

CENTRAL BANK OF LIBERIA
COMMUNIQUE NO. 27, July 20, 2026

For the Monetary Policy Committee Meeting held Wednesday, July 15, 2026

Introduction

The Monetary Policy Committee (MPC) of the Central Bank of Liberia (CBL) met on July 15, 2026, to assess prevailing conditions of the global and domestic economies during the second quarter of 2026 and to determine the appropriate monetary policy stance that will preserve price stability, safeguard exchange rate stability, maintain financial system resilience, and support sustainable domestic economic growth. The Committee also assessed prevailing risks to the outlook of the domestic economy.

After careful deliberation, the Committee decided on maintaining a tight monetary policy stance by slightly reducing the policy rate, reflecting moderating domestic inflationary pressures, improving exchange rate conditions, stronger reserve buffers, and resilient financial sector conditions, while remaining mindful of persistent external risks.

Policy Decisions

Following the deliberation, the Committee resolved to:

1. Lower the Monetary Policy Rate (MPR) by 25 basis points to 16.0%. With inflation projected to moderate to $4.4\% \pm 2$ percentage points in the third quarter, the MPR of 16 percent remains sufficiently restrictive to reinforce the Bank's commitment to price stability, while supporting the ongoing economic recovery.
2. Maintain the Reserve Requirements at **25 percent** for Liberian dollar deposits and **10 percent** for U.S. dollar deposits.
3. Adjust the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF) corridor from **-7.5pp and +2.5pp** to **-6.5pp and +1.0pp** around the policy rate, respectively, to enhance the transmission and effectiveness of monetary policy.

The decisions of the MPC were anchored on a comprehensive assessment of risks to the outlook. Although inflation increased in quarter two largely induced by spillover from the conflict in the Middle East, the Committee decided that lowering domestic inflationary pressures, improving exchange rate conditions,

stronger reserve buffers, and resilient financial sector conditions provided sufficient room for a modest reduction in the policy rate without compromising the restrictive monetary stance. The Committee's decision is anchored on supporting inclusive economic growth, while ensuring that inflation remains within threshold and exchange rate stability is preserved.

Global Economic Developments

Global growth moderated further in the second quarter of 2026, reflecting spillovers from the Middle East conflict, higher energy and fertilizer prices, persistent trade policy uncertainty, and tighter global financial conditions. The IMF projected global growth at 3.0 percent slowing from 3.5 percent in 2025. The moderation reflects the adverse effects of the Middle East conflict, including higher energy prices and supply disruptions, partly offset by stronger demand arising from rapid advances in artificial intelligence (AI) and increased technology investment. Persistent trade policy uncertainty also continued to weigh on global investment and trade.

Advanced economies showed uneven performance, with the U.S. maintaining resilience while the euro area slowing to 0.9 percent growth. Emerging markets faced a more challenging external environment during the second quarter. Sub-Saharan Africa's growth prospects are projected at approximately 4.3 percent from 4.5 percent, reflecting significant divergence across countries. Oil-importing and non-resource-intensive economies remain more exposed to external shocks, while some larger economies continue to benefit from earlier stabilization and reforms.

Global inflationary pressures intensified in the second quarter, with headline inflation projected at 4.7 percent in 2026, driven by higher energy and agricultural input costs. Major central banks adopted cautious or restrictive stance, while financing conditions tightened for frontier and low-income economies. Commodity markets remained unstable: Brent crude oil rose by 29.7 percent to US\$104.43 per barrel thereby increasing imported inflation risks for oil importing countries, gold prices eased slightly but remained elevated year-on-year, and agricultural commodities showed mixed trends, with palm oil, cocoa, and rubber prices rising, while prices of coffee and round logs declined.

Global Financial Conditions

Global financial conditions remained generally accommodative during the second quarter, despite periods of heightened market volatility. Expectations of

higher policy rates in response to renewed inflationary pressures lifted long-term sovereign yields, although financial conditions eased from the peaks recorded in April as concerns over conflict escalation moderated. Strong corporate earnings and continued optimism surrounding AI-related sectors supported equity markets, while portfolio flows to emerging markets stabilized following initial conflict-related outflows. Nevertheless, higher funding costs, elevated sovereign borrowing requirements, and concentrated equity valuations in technology sectors continued to pose downside risks to global financial stability. The strengthening of the US dollar also continued to tighten financing conditions for many emerging economies.

Domestic Economic Conditions

Liberia's economy remained resilient in Q2 2026, with Real GDP growth estimated at 5.5 percent, supported by improvements in both domestic demand and strong export-oriented activities, including mining. On a year-on-year basis, GDP grew by 5.2 percent, up from 4.6 percent in Q1. The Composite Index of Economic Activity (CIEA) increased by 20.4 percent, with the output gap widening to 3.7 percent, signaling sustained demand-side pressures.

