CENTRAL BANK OF LIBERIA
COMMUNIQUE NO. 22
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For the Monetary Policy Committee Meeting held on Wednesday, 9 April 2025

The Central Bank of Liberia's (CBL) Monetary Policy Committee (MPC) held its second meeting of 2025 on April 9 to assess macroeconomic developments in both the domestic and global economies for the first quarter of 2025. Results of the assessment are to be used to guide the Bank's monetary policy stance, with the aim of influencing macroeconomic conditions in the quarters ahead.

Global Macroeconomic Developments

The global growth projection for 2025, according to the IMF World Economic Outlook (WEO) January 2025 Report, remained unchanged from the previous projection. The global economy is expected to grow by 3.3 percent in 2025, compared to the 3.2 percent growth recorded in 2024. The projected marginal uptick in global output reflects divergence in economic activity across regions, including subdued manufacturing activities, trade frictions, persistent geopolitical risk, global financial vulnerabilities and structural economic challenges.

During the meeting, the Committee observed a moderating trend in global inflation, mainly due to tight monetary policy, improved supply chains and easing commodity prices. However, it was noted that inflationary pressure remains elevated in certain economies due to persistent services inflation, food price volatility and structural fragilities. Global headline inflation is projected to moderate to 4.2 percent in 2025, down from 5.7 percent in 2024. Consumer prices in both advanced economies and emerging markets and developing economies are projected to slow to 2.1 percent and 5.6 percent, respectively, in 2025. In Sub-Saharan Africa, it was noted that inflation is expected to moderate to 12.3 percent in 2025, however, food prices remain elevated in some economies.

The Committee remained optimistic about the projected moderation in global headline inflation, which reflects policy effectiveness particularly in advanced economies. Nevertheless, persistent inflationary risk across regions coupled with structural vulnerabilities remained the major concerns of unexpected pressure on consumer prices.

The Committee further observed varying movements in global commodity prices (rice, crude oil, rubber, iron ore, gold, etc.) during the first quarter of 2025. The energy sector remained volatile, highlighting ongoing supply and demand uncertainties. As the frictions surrounding trade continue, price volatility is expected to persist in the coming quarters.

Domestic Macroeconomic Developments

The MPC noted that the economy was on track to meet the projected growth target of 5.6 percent for the year supported by economic activity in the first quarter. This performance was largely underpinned by increased consumption and public sector spending. However, economic activity in quarter two of 2025 is expected to moderate with the anticipated seasonal contractions in production.

The Committee expressed concern about preserving real income in the economy. It was noted that the estimated average inflation for first quarter rose to 12.8 percent, 4.1 percentage points above the 8.7 percent recorded in the previous quarter. Our forecast indicate that average inflation will remain at 12.8 percent with +/- 2.0 percentage points, driven by structural constraints. Notwithstanding, the Committee remains optimistic about the reversal in the inflationary trend, supported by proactive monetary policy stance and strengthened coordination with the fiscal authority.

The Banking Sector

The Committee noted that in the first quarter of 2025, the banking sector remained adequately capitalized and liquid, despite a marginal decrease in the liquidity ratio. The capital adequacy ratio grew to 31.5 percent, 21.5 percentage points well above the regulatory limit of 10.0 percent. Total assets, total deposits and total loans and advances also rose during the quarter under review.

However, Non-Performing Loans (NPLs) remain a significant financial stability risk. The Committee noted an estimated growth in NPLs to 26.7 percent, which exceeds the Bank's tolerable limit of 10 percent by 16.7 percentage points. The Committee is, however, hopeful that the recent implementation of the approved NPL Resolution Framework will help to reduce NPL levels.

Monetary Aggregates and Financial Markets Developments

Monetary aggregates, as observed by the Committee, increased in the first quarter of 2025. Broad money (M2) grew by 13.4 percent compared to the previous quarter, driven by growth in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA). The Committee noted that the increase in NDA was attributed to increased credit to the private sector. Meanwhile, It was also observed that currency in circulation (CIC) declined by an estimated 4.6 percent to L$33.4 billion, reflecting contractions of currency in and outside the banking system. The Committee remains optimistic that ongoing proactive policy measures will help to maintain relative stability, despite anticipated foreign exchange demand for import payments in the next quarter.

Financial markets operations, as acknowledged by the Committee, increased in the first quarter, characterized by notable rise in CBL Bills subscription resulting in a significant withdrawal of Liberian dollar from circulation compared to the previous quarter. The Committee acknowledged the Government of Liberia (GOL) debt servicing efforts during the quarter, as alongside three (3) swap transactions totaling US$26.0 million and two (2) FX purchases amounting to US$25.0 million in the interbank market. The MPC emphasized that these developments are crucial for enhancing monetary policy transmission.

Fiscal Developments

CBL data on the fiscal operations of the Government during the quarter show that the net Liberian dollar injection was outweighed by the net US dollar spending compared to the previous quarter. The Committee expressed optimism that enhanced coordination between monetary and fiscal authorities is expected to ease potential upward pressure on the Liberian dollar, thereby supporting macroeconomic stability.

External Sector and Exchange Rate Developments

During the deliberation, the MPC observed, based on preliminary trade statistics, an expansion in the trade deficit to 3.1 percent of GDP, from a surplus of 0.1 percent of GDP in the fourth quarter of 2024. Despite the widening trade gap, the Gross International Reserves (GIR) grew by an estimated 10.4 percent to US$526.0 million, mainly due to rise in foreign liquid assets. Consequently, the months of import cover (MIC) improved to 3.6 months compared to the fourth quarter of 2024.

The MPC noted that the Liberian dollar depreciated against the US dollar by 7.1 percent on average and 8.2 percent at end period. This depreciation was largely attributed to increased demand for foreign exchange to replenish imported stock of goods depleted in the previous quarter. However, the Committee remains confident that the rate of depreciation will moderate in the second quarter of 2025, supported by the Bank's continued tight monetary policy stance.

MPC Decisions

Following the deliberations, the Committee acknowledged the rise in consumer prices during the quarter and the projected inflation forecast for the second quarter of 2025.

The Committee noted that the moderation in global headline inflation, resilient global growth and rising prices of gold, iron ore, declining prices of rice, and the favorable net remittance inflows were positive signals for the Liberian economy. The Committee also welcomed the positive domestic growth outlook.

Finally, to strengthen liquidity management, the Committee unanimously resolved to:

1. raise the Monetary Policy Rate (MPR) by 25 basis points to 17.25 percent until the next review,
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 percent and 10 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 in readiness to act proactively to ensure macroeconomic stability in accordance with our mandate to enhance price stability.

Signed: ____

Henry F. Saamoi

Executive Governor & Chairman of the MPC