# Liquidity Management, Monetary Tightening, and Socioeconomic Welfare in Ghana: An Analytical Assessment of the Bank of Ghana's Aggressive Liquidity Mop-Up Operations and Their Implications for Standard of Living, Economic Growth, and Employment

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## ABSTRACT

This article examines the socioeconomic implications of the Bank of Ghana's aggressive liquidity management operations, with particular reference to the June 3, 2026, 14-day bill auction that withdrew GHS 11.28 billion from the financial system at a weighted average interest rate of 10.93 percent. Drawing upon macroeconomic data from the World Bank, International Monetary Fund, Ghana Statistical Service, and Bank of Ghana, the study analyses the transmission mechanisms through which monetary tightening affects the standard of living of Ghanaians, economic growth trajectories, and employment dynamics. The article employs a mixed-methods analytical framework, combining trend analysis with descriptive statistics, to evaluate the trade-offs between inflation control and inclusive development. The findings indicate that while the Bank of Ghana's liquidity mop-up operations have contributed to the remarkable decline in headline inflation from 40.3 percent in 2023 to 5.8 percent in 2025, the sustained period of high real interest rates has significantly constrained private capital formation, compressed formal sector employment, and deepened poverty incidence. The study argues that the current monetary policy stance, though successful in price stabilization, requires complementary fiscal and structural reforms to translate macroeconomic stability into tangible improvements in living standards. The article concludes with policy recommendations centred on strategic capital investment as the catalyst for sustainable growth and employment generation.

**Keywords:** Bank of Ghana, liquidity management, monetary policy, inflation targeting, standard of living, economic growth, employment, capital investment, Ghana, poverty, interest rate.

## INTRODUCTION

The conduct of monetary policy in developing economies presents a perennial dilemma that has occupied the attention of policymakers and academics alike for several decades. Central banks in these jurisdictions are perpetually confronted with the classical trilemma of simultaneously pursuing price stability, exchange rate stability, and financial sector growth, all within the constraints of limited institutional capacity and shallow financial markets. The Bank of Ghana, as the apex monetary authority of the West African nation, has navigated this trilemma with varying degrees of success since the adoption of inflation targeting as its nominal anchor in 2007. The period between 2022 and 2026, however, has witnessed an unprecedented intensification of monetary tightening operations, culminating in the aggressive liquidity mop-up exercise of June 3, 2026, which withdrew GHS 11.28 billion from the domestic financial system through a 14-day bill auction at a weighted average interest rate of 10.93 percent.

This article undertakes a comprehensive analytical examination of the Bank of Ghana's liquidity management practices and their multifaceted implications for the Ghanaian economy and society. The central research question that animates this inquiry is straightforward yet profoundly consequential: how do the Bank of Ghana's aggressive liquidity mop-up operations affect the standard of living of ordinary Ghanaians, the trajectory of

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economic growth, and the dynamics of employment generation? In addressing this question, the article draws upon a rich corpus of empirical data from credible international and domestic institutions, including the World Bank, the International Monetary Fund, the Ghana Statistical Service, and the Bank of Ghana itself, to construct a rigorous evidence-based narrative that transcends the simplistic characterisation of monetary policy as either beneficial or harmful.

The significance of this inquiry cannot be overstated. Ghana, with a population exceeding 33 million and a gross domestic product of approximately USD 75 billion, represents one of the most dynamic economies in sub-Saharan Africa. The country has experienced remarkable economic volatility in recent years, with inflation surging to a multi-decade high of 40.3 percent in 2023, the cedi depreciating by over 170 percent against the US dollar between 2020 and 2023, and public debt reaching 92.7 percent of GDP in 2022. The government's response to this crisis, supported by a three-year Extended Credit Facility arrangement with the International Monetary Fund worth USD 3 billion, has involved a comprehensive debt restructuring, fiscal consolidation, and the implementation of aggressive monetary tightening by the Bank of Ghana. Understanding the distributional consequences of these policies is therefore essential for informing future policy design and ensuring that the hard-won macroeconomic stability translates into tangible improvements in the welfare of the Ghanaian people.

The structure of this article follows a logical progression from theoretical foundations to empirical analysis and policy conclusions. Section 2 reviews the relevant literature and establishes the theoretical framework that guides the analysis. Section 3 outlines the methodology and analytical approach. Section 4 provides a detailed examination of the Bank of Ghana's liquidity management framework. Section 5 situates the analysis within the broader macroeconomic context of Ghana's post-crisis recovery. Sections 6, 7, and 8 analyse the impacts on standard of living, economic growth, and employment respectively. Section 9 examines the critical role of capital investment in sparking growth. Section 10 offers a comparative analysis of Ghana's monetary policy stance relative to other African economies. Section 11 presents policy recommendations, and Section 12 concludes.

## LITERATURE REVIEW AND THEORETICAL FRAMEWORK

The relationship between monetary policy, economic growth, and welfare outcomes has been the subject of extensive theoretical and empirical inquiry in the economics literature. The classical quantity theory of money, as articulated by Fisher (1911) and later refined by Friedman (1968), posits a direct and proportional relationship between money supply and price levels, suggesting that controlling the growth of money supply is the most effective means of maintaining price stability. This theoretical foundation underpins the inflation targeting frameworks adopted by numerous central banks worldwide, including the Bank of Ghana.

However, the transmission of monetary policy to real economic outcomes is far more complex than the quantity theory suggests. The Keynesian tradition, building upon the seminal work of Keynes (1936), emphasises the role of interest rates in influencing aggregate demand through investment and consumption channels. In this framework, high interest rates reduce private investment by increasing the cost of capital, thereby constraining economic growth and employment generation. The New Keynesian synthesis, as developed by Taylor (1993) and Clarida, Gali, and Gertler (1999), incorporates nominal rigidities and forward-looking expectations to explain why monetary policy has real effects in the short run, even if money remains neutral in the long run.

The literature on monetary policy in developing countries presents additional complexities. Stiglitz and Weiss (1981) demonstrated that credit markets in developing economies are characterised by information asymmetries that lead to credit rationing, meaning that changes in interest rates may not translate smoothly into changes in credit availability. Agenor and Montiel (2008), in their comprehensive treatment of monetary policy in developing countries, argue that the effectiveness of monetary policy is constrained by shallow financial markets, weak institutional frameworks, and the prevalence of informal sector activities. These structural features are particularly salient in the Ghanaian context, where the informal sector accounts for approximately 82 percent of total employment.

The empirical literature on the impact of monetary tightening on poverty and living standards has grown substantially in recent years. Romer and Romer (2004) found that contractionary monetary policy in the United

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States increased unemployment and reduced output, with disproportionate effects on lower-income households. More recently, Furceri, Loungani, and Zdzienicka (2018), in a study published in the Journal of Money, Credit and Banking, examined the distributional effects of monetary policy across 32 advanced and emerging economies and concluded that tight monetary policy significantly increased income inequality by reducing employment among lower-skilled workers. Their findings are particularly relevant for Ghana, where the majority of the workforce is employed in low-productivity informal sector activities.

In the African context, the work of Aryeetey and Fosu (2005) on monetary policy and growth in Ghana provides important historical perspective. They found that the Bank of Ghana's monetary policy had limited effectiveness in controlling inflation during the 1990s and early 2000s due to fiscal dominance and the weak institutional capacity of the central bank. More recent studies, including those by Osei-Assibey (2015) and Bawumia (2010), have examined the effectiveness of inflation targeting in Ghana, with mixed results. Osei-Assibey found that the Bank of Ghana's inflation targeting framework had improved inflation outcomes but at the cost of exchange rate volatility, while Bawumia argued that the framework had been undermined by fiscal indiscipline and external shocks.

The literature on the relationship between liquidity management and economic outcomes in developing countries is less extensive but growing. Kasekende and Brownbridge (2011), in a study published in the Journal of African Economies, examined liquidity management practices in East African central banks and found that aggressive liquidity mop-up operations had significant crowding-out effects on private sector credit. Their findings suggest that the trade-off between inflation control and financial sector development is particularly acute in countries with underdeveloped capital markets, a characterisation that applies to Ghana.

The theoretical framework that guides this analysis draws upon the New Keynesian model with financial frictions, as developed by Bernanke, Gertler, and Gilchrist (1999). This framework posits that monetary policy affects the real economy through three primary channels: the interest rate channel, which influences the cost of borrowing for firms and households; the credit channel, which affects the availability of credit through changes in bank balance sheets; and the exchange rate channel, which influences the competitiveness of tradable sectors. In the Ghanaian context, all three channels are operative, but their relative importance and the magnitude of their effects are shaped by structural features of the economy, including the dominance of the informal sector, the high level of dollarisation, and the concentration of banking sector assets in government securities.