Although headline inflation rose during the quarter to an estimated 5.4 percent, largely reflecting higher imported food and fuel prices associated with the Middle East conflict, underlying domestic inflationary pressures remained contained. The Committee expects inflation to gradually moderate as external price pressures ease and recent monetary policy measures continue to show effectiveness across the economy, while medium-term inflation expectations remain well anchored.

Financial Conditions and Monetary Developments

Broad money (M2) increased by 6.2 percent to L\$317.9 billion, driven largely by growth in net foreign assets alongside an increase in net domestic assets. During the quarter, the Central Bank maintained a cautiously tight monetary policy stance, aiming to keep inflation under control while continuing to support economic growth.

The banking sector remained stable, well-capitalized, and financially strong. Total capital increased to L\$53.68 billion (US\$293.58 million), with banks maintaining a Capital Adequacy Ratio of 40.63 percent, significantly above the required minimum of 10 percent during quarter two. Banks' liquidity also improved, with the liquidity ratio rising to 61.96 percent, well above the regulatory requirement of 15 percent. This indicates that banks have sufficient

capital and liquid resources to support their operations and absorb potential risks.

The Committee observed that despite the overall strength and stability of the banking sector, asset quality remained a key concern. Non-performing loans (NPLs) were 12.62 percent of total loans, remaining above the regulatory threshold. The Committee also noted that while U.S. dollar-denominated NPLs declined slightly, Liberian dollar-denominated NPLs increased during the period. The Committee emphasized the need for continued supervisory engagement and timely remediation measures by banking institutions to improve asset quality and strengthen credit risk management across the banking sector.

Credit allocation remained concentrated in trade, personal, and services-related activities, with limited lending to agriculture and manufacturing subsectors that are critical for supporting structural transformation and inclusive economic growth. Although banks' net income declined modestly to L\$3.19 billion from L\$3.2 billion in March 2026 due to increased loan-loss provisioning, the sector remained profitable, adequately capitalized, and financially resilient.

Fiscal and External Sector Developments

Government fiscal operations were highly supportive of economic activity during the second quarter, with modest additional fiscal support into the economy amounting to 0.5 percent of GDP in Q2. Both revenue and expenditure increased across Liberian dollar and U.S. dollar transactions, although the fiscal deficit persisted. While government spending contributed to economic growth, the continued fiscal imbalance underscores the importance of maintaining prudent fiscal management to safeguard medium-term fiscal sustainability. Public debt also remained elevated, underscoring the importance of prudent debt management and a sustainable borrowing strategy. The Committee emphasized that close fiscal and monetary policy coordination remains essential to maintaining macroeconomic stability.

The external sector remained exposed to global uncertainties; however, external resilience improved during the quarter, supported by continued stability of the Liberian dollar. Gross international reserves increased further, raising import cover to 3.9 months of imports. Although the trade deficit widened slightly due to weaker export performance, higher international reserves, remittance inflows, and the appreciation of the Liberian dollar contributed to strengthening of external stability and moderating of imported inflationary pressures.

Outlook

The near-term economic outlook remains positive, with real GDP growth projected at 5.5 percent in 2026. Inflation is projected to moderate to 4.4 plus/minus 2 percentage points in the third quarter of 2026, supported by exchange rate stability, prudent liquidity management, and favorable monetary conditions with adjustment in monetary policy rate to 16 percent. Although international oil prices moderated toward the end of June, renewed geopolitical tensions in the Middle East have increased risks surrounding the outlook for global energy prices. The continued improvement in reserve adequacy is also expected to enhance the economy's resilience to external shocks.

Nevertheless, risks to the outlook remain elevated amid the heightened global and domestic uncertainty. Inflationary pressures could re-emerge, and growth prospects could be subdued due to persistent geopolitical tensions, fluctuations in global commodity prices, and potential disruptions to international supply chains. These risks underscore the need for continued policy vigilance and timely adjustments where necessary. The Committee remains attentive to domestic risks, financial sector vulnerabilities, and constraints to revenue mobilization, which could affect attainment of the growth forecast.

Conclusion

Overall, the Committee remains positive that Liberia's macroeconomic fundamentals are broadly sound, and that recent policy measures will continue to support inclusive economic growth, while safeguarding price stability, exchange rate stability, and financial sector resilience. The Committee reaffirms its commitment to forward-looking policy approach and stands ready to adjust its policy stance as necessary to preserve macroeconomic stability.

In this regard, the Committee will continue to carefully monitor changes in incoming economic and financial developments to ensure that future policy actions remain timely, appropriate, and consistent with its mandate.

The next regular meeting of the Committee is scheduled for **October 8, 2026**.

Henry F. Saamoi

Executive Governor & Chairman, Monetary Policy Committee