Moreover, inflationary risks persist, particularly in emerging markets and developing economies, largely due to currency depreciation, commodity price volatility and climate-related supply disruptions.

The Committee was, however, optimistic about the projected moderation in global headline inflation, in response to policy effectiveness particularly in advanced economies. Nevertheless, it was noted that the double-digit inflation rate in Sub-Saharan Africa was mainly driven by fiscal pressures, climate-related supply shocks, and monetary policy transmission constraints.

The varying movements in global commodity prices were also observed by the Committee. It was noted that the international prices of rice and crude oil are predicted to decline. Similarly, the prices of rubber, cocoa, palm oil and iron ore are predicted to fall in the quarters ahead. However, gold price is predicted to continue its upward trajectory, supported by strong global demand amid ongoing global economic uncertainties.

Domestic Macroeconomic Developments

The MPC was satisfied with the quarterly performance of the economy, noting a 4.3 percent expansion from the 3.9 percent expansion in economic activity in the previous quarter. The Committee noted that this expansion was on account of a rise in reserve money and the moderation in consumer prices. The Committee was optimistic that at this level, the economy could reach its projected annual growth target of 5.6 percent for 2025.

The Committee was satisfied with the moderation in consumer prices in the economy, noting that inflation moderated to 11.1 percent in the second quarter from 12.5 percent in the first quarter of 2025. This moderation, the Committee noted, was mainly on account of the declines in food inflation (8.3% from 8.4%), administered prices (0.7% from 1.2%) and market prices (2.4% from 2.9%).

The Committee observed that the inflation forecast of 10.3 percent +/- 2 percentage points for the third quarter still points to a moderation in consumer prices. However, the MPC was concerned that the current global uncertainty with declines in the prices of most of the country's export commodities could have adverse implications for sustaining the moderating trend in inflation. Notwithstanding, the Committee remains optimistic that proactive monetary policy action, including the current tight policy stance, will be helpful for safeguarding economic stability in the quarters ahead.

The Banking Sector

The Committee noted that in the second quarter of 2025, the banking sector remained broadly stable, capitalized and liquid, despite a marginal decrease in the liquidity ratio. The capital adequacy ratio grew at an estimated at 31.5 percent, 21.5 percentage points above the regulatory minimum of 10.0 percent, while total assets, total deposits and total loans and advances were estimated to also rise during the 2nd quarter of 2025.

However, the Committee noted that Non-Performing Loans (NPLs) remain a significant financial stability risk, with estimated growth of the NPLs exceeding the Bank's tolerable limit of 10.0 percent by 9.6 percentage points. The Committee is, however, hopeful that the recent implementation of the approved NPL Resolution Framework will help to bring the NPL levels below the tolerable limit.

Monetary Aggregates and Financial Markets Developments

The Committee noted the 7.3 percent estimated increase in net domestic assets (NDA), observing that this rise was on account of a 12.9 percent growth in net domestic credit. The MPC also noted the 2.6 percent rise in currency in circulation (CIC) to L$35.1 billion, reflecting the estimated 3.0 percent increase in currency outside the banking system. Notwithstanding, the Committee maintains that these changes were not significant enough to disrupt the relative macroeconomic stability of the Country.

The Committee welcomed developments in financial market operations and acknowledged that the activation of the corridor system transmission mechanism is a strong indication that the policy rate is gaining traction. The Committee noted that the 6.0 percent rise in CBL bills issuance was on account of a 7.0 percent increase in institutional investors' subscription. It was, however, noted that retail investment in the CBL bills fell by 4.0 percent. The Committee expressed concerns that the upcoming festive season could have implication for a potential reduction in CBL Bill subscriptions but remained optimistic that any resulting decline would be temporary.

The MPC noted the movements in the interbank market of 15 swap transactions totaling US$32.55 million and 8 placements valued at US$3.74 million, emphasizing that these developments are crucial for enhancing monetary policy transmission.

Fiscal Developments

The fiscal operations of the Government during the quarter show net injections in both currencies. The Committee noted that although the net injection of Liberian dollar liquidity contributed to the money supply growth, it did not distort stability in the economy. The US dollars net injection, after accounting for debt repayment, to some extent also helped to mitigate the exchange rate pressure. On account of external debt repayment, the fiscal impulse of government was slightly negative (-0.14% of GDP) despite an expansionary fiscal stance (2.1% of GDP). The Committee noted that due to these developments, the GOL fiscal operations did not subject the economy to further exchange rate and inflationary pressures.

External Sector and Exchange Rate Developments

It was noted during the deliberations that the merchandise trade recorded a deficit, widening by 35.9 percent (3.8% of GDP), largely driven by the 23.4 percent growth in merchandise import payments, despite the 19.2 percent increase in merchandise export receipts during the quarter. The Committee also noted that the Gross International Reserves (GIR) grew by an estimated 2.01 percent to US$537.2 million, mainly due to rise in foreign liquid assets. However, the months of import cover (MIC) fell to an estimated 2.1 months on account of the growth recorded in imports payments during the quarter.

The MPC noted a rise in net personal remittance inflows by 11.4 percent (including remittances terminated to mobile wallets) to US$236.5 million (4.6 percent of GDP), expressing satisfaction that the growth in net inflow remittances helped to relatively ease the pressure on the Liberian dollar during the quarter under review. The Committee thus noted that the Liberian dollar remained broadly stable against the US Dollar during the period. The Committee was optimistic that strengthening collaboration with other stakeholders will complement the Bank's tight monetary policy stance.

MPC Decisions

At the end of the deliberations, the Committee acknowledged the decline in consumer prices during the quarter and the moderate inflation forecast for the third quarter of 2025.

The Committee noted that the moderation in global headline inflation and global growth, along with the declining prices of rice and fuel, was a positive development. However, the fall in the international prices of some of Liberia's major exports (rubber, cocoa beans, and raw palm oil) was a concern for the economy. The Committee also noted that the rise in net remittance inflows helped contribute to the relative stability of the exchange rate.

Finally, to strengthen liquidity management and ensure macroeconomic stability, the Committee unanimously resolved to:

1. Maintain the Monetary Policy Rate (MPR) at 17.25 percent until the next assessment,

2. Maintain the corridor at 2.5 and -7.5 percentage points around the MPR for the Standing Credit and Standing Deposit Facilities, respectively, and
3. Maintain the reserve requirement ratios at 25.0 percent and 10.0 percent for Liberian and US dollars, respectively.

The Committee reassures the public that it will continue to closely monitor both global and domestic economic developments and stands ready to act proactively in response to unexpected shocks, in order to support macroeconomic stability in accordance with the bank's mandate.

Signed:

Henry F. Saamoi

Executive Governor & Chairman of the MPC