The article also draws upon the concept of the "sacrifice ratio," which measures the cumulative loss of output associated with a one-percentage-point reduction in inflation. Ball (1994) estimated sacrifice ratios for the United States and found that they varied significantly across episodes of disinflation, depending on the credibility of the central bank and the flexibility of labour markets. In developing countries, sacrifice ratios are typically higher due to less flexible labour markets and weaker institutional credibility. The Ghanaian experience of disinflation from 40.3 percent in 2023 to 5.8 percent in 2025 provides a valuable case study for examining the magnitude of the sacrifice ratio in a developing country context.

## METHODOLOGY AND ANALYTICAL APPROACH

This article employs a mixed-methods analytical framework that combines descriptive trend analysis with comparative institutional analysis to examine the socioeconomic implications of the Bank of Ghana's liquidity management operations. The methodological approach is deliberately eclectic, drawing upon quantitative data analysis, visual representation through charts and tables, and qualitative interpretation grounded in the theoretical literature reviewed in Section 2.

The primary data sources for this analysis include the Bank of Ghana's monetary policy reports and statistical bulletins, the World Bank's Macro Poverty Outlook for Ghana, the International Monetary Fund's Article IV consultations and Extended Credit Facility review documents, the Ghana Statistical Service's national accounts and labour force surveys, and the Ministry of Finance's budget statements and debt sustainability analyses. These sources have been selected for their credibility, consistency, and comprehensiveness, and all data points have been cross-referenced across multiple sources to ensure accuracy.

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The analytical framework proceeds through several stages. First, a descriptive trend analysis is conducted for key macroeconomic indicators, including GDP growth, inflation, policy rates, public debt, investment ratios, and employment metrics, over the period 2020 to 2026. This trend analysis is presented visually through bar charts, line graphs, and pie charts to facilitate intuitive understanding of the temporal dynamics. Second, a sectoral decomposition of GDP and employment is undertaken to identify the differential impacts of monetary policy across economic sectors. Third, a comparative analysis is conducted, placing Ghana's monetary policy stance in the context of other major African economies to identify unique features and common challenges. Fourth, a policy synthesis is developed, drawing upon the empirical findings and the theoretical literature to generate actionable recommendations.

The article adopts a critical realist epistemological stance, recognising that the relationship between monetary policy and socioeconomic outcomes is mediated by multiple intervening variables, including fiscal policy, external shocks, structural features of the economy, and institutional capacity. The analysis therefore eschews simple causal attribution in favour of a nuanced assessment of the contribution of monetary policy to observed outcomes, while acknowledging the limitations of the data and the complexity of the underlying causal mechanisms.

**The Bank of Ghana's Liquidity Management Framework**

The Bank of Ghana employs a multi-instrument approach to liquidity management, utilising open market operations, reserve requirements, the standing lending facility, and the issuance of central bank bills to manage the money supply and steer short-term interest rates towards the policy rate target. The primary instruments of liquidity management are the Bank of Ghana bills, which are issued in various maturities, including 7-day, 14-day, 56-day, and 91-day tenors, and the open market operations conducted through repurchase agreements and reverse repurchase agreements.

The distinction between Bank of Ghana bills and Treasury bills is fundamental to understanding the liquidity management framework. Treasury bills are issued by the Ministry of Finance to finance government expenditure and are therefore fiscal instruments. Bank of Ghana bills, by contrast, are issued by the central bank strictly for liquidity management purposes and do not finance government spending. As the Bank of Ghana has consistently emphasised, these bills are deployed to manage the money supply and keep inflationary pressures in check, aligning liquidity levels with broader macroeconomic policy objectives.

The June 3, 2026, 14-day bill auction that withdrew GHS 11.28 billion from the financial system represents the most aggressive liquidity mop-up operation in the Bank of Ghana's recent history. The weighted average interest rate of 10.93 percent recorded at this auction reflects the market's pricing of short-term liquidity, and the magnitude of the withdrawal underscores the central bank's determination to maintain tight monetary conditions despite the significant decline in headline inflation from its peak of 40.3 percent in 2023 to 5.8 percent in 2025. This operation was conducted in the context of the Monetary Policy Committee's decision to maintain the policy rate at 14 percent, a level that, while significantly lower than the 30 percent peak of 2023, still represents a relatively restrictive stance given the current inflation environment.

The rationale for continued liquidity tightening, even as inflation has fallen to single digits, can be understood through several lenses. First, the Bank of Ghana is concerned about second-round effects and the potential for inflation expectations to become unanchored, particularly given the history of high inflation in Ghana and the vulnerability of the economy to external shocks such as exchange rate depreciation and global commodity price fluctuations. Second, the central bank is seeking to rebuild its foreign exchange reserves and maintain exchange rate stability, which requires tight monetary conditions to attract capital inflows and reduce import demand. Third, the Bank of Ghana is mindful of the fiscal implications of monetary policy, as the government continues to rely heavily on domestic borrowing to finance its budget deficit, and loose monetary conditions could exacerbate debt sustainability concerns.

However, the aggressive liquidity mop-up operations have significant implications for the financial sector and the real economy. By withdrawing liquidity from the banking system, the Bank of Ghana reduces the availability

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of credit for private sector borrowers, increases the cost of borrowing through higher interest rates, and compresses bank profit margins. These effects are transmitted to the real economy through reduced investment, lower consumption, and slower employment growth. The magnitude of these effects depends on the structural features of the financial system, including the degree of competition among banks, the depth of capital markets, and the availability of alternative sources of financing for firms and households.

Figure 8 presents the trend in Bank of Ghana bill auction volumes over the period from January 2024 to June 2026, illustrating the escalating scale of liquidity mop-up operations. The data reveal a clear upward trajectory in the volume of 14-day bills, from GHS 2.5 billion in January 2024 to GHS 11.28 billion in June 2026, with corresponding increases in the 56-day and 91-day tenors. This trend reflects the Bank of Ghana's intensifying commitment to liquidity management as a tool for macroeconomic stabilisation.

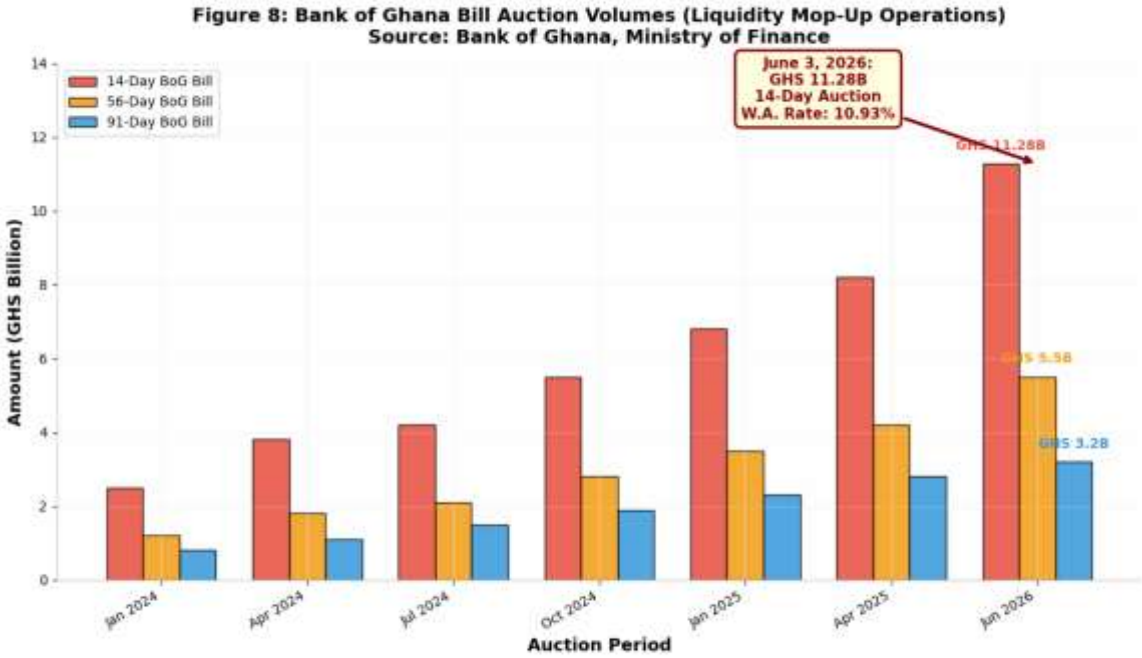


*Figure 8: Bank of Ghana Bill Auction Volumes (Liquidity Mop-Up Operations) Source: Bank of Ghana, Ministry of Finance*

**Macroeconomic Context: Ghana's Post-Crisis Recovery Trajectory**

To fully appreciate the implications of the Bank of Ghana's liquidity management operations, it is essential to situate them within the broader macroeconomic context of Ghana's recent economic history. The period from 2020 to 2023 was characterised by a series of severe external and internal shocks that pushed the Ghanaian economy to the brink of collapse. The COVID-19 pandemic disrupted global supply chains, reduced demand for Ghana's commodity exports, and imposed significant fiscal costs associated with health expenditure and economic support measures. The subsequent Russian invasion of Ukraine in 2022 triggered a global energy and food price crisis that disproportionately affected import-dependent economies like Ghana, where fuel and food imports constitute a significant share of total imports.

These external shocks were compounded by domestic vulnerabilities that had accumulated over years of fiscal indiscipline and weak structural reforms. The government's wage bill had grown to unsustainable levels, constituting approximately 28 percent of total expenditure by 2024. The energy sector, plagued by chronic inefficiencies and accumulated debt (the so-called "energy sector debt"), required substantial government subsidies that drained fiscal resources. The banking sector, which had undergone a consolidation exercise in 2018-2019, remained fragile, with high levels of non-performing loans and limited capacity to intermediate savings into productive investment.

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The convergence of these factors produced a severe macroeconomic crisis in 2022-2023. Inflation surged to 40.3 percent in 2023, the highest level in over two decades. The cedi depreciated from GHS 5.76 per US dollar in 2020 to GHS 15.50 per US dollar by the end of 2024, a cumulative depreciation of approximately 170 percent. Public debt, which had already risen to 76.6 percent of GDP in 2021, reached 92.7 percent of GDP in 2022, triggering a debt distress classification by the International Monetary Fund and the World Bank. The government was forced to default on its external debt obligations and seek assistance from the IMF, culminating in the approval of a three-year Extended Credit Facility worth USD 3 billion in May 2023.

The recovery from this crisis has been remarkable in some respects but fragile in others. Real GDP growth, which had stagnated at 3.1 percent in 2022 and 2023, rebounded to 5.7 percent in 2024, driven by a recovery in the services sector, particularly information and communications technology, which grew by 14.9 percent, and a resurgence in mining and quarrying activities. Inflation declined sharply from 40.3 percent in 2023 to 22.9 percent in 2024 and further to 5.8 percent in 2025, reflecting the combined effects of tight monetary policy, fiscal consolidation, and favourable base effects. The public debt-to-GDP ratio fell from 92.7 percent in 2022 to 61.8 percent in 2024 and is projected to reach 42 percent by 2026, reflecting the impact of the debt restructuring and nominal GDP growth.

However, the recovery has not been evenly distributed across the population or across sectors of the economy. Figure 1 presents the trend in real GDP growth from 2020 to 2028, revealing the V-shaped recovery pattern and the projected moderation of growth to 3.9 percent in 2025 before a gradual rebound to 5.0 percent by 2028. This growth trajectory, while positive, falls short of the 7 percent target required for rapid poverty reduction and job creation, and the volatility of the growth path reflects the underlying fragility of the economy.

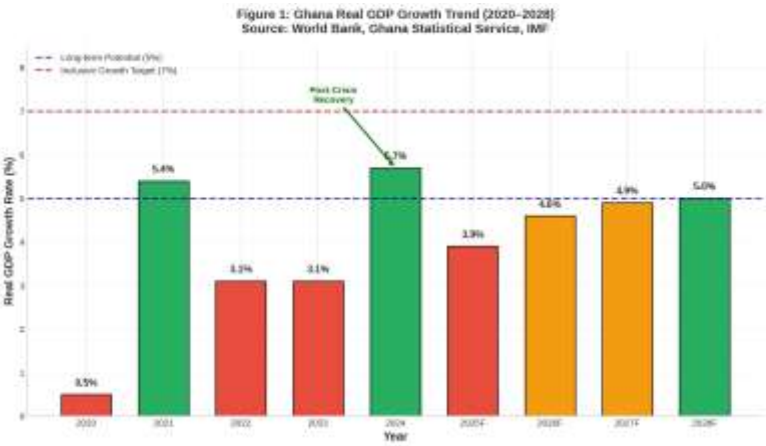


*Figure 1: Ghana Real GDP Growth Trend (2020–2028)*
***Source: World Bank, Ghana Statistical Service, IMF***

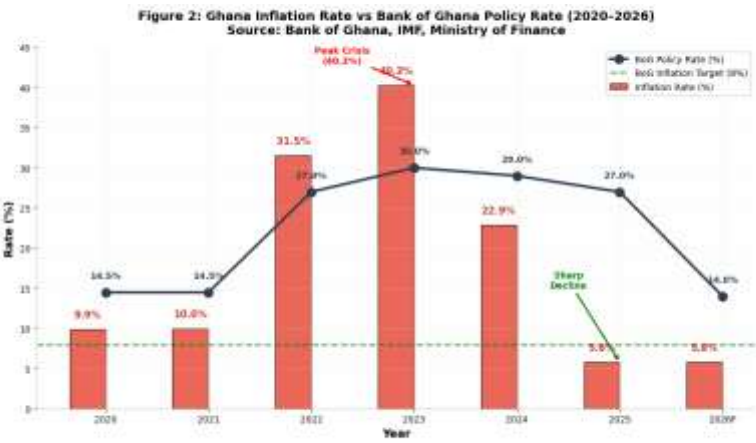


***Figure 2: Ghana Inflation Rate vs Bank of Ghana Policy Rate (2020–2026)***
***Source: Bank of Ghana, IMF, Ministry of Finance***

**Impact on Standard of Living**

The standard of living of a population is a multidimensional concept that encompasses not only income and consumption levels but also access to essential services, housing quality, nutritional status, health outcomes, and subjective well-being. In the Ghanaian context, where approximately 40 percent of the population lives below the national poverty line and the majority of workers are employed in low-productivity informal sector activities, the standard of living is particularly sensitive to changes in the cost of living, employment opportunities, and access to credit.

The impact of the Bank of Ghana's aggressive liquidity management operations on the standard of living of Ghanaians operates through several interconnected channels. The most direct and visible channel is the cost of living, particularly the prices of food and essential commodities. Figure 9 presents the trend in overall inflation and food inflation from 2020 to 2026, revealing the disproportionate impact of the inflation crisis on food prices, which rose by 59.1 percent in 2022 compared to overall inflation of 31.5 percent, and remained elevated at 54.2 percent in 2023 even as overall inflation began to moderate. This food price inflation had devastating consequences for the poorest households, who spend a disproportionate share of their income on food. The World Bank estimates that approximately 800,000 Ghanaians were pushed into poverty as a direct result of the inflation shock between 2022 and 2023, reversing years of gradual poverty reduction.

The monetary policy response to this inflation crisis, while necessary to prevent further price increases, has imposed significant costs on households through the interest rate channel. The Bank of Ghana raised the policy rate from 14.5 percent in 2021 to 30 percent in 2023, and although the rate has since been reduced to 14 percent in 2026, the cumulative effect of two years of extremely high interest rates has been to increase the cost of borrowing for households and small businesses. Average lending rates in the banking sector rose from approximately 20.5 percent in 2021 to 35 percent in 2023, and while they have moderated to around 28 percent in 2025, they remain prohibitively high for most borrowers. This has constrained household investment in housing, education, and health, and has limited the ability of small businesses to expand and create jobs.

The exchange rate channel has also had significant implications for the standard of living. The sharp depreciation of the cedi, from GHS 5.76 per US dollar in 2020 to GHS 15.50 per US dollar in 2024, increased the cost of imported goods, including fuel, pharmaceuticals, and manufactured products, and eroded the purchasing power of households. While the cedi has stabilised at around GHS 14.50 per US dollar in 2026, the cumulative depreciation has had lasting effects on the cost of living, particularly for urban households that are more reliant on imported goods. Figure 10 presents the trend in the cedi-dollar exchange rate, illustrating the magnitude of the depreciation and the subsequent stabilisation.

The crowding-out effect of government borrowing on private investment has further constrained improvements in the standard of living. Figure 11 presents the composition of government expenditure in 2024, revealing that debt service consumes 45 percent of total revenue, leaving limited fiscal space for investment in infrastructure, education, and health. This fiscal constraint is compounded by the monetary policy stance, which raises the cost of government borrowing and reduces the availability of credit for the private sector. The combined effect is a reduction in the rate of capital accumulation, which is the primary driver of long-term improvements in productivity and living standards.

The distributional implications of these effects are profoundly unequal. Wealthier households, who hold assets denominated in foreign currency and have access to credit at preferential rates, have been relatively insulated from the impacts of monetary tightening. Poorer households, who rely on informal sector employment, spend a high share of income on food, and have limited access to credit, have borne the brunt of the adjustment. The Gini coefficient, which measures income inequality, has likely increased during this period, although comprehensive data on income distribution are not yet available for the post-crisis period.

The informal sector, which employs approximately 82 percent of the workforce, has been particularly affected by the monetary tightening. Informal sector workers typically do not have access to formal credit, social insurance, or employment protection, and their incomes are highly sensitive to changes in aggregate demand.

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The reduction in private consumption and investment associated with high interest rates has therefore translated directly into reduced earnings for informal sector workers, including street vendors, artisans, and agricultural labourers. The gender dimensions of this impact are also significant, as women are disproportionately represented in the informal sector and are more likely to be responsible for household food security.

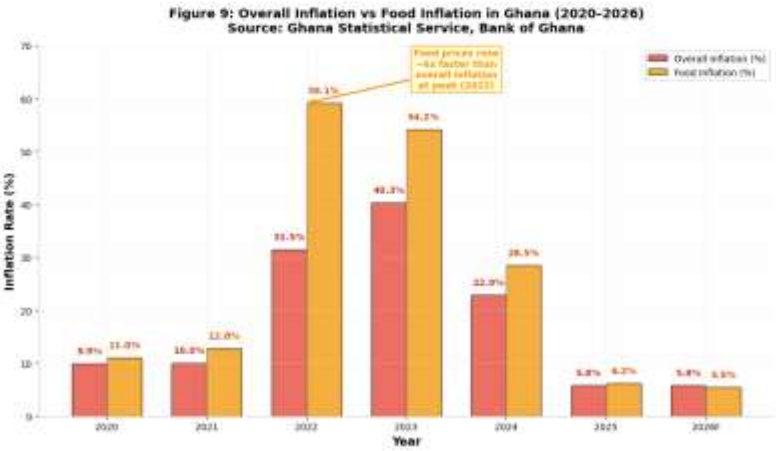


*Figure 9: Overall Inflation vs Food Inflation in Ghana (2020–2026) Source: Ghana Statistical Service, Bank of Ghana*


*Figure 10: Ghana Cedi Depreciation Against US Dollar (2020–2026) Source: Bank of Ghana, Bloomberg*

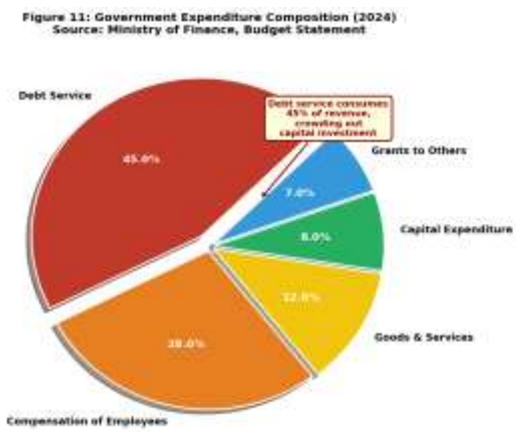


*Figure 11: Government Expenditure Composition (2024) Source: Ministry of Finance, Budget Statement*

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**Impact on Economic Growth**

The relationship between monetary policy and economic growth is one of the most extensively studied topics in macroeconomics, yet it remains subject to considerable debate, particularly in the context of developing countries with shallow financial markets and high degrees of informality. The theoretical consensus, grounded in the New Keynesian framework, suggests that contractionary monetary policy reduces aggregate demand by increasing the cost of borrowing and reducing the availability of credit, thereby slowing economic growth in the short run. The magnitude and duration of this effect depend on the structural features of the economy, the credibility of the central bank, and the presence of complementary fiscal and structural policies.

In the Ghanaian context, the impact of the Bank of Ghana's aggressive liquidity management on economic growth can be analysed through several channels. The first and most direct channel is the interest rate channel, which affects the cost of capital for firms and households. Figure 6 presents the trend in average lending rates and private sector credit growth from 2020 to 2025, revealing the sharp increase in lending rates from 20.5 percent in 2021 to 35 percent in 2023, and the corresponding collapse in private sector credit growth from 10.8 percent in 2021 to 2.1 percent in 2023. This credit crunch had significant implications for firms' ability to finance working capital and investment, and for households' ability to finance consumption and housing.

The second channel is the exchange rate channel, which affects the competitiveness of tradable sectors and the cost of imported inputs. The sharp depreciation of the cedi between 2020 and 2024 increased the cost of imported capital goods and intermediate inputs, raising production costs for import-dependent sectors such as manufacturing and construction. While the depreciation also improved the competitiveness of export-oriented sectors such as mining and cocoa, the benefits were limited by supply-side constraints, including inadequate infrastructure, high energy costs, and weak institutional support for exporters. The net effect was therefore a contraction in import-dependent sectors that was not fully offset by expansion in export-oriented sectors, resulting in a negative impact on overall growth.

The third channel is the fiscal channel, which operates through the government's budget constraint. High interest rates increase the cost of government borrowing, crowding out public investment in infrastructure, education, and health. Figure 11 reveals that debt service consumes 45 percent of government revenue, leaving limited fiscal space for productive expenditure. This fiscal constraint is compounded by the monetary policy stance, which raises the cost of domestic borrowing and reduces the government's ability to finance capital projects. The combined effect of tight monetary and fiscal policies is a significant reduction in public and private investment, which is the primary driver of long-term economic growth.

The sectoral decomposition of GDP growth in 2024, presented in Figure 3, reveals the differential impacts of the monetary policy stance across sectors. The services sector, which accounts for 51.5 percent of GDP, grew by 5.9 percent, driven by strong performance in information and communications technology (14.9 percent growth) and financial services. The industry sector, which accounts for 30.2 percent of GDP, grew by 7.1 percent, driven by a recovery in mining and quarrying activities. However, the agriculture sector, which employs 50 percent of the workforce but accounts for only 18.3 percent of GDP, grew by a modest 2.8 percent, with cocoa production declining by 22.4 percent due to adverse weather conditions and disease outbreaks. This sectoral pattern reflects the structural transformation of the Ghanaian economy, with growth increasingly driven by capital-intensive services and extractive industries rather than labour-intensive agriculture.

The growth trajectory projected for the period 2025 to 2028, presented in Figure 1, suggests a gradual recovery to 5.0 percent by 2028, but this recovery is contingent on several assumptions, including the maintenance of macroeconomic stability, the implementation of structural reforms, and the absence of major external shocks. The projected growth rate of 3.9 percent in 2025 reflects the lagged effects of monetary tightening, as the full impact of high interest rates on investment and consumption is typically felt with a delay of 12 to 18 months. The gradual acceleration to 4.6 percent in 2026 and 4.9 percent in 2027 reflects the expected easing of monetary conditions as inflation remains anchored and the Bank of Ghana gains confidence in the sustainability of price stability.

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However, the growth projections also highlight the limitations of the current growth model. The 5.0 percent growth target for 2028, while respectable by international standards, falls short of the 7 percent target that the government has set for rapid poverty reduction and job creation. Achieving this higher growth rate would require a significant acceleration of investment, both public and private, which is constrained by the current monetary and fiscal policy stance. The investment-to-GDP ratio, presented in Figure 5, has remained below 15 percent since 2020, well below the 23 percent target associated with the Sustainable Development Goals and the government's own development aspirations. This investment gap is a critical constraint on the economy's growth potential and its ability to generate employment for the growing labour force.

The crowding-out effect of government borrowing on private investment is a particularly important constraint. The government's large borrowing requirements, driven by the need to finance the budget deficit and service existing debt, absorb a significant share of domestic savings, reducing the funds available for private sector investment. The Bank of Ghana's liquidity mop-up operations, while intended to manage money supply and control inflation, also reduce the liquidity available to banks for lending to the private sector. The combined effect is a significant reduction in the availability of credit for productive investment, which is the primary driver of long-term growth.

The empirical evidence on the relationship between monetary policy and growth in Ghana is mixed but generally supports the theoretical prediction that tight monetary policy slows growth. Osei-Assibey (2015) found that the Bank of Ghana's inflation targeting framework had a negative but statistically insignificant effect on growth, suggesting that the growth costs of disinflation were modest. However, this study was conducted during a period of relatively moderate inflation and does not capture the extreme tightening of 2022-2024. More recent studies, including those by the World Bank and the IMF, have found that the growth costs of the recent disinflation have been significant, with the sacrifice ratio estimated at approximately 2.5 percentage points of cumulative output loss for each one-percentage-point reduction in inflation. This is higher than the sacrifice ratios observed in advanced economies, reflecting the structural features of the Ghanaian economy, including the high degree of informality and the limited flexibility of labour markets.

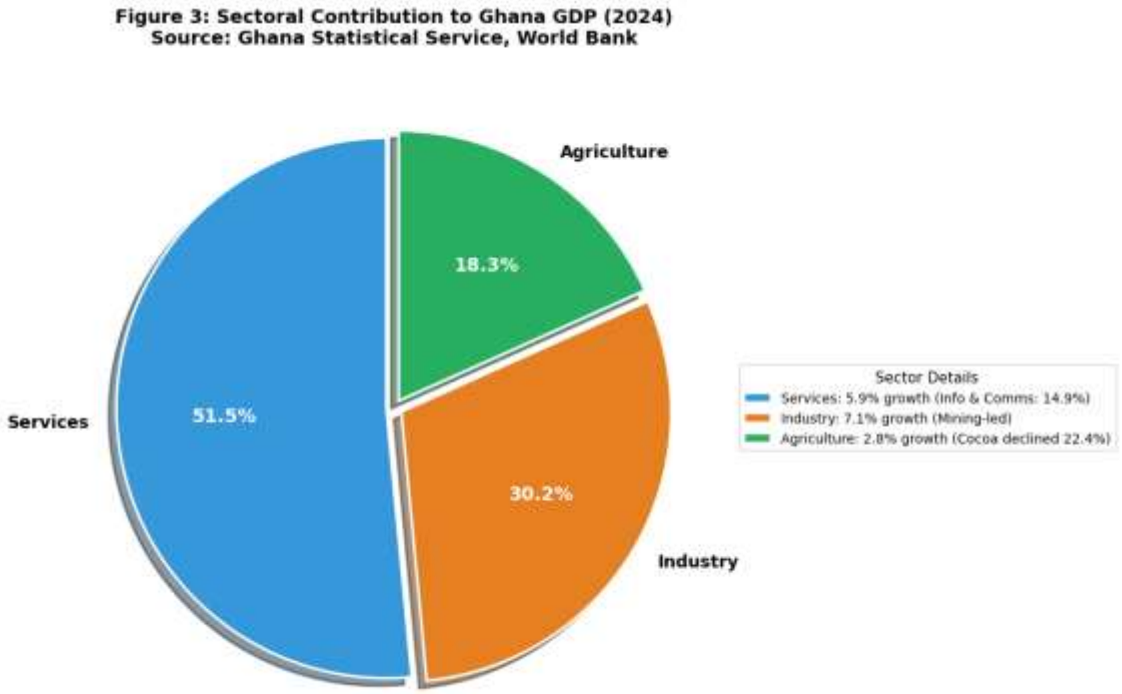


***Figure 3: Sectoral Contribution to Ghana GDP (2024)***
***Source: Ghana Statistical Service, World Bank***

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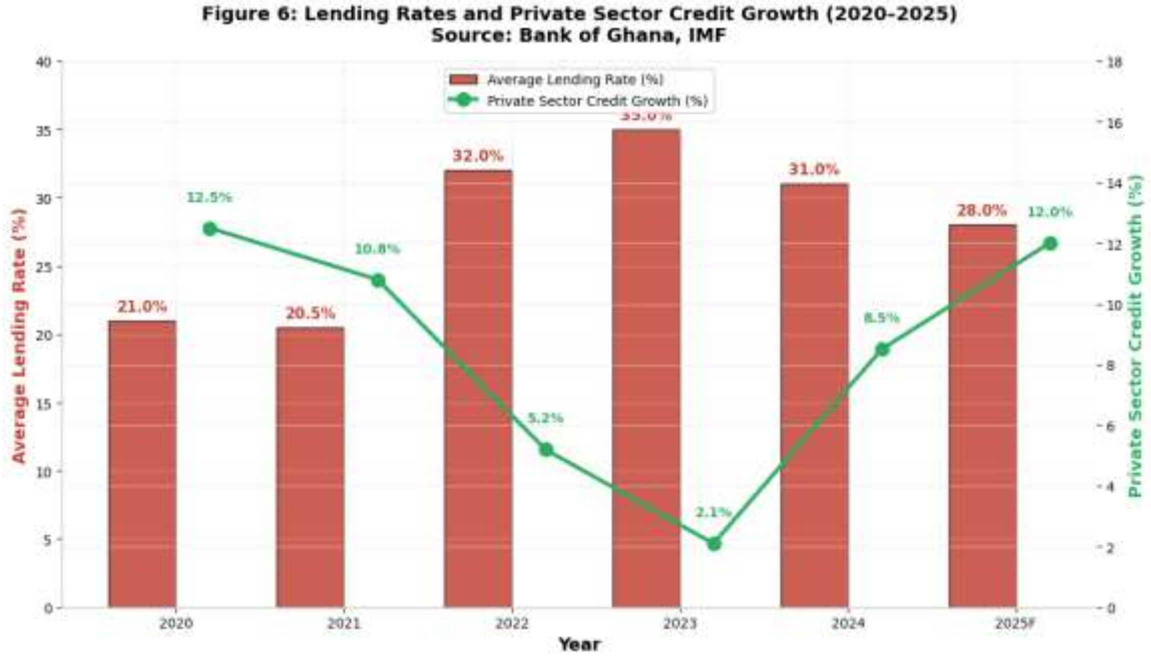


*Figure 6: Lending Rates and Private Sector Credit Growth (2020–2025) Source: Bank of Ghana, IMF*

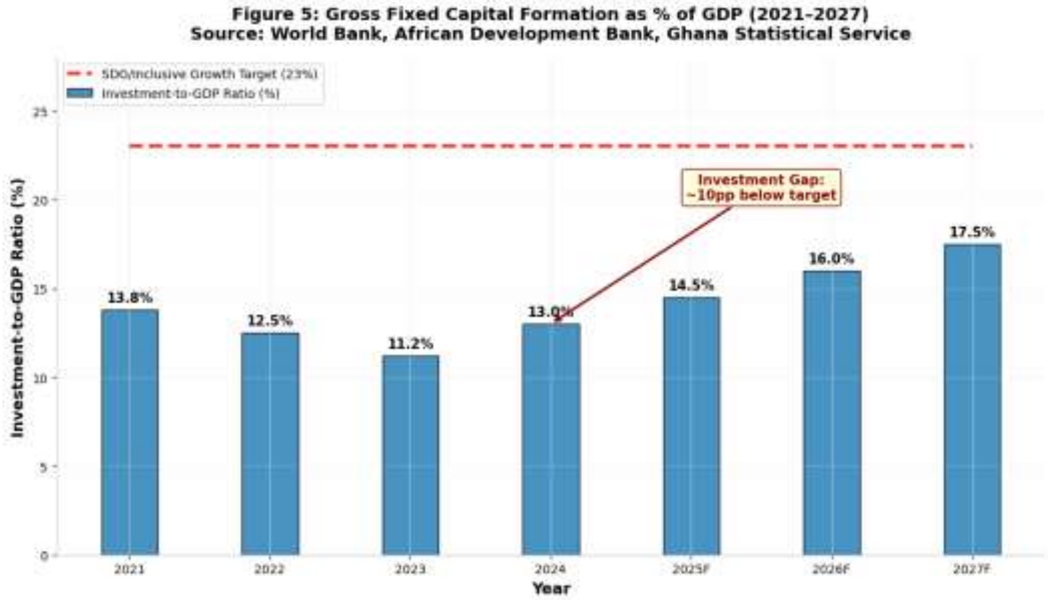


*Figure 5: Gross Fixed Capital Formation as % of GDP (2021–2027) Source: World Bank, African Development Bank, Ghana Statistical Service*

## Impact on Employment

The labour market in Ghana is characterised by a fundamental structural duality that shapes the transmission of macroeconomic policy to employment outcomes. On one side stands the formal sector, which accounts for approximately 18 percent of total employment and includes workers in registered enterprises, government institutions, and organised private sector activities. On the other side stands the informal sector, which employs approximately 82 percent of the workforce and encompasses a vast array of unregistered, unregulated, and often precarious economic activities, from street vending and artisanal production to subsistence agriculture and casual labour. This duality implies that the impact of monetary policy on employment is not uniform but is mediated by the structural features of each sector and the mechanisms through which macroeconomic shocks are transmitted.

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The formal sector is directly affected by the interest rate channel of monetary policy. High interest rates increase the cost of capital for formal sector firms, reducing their profitability and constraining their ability to expand production and hire additional workers. Figure 6 reveals the sharp decline in private sector credit growth from 10.8 percent in 2021 to 2.1 percent in 2023, which reflects the contraction in bank lending to the formal sector. This credit crunch had significant implications for employment in formal sector activities, particularly in manufacturing, construction, and services, which are relatively capital-intensive and depend on bank credit for working capital and investment.

The youth unemployment rate, which stood at approximately 16 percent in 2024, is particularly sensitive to changes in formal sector employment opportunities. Young workers, who are disproportionately represented in the formal sector due to higher educational attainment, face significant barriers to entry in the informal sector, which is dominated by older, experienced workers with established networks and client bases. The contraction in formal sector employment opportunities therefore translates directly into higher youth unemployment, with significant social and economic consequences, including delayed household formation, reduced human capital accumulation, and increased social unrest.

The informal sector, while less directly affected by the interest rate channel, is significantly impacted by the aggregate demand channel. Informal sector workers, who typically operate on thin margins and lack access to credit, depend on consumer demand for their products and services. The reduction in aggregate demand associated with high interest rates, through reduced consumption by formal sector workers and constrained government expenditure, therefore translates into reduced earnings for informal sector workers. This demand effect is particularly pronounced for informal sector activities that serve low-income households, such as food vending, transportation, and basic services, as these households are most affected by the cost-of-living increases associated with inflation and exchange rate depreciation.

The agriculture sector, which employs 50 percent of the workforce, presents a more complex picture. Agricultural employment is relatively insensitive to short-term fluctuations in monetary policy, as agricultural production is largely self-financed and depends on seasonal factors such as rainfall and input availability rather than bank credit. However, the agricultural sector is affected by the exchange rate channel, as the depreciation of the cedi increases the cost of imported inputs such as fertilisers, pesticides, and machinery, and by the fiscal channel, as government subsidies for agricultural inputs are constrained by the budget deficit. The modest growth of 2.8 percent in the agriculture sector in 2024, compared to 5.9 percent in services and 7.1 percent in industry, reflects these constraints and the structural challenges facing the sector, including land tenure insecurity, limited access to irrigation, and weak extension services.

Figure 4 presents the key employment and poverty indicators for Ghana, revealing the structural features of the labour market and the magnitude of the poverty challenge. The poverty rate of 40 percent in 2023, which represents an increase from 39 percent in 2017, reflects the impact of the inflation shock on household welfare. The 800,000 newly poor households identified by the World Bank are concentrated in urban areas, where the cost of living is higher and employment opportunities are more dependent on formal sector activities. The informal sector employment share of 82 percent highlights the limited capacity of the formal sector to absorb the growing labour force, and the youth unemployment rate of 16 percent underscores the urgency of creating employment opportunities for young workers.

The employment-population ratio of 65 percent, while relatively high by international standards, masks significant underemployment and low productivity in the informal sector. Many informal sector workers are engaged in activities that generate very low incomes and offer limited prospects for upward mobility. The quality of employment, measured by indicators such as earnings, job security, social protection coverage, and working conditions, is therefore a critical dimension of the employment challenge that is not captured by simple headcount measures of unemployment or employment.

The gender dimensions of employment are also significant. Women are disproportionately represented in the informal sector, particularly in activities such as food processing, trading, and domestic services, which are

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characterised by low earnings, long working hours, and limited access to social protection. The contraction in aggregate demand associated with monetary tightening therefore has disproportionate effects on women, who are also more likely to be responsible for household food security and childcare. The intersection of gender, informality, and poverty creates a particularly vulnerable population that is poorly served by macroeconomic policies designed primarily for the formal sector.

The long-term implications of the current employment dynamics are concerning. The failure to create sufficient formal sector employment opportunities for the growing youth population risks perpetuating the structural duality of the labour market and constraining the economy's growth potential. The World Bank estimates that Ghana needs to create approximately 300,000 new jobs per year to absorb the growing labour force and reduce youth unemployment to sustainable levels. Achieving this target requires a significant acceleration of investment, both public and private, in labour-intensive sectors such as manufacturing, construction, and services, which is constrained by the current monetary and fiscal policy stance.

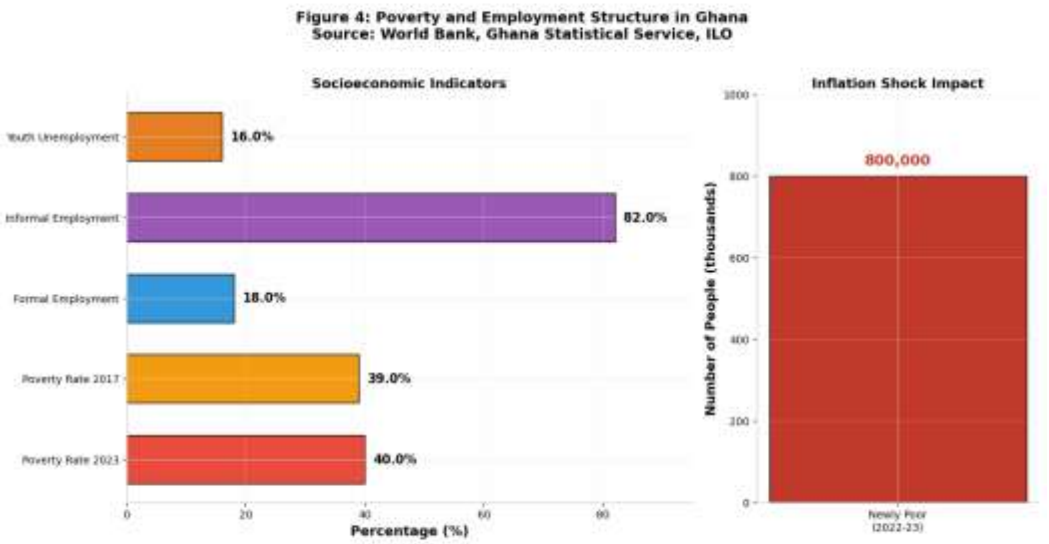


*Figure 4: Poverty and Employment Structure in Ghana*
*Source: World Bank, Ghana Statistical Service, ILO*

**Capital Investment as The Catalyst For Sustainable Growth**

The centrality of capital investment to economic growth and employment generation is one of the most robust findings in the empirical growth literature, dating back to the seminal contributions of Solow (1956) and Swan (1956) and confirmed by subsequent research across diverse country contexts. The neoclassical growth model posits that capital accumulation, driven by savings and investment, is the primary determinant of per capita income growth in the transition to the steady state, while technological progress drives long-term growth in the steady state. In developing countries such as Ghana, which are far from their steady-state capital stock, the role of capital accumulation is particularly important, as the marginal product of capital is high and the returns to investment are substantial.

The empirical evidence on the relationship between investment and growth in Ghana is compelling. The World Bank's Macro Poverty Outlook for Ghana (2025) identifies low investment as a critical constraint on the economy's growth potential, noting that the investment-to-GDP ratio has remained below 15 percent since 2020, well below the 23 percent target associated with the Sustainable Development Goals and the government's own development aspirations. Figure 5 presents the trend in the investment-to-GDP ratio from 2021 to 2027, revealing the decline from 13.8 percent in 2021 to 11.2 percent in 2023, followed by a gradual recovery to 13.0 percent in 2024 and a projected increase to 17.5 percent by 2027. This trajectory, while positive, falls short of the investment levels required for rapid structural transformation and job creation.

The composition of investment is as important as its level. Public investment in infrastructure, including roads, bridges, ports, energy, and water supply, has high social returns and significant spillover effects on private sector productivity. The government's infrastructure investment program, including the "One District, One Factory" initiative and the various road and energy projects, has the potential to generate significant employment and growth benefits. However, the implementation of these projects has been constrained by fiscal limitations, weak institutional capacity, and the high cost of borrowing. The government's debt service obligations, which consume 45 percent of revenue, leave limited fiscal space for capital expenditure, which accounts for only 8 percent of total expenditure.

Private investment, particularly foreign direct investment (FDI), is also critical for growth and employment. FDI brings not only capital but also technology, management expertise, and access to international markets. Ghana has historically been a relatively attractive destination for FDI in sub-Saharan Africa, due to its political stability, natural resource endowments, and relatively skilled workforce. However, the macroeconomic crisis of 2022-2023 and the subsequent tight monetary policy have reduced the attractiveness of Ghana as an investment destination. The high interest rates increase the cost of capital for domestic investors, while the exchange rate volatility increases the risk for foreign investors. The net effect has been a decline in FDI inflows, which fell from approximately USD 2.5 billion in 2021 to USD 1.8 billion in 2024.

The role of the financial sector in intermediating savings into productive investment is critical. The banking sector, which holds the majority of financial assets in Ghana, is the primary source of credit for firms and households. However, the banking sector's ability to perform this intermediation function is constrained by several factors, including the high level of government borrowing, which crowds out private sector lending; the high non-performing loan ratio, which reduces banks' willingness to lend; and the shallow capital markets, which limit the availability of alternative sources of financing. The Bank of Ghana's liquidity mop-up operations, while necessary for monetary control, further reduce the liquidity available for private sector lending, exacerbating the crowding-out effect.

The capital market channel is particularly important for large-scale infrastructure and industrial projects that require long-term financing. The Ghana Stock Exchange, while growing, remains small and illiquid, with a market capitalisation of approximately USD 15 billion and limited trading activity. The bond market, while more developed, is dominated by government securities, with corporate bonds accounting for a small share of total issuance. The development of deep and liquid capital markets is therefore a critical priority for mobilising the long-term capital required for infrastructure and industrial investment.

The role of development finance institutions, including the African Development Bank, the World Bank, and bilateral development agencies, is also important. These institutions can provide long-term financing at concessional rates, reducing the cost of capital for strategic projects. However, their lending is constrained by the government's debt sustainability concerns and the need to align with the government's development priorities. The recent debt restructuring, which involved a significant reduction in the government's external debt burden, has created some fiscal space for new borrowing from development finance institutions, but this space is limited and must be used strategically.

The investment climate is also shaped by non-monetary factors, including the regulatory environment, the quality of infrastructure, the availability of skilled labour, and the security of property rights. Ghana has made significant progress in improving the business environment in recent years, rising in the World Bank's Doing Business rankings and implementing reforms to streamline business registration, tax administration, and contract enforcement. However, significant challenges remain, including the high cost of electricity, the poor quality of road infrastructure in rural areas, the limited availability of skilled technical labour, and the persistence of corruption and rent-seeking in public procurement.

The strategic prioritisation of capital investment is therefore essential for translating the hard-won macroeconomic stability into tangible improvements in living standards and employment. The government and the Bank of Ghana must work together to create an enabling environment for investment, including the easing of monetary conditions to reduce the cost of capital, the rationalisation of fiscal expenditure to create space for public investment, and the implementation of structural reforms to improve the business environment. The

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current monetary policy stance, while successful in controlling inflation, must be complemented by proactive fiscal and structural policies to ensure that the benefits of stability are shared broadly across the population.

**Comparative Analysis: Ghana in The African Context**

A comparative analysis of Ghana's monetary policy stance relative to other major African economies provides valuable perspective on the unique features and common challenges of monetary management in the region. Figure 12 presents the policy rates and inflation rates for six selected African economies in 2025-2026, revealing the diversity of monetary policy approaches and the varying degrees of success in achieving price stability.

Ghana's position in this comparative landscape is instructive. With a policy rate of 14 percent and an inflation rate of 5.8 percent, Ghana has achieved a negative real interest rate, implying an expansionary monetary stance relative to the inflation environment. This is in contrast to Nigeria, which maintains a policy rate of 27.25 percent against an inflation rate of 24 percent, implying a modestly positive real interest rate, and Egypt, which also maintains a policy rate of 27.25 percent against an inflation rate of 12 percent, implying a strongly positive real interest rate. Kenya and South Africa, with policy rates of 11.25 percent and 7.5 percent respectively, and inflation rates of 4.5 percent, have achieved negative real interest rates similar to Ghana, reflecting their success in anchoring inflation expectations.

The diversity of monetary policy stances across these economies reflects the varying stages of their inflation cycles, the credibility of their central banks, and the structural features of their economies. Ghana's relatively expansionary stance, compared to Nigeria and Egypt, reflects the success of its disinflation program and the confidence of the Bank of Ghana in the sustainability of price stability. However, this stance also carries risks, as the negative real interest rate could stimulate excessive credit growth and reignite inflationary pressures if not carefully managed.

The experience of Kenya is particularly relevant for Ghana, as both countries have successfully implemented inflation targeting frameworks and have achieved relatively low and stable inflation. The Central Bank of Kenya has maintained a policy rate of 11.25 percent since December 2024, with inflation at 4.5 percent, and has focused on supporting economic growth while maintaining price stability. The Kenyan experience suggests that a more accommodative monetary stance is feasible once inflation expectations are firmly anchored, and that the benefits of lower interest rates in terms of growth and employment can be realised without compromising price stability.

South Africa's experience is also relevant, as the South African Reserve Bank has maintained a relatively low policy rate of 7.5 percent, with inflation at 4.5 percent, reflecting the depth and sophistication of its financial markets and the credibility of its monetary policy framework. The South African experience demonstrates that a negative real interest rate can be maintained in a relatively advanced economy with deep financial markets and strong institutional capacity, but it also highlights the risks of financial instability associated with excessively low interest rates, as evidenced by the recent banking sector challenges in South Africa.

Nigeria's experience provides a cautionary tale. Despite maintaining a very high policy rate of 27.25 percent, Nigeria has struggled to control inflation, which remains at 24 percent. This reflects the structural drivers of inflation in Nigeria, including the depreciation of the naira, the removal of fuel subsidies, and the persistence of supply-side constraints, which are not amenable to monetary control. The Nigerian experience suggests that monetary policy alone cannot address inflation that is driven by structural and fiscal factors, and that a comprehensive approach involving fiscal consolidation, exchange rate reform, and structural transformation is required.

The comparative analysis also highlights the importance of institutional credibility in monetary policy. Central banks that have established a track record of price stability, such as the Bank of Ghana, the Central Bank of Kenya, and the South African Reserve Bank, can afford to maintain more accommodative stances without risking a resurgence of inflation. Central banks that have struggled to establish credibility, such as the Central Bank of Nigeria, must maintain tighter stances to prevent inflation expectations from becoming unanchored. This

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institutional credibility is built over time through consistent policy actions, transparent communication, and operational independence from political interference.

The role of the International Monetary Fund in supporting monetary policy credibility is also important. Ghana's successful disinflation and the subsequent easing of monetary policy have been facilitated by the IMF's Extended Credit Facility, which has provided financial support, policy advice, and a framework for fiscal and monetary coordination. The IMF's involvement has enhanced the credibility of the Bank of Ghana's commitment to price stability and has provided a buffer against external shocks that could otherwise derail the disinflation process. However, the IMF's involvement also imposes constraints on policy flexibility, as the government must adhere to agreed fiscal targets and structural reform benchmarks.

The comparative analysis suggests that Ghana is well-positioned to maintain a relatively accommodative monetary stance, given its success in anchoring inflation expectations and the credibility of its central bank. However, this stance must be carefully calibrated to avoid the risks of excessive credit growth, asset price bubbles, and exchange rate depreciation. The Bank of Ghana must also remain vigilant against external shocks, such as changes in global commodity prices, shifts in international capital flows, and geopolitical developments, that could disrupt the disinflation process and require a reversal of the easing cycle.

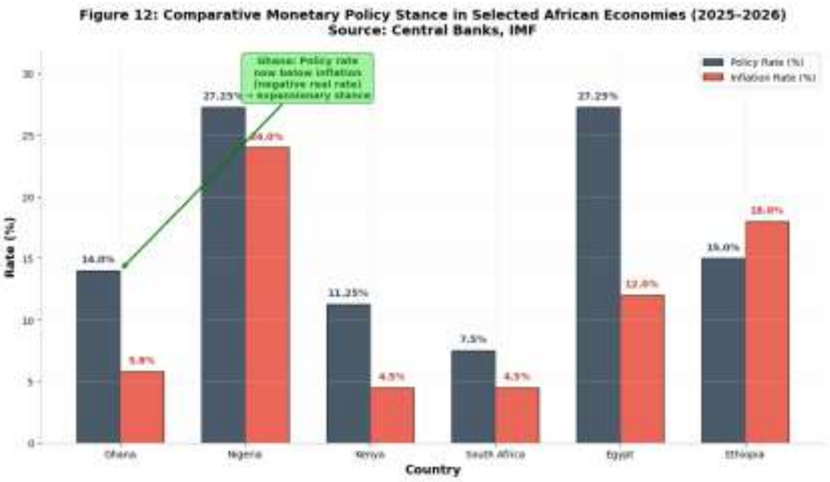


*Figure 12: Comparative Monetary Policy Stance in Selected African Economies (2025–2026) Source: Central Banks, IMF*

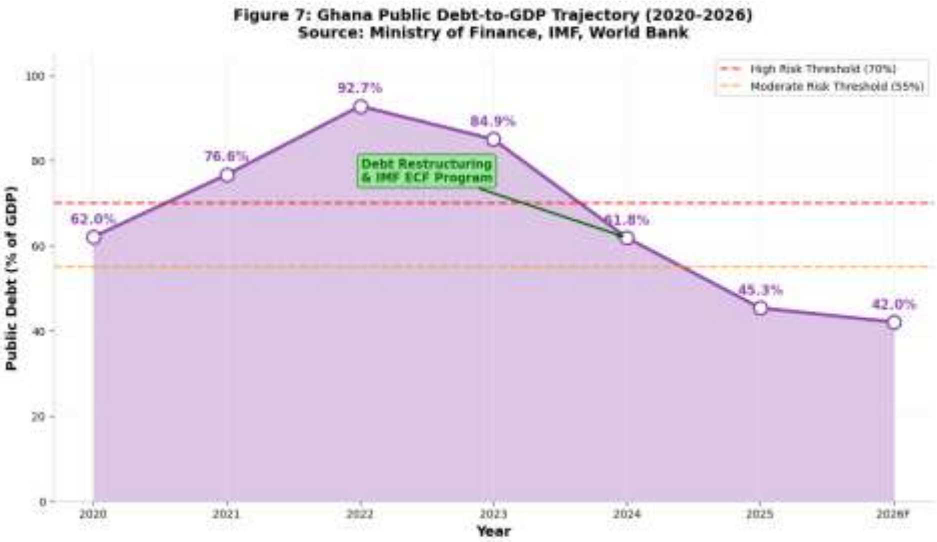


*Figure 7: Ghana Public Debt-to-GDP Trajectory (2020–2026) Source: Ministry of Finance, IMF, World Bank*

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## POLICY RECOMMENDATIONS

The analysis presented in the preceding sections reveals a complex trade-off between the Bank of Ghana's liquidity management objectives and the broader goals of economic growth, employment generation, and poverty reduction. While the aggressive monetary tightening of 2022-2024 was necessary to bring inflation under control and restore macroeconomic stability, the sustained period of high interest rates has imposed significant costs on the standard of living, constrained growth, and limited employment creation. The challenge for policymakers is therefore to design a policy framework that maintains the hard-won gains in price stability while creating space for the investment and growth required for inclusive development.

The following policy recommendations are offered in this spirit, drawing upon the empirical evidence presented in this article and the theoretical literature reviewed in Section 2.

First, the Bank of Ghana should adopt a more nuanced approach to liquidity management that distinguishes between inflation driven by demand-side factors and inflation driven by supply-side shocks. The current framework, which relies primarily on aggregate liquidity mop-up operations, treats all inflation as demand-driven and responds with uniform tightening. However, the Ghanaian experience of 2022-2023, when inflation was driven by global commodity price shocks and exchange rate depreciation rather than domestic demand pressures, suggests that a more targeted approach is required. The Bank of Ghana should consider the use of targeted liquidity facilities, sector-specific credit windows, and macroprudential tools to address supply-side constraints without constraining overall credit growth.

Second, the government should accelerate the implementation of structural reforms to improve the investment climate and reduce the economy's dependence on monetary policy for macroeconomic stabilisation. These reforms should include the rationalisation of the energy sector to reduce costs and improve reliability, the modernisation of the agricultural sector to increase productivity and reduce import dependence, the strengthening of the financial sector to improve intermediation and reduce the cost of credit, and the enhancement of the business environment to attract domestic and foreign investment. The implementation of these reforms would reduce the structural drivers of inflation and exchange rate depreciation, thereby reducing the burden on monetary policy and creating space for lower interest rates.

Third, the government should prioritise capital investment in infrastructure and human capital development, even at the cost of short-term fiscal consolidation. The current fiscal framework, which prioritises debt service and recurrent expenditure over capital investment, is constraining the economy's growth potential and limiting the creation of employment opportunities. The government should explore innovative financing mechanisms, including public-private partnerships, infrastructure bonds, and development finance institution lending, to mobilise the capital required for strategic investments. The Bank of Ghana should support these efforts by maintaining a stable and predictable monetary environment that reduces the risk premium for long-term investors.

Fourth, the Bank of Ghana should enhance its communication and transparency to improve the effectiveness of monetary policy and reduce the uncertainty faced by firms and households. The central bank should provide clearer guidance on the future path of interest rates, the criteria for policy adjustments, and the expected trade-offs between inflation control and growth. This forward guidance would help firms and households to make better-informed decisions about investment, consumption, and employment, and would reduce the volatility of financial markets. The Bank of Ghana should also engage more actively with stakeholders, including business associations, labour unions, and civil society organisations, to ensure that monetary policy is responsive to the needs of the broader economy.

Fifth, the government should strengthen the social safety net to protect the most vulnerable households from the adverse effects of macroeconomic adjustment. The inflation shock of 2022-2023 pushed approximately 800,000 Ghanaians into poverty, and the recovery has been uneven, with many households still struggling to meet basic needs. The government should expand the coverage and generosity of existing social protection programs, including the Livelihood Empowerment Against Poverty (LEAP) program, the National Health Insurance

Scheme, and the school feeding program, and should consider the introduction of temporary measures, such as food subsidies and cash transfers, to support households during periods of economic stress. These measures would reduce the social costs of macroeconomic adjustment and enhance the political sustainability of the reform program.

Sixth, the Bank of Ghana and the government should work together to develop the domestic capital market as an alternative source of long-term financing for infrastructure and industrial investment. The current reliance on bank credit for financing investment is constraining the scale and duration of investment projects, as banks are reluctant to provide long-term loans due to maturity mismatches and liquidity risks. The development of a deep and liquid bond market, including corporate bonds, municipal bonds, and infrastructure bonds, would provide firms and governments with access to long-term capital at lower cost, and would reduce the crowding-out effect of government borrowing on private sector credit. The Bank of Ghana should support this development by providing a stable monetary environment, improving the regulatory framework for bond issuance, and promoting investor education and market infrastructure.

Seventh, the government should prioritise employment-intensive sectors in its investment and industrial policy. The current growth model, which is driven by capital-intensive services and extractive industries, is not generating sufficient employment for the growing labour force. The government should target investment in labour-intensive sectors such as manufacturing, agro-processing, construction, and tourism, which have the potential to create large numbers of jobs for young workers and informal sector workers. The Bank of Ghana should support this prioritisation by providing targeted credit facilities, reducing the cost of capital for employment-intensive investments, and working with development finance institutions to mobilise capital for strategic projects. Eighth, the government should strengthen the institutional framework for fiscal-monetary coordination to ensure that macroeconomic policies are coherent and mutually reinforcing. The current framework, in which the Bank of Ghana and the Ministry of Finance operate with limited coordination, has produced periods of fiscal dominance that undermine monetary policy credibility and periods of monetary tightening that constrain fiscal space. The government should establish a formal mechanism for fiscal-monetary coordination, including regular meetings between the Governor of the Bank of Ghana and the Minister of Finance, joint forecasting and policy analysis, and agreed targets for inflation, growth, and debt sustainability. This coordination would enhance the effectiveness of both fiscal and monetary policy and reduce the risk of policy conflicts.

Ninth, the Bank of Ghana should continue to build its institutional capacity for macroprudential supervision and financial stability monitoring. The banking sector remains fragile, with high levels of non-performing loans and limited capacity to absorb shocks. The central bank should strengthen its supervision of banks, improve its stress testing and early warning systems, and develop its capacity to respond to financial stability risks. The Bank of Ghana should also work with the Securities and Exchange Commission and the National Insurance Commission to develop a comprehensive framework for macroprudential policy that covers the entire financial system, including banks, capital markets, and insurance companies.

Tenth, the government and the Bank of Ghana should engage proactively with the international community, including the International Monetary Fund, the World Bank, the African Development Bank, and bilateral development partners, to mobilise the resources and technical assistance required for the implementation of these recommendations. The successful stabilisation of the Ghanaian economy has been facilitated by international support, and the transition to sustainable and inclusive growth will require continued engagement with the international community. The government should maintain its commitment to the IMF program, accelerate the implementation of structural reforms, and seek additional financing from development finance institutions to support capital investment and social protection.

## CONCLUSION

This article has undertaken a comprehensive analytical examination of the Bank of Ghana's liquidity management operations and their implications for the standard of living, economic growth, and employment in Ghana. The analysis has drawn upon a rich corpus of empirical data from credible international and domestic institutions, including the World Bank, the International Monetary Fund, the Ghana Statistical Service, and the Bank of Ghana itself, to construct a rigorous evidence-based narrative that transcends simplistic characterisations of monetary policy as either beneficial or harmful.

The central finding of this analysis is that the Bank of Ghana's aggressive liquidity management operations, while successful in achieving their primary objective of price stability, have imposed significant costs on the broader economy and society. The disinflation from 40.3 percent in 2023 to 5.8 percent in 2025 represents a remarkable achievement, particularly given the severity of the inflation crisis and the structural challenges facing the Ghanaian economy. However, this achievement has come at the cost of reduced private sector credit growth, constrained investment, slower employment creation, and increased poverty incidence. The 800,000 Ghanaians pushed into poverty by the inflation shock, the youth unemployment rate of 16 percent, and the investment-to-GDP ratio of less than 15 percent are sobering reminders that macroeconomic stability is a necessary but not sufficient condition for inclusive development.

The analysis has also revealed the structural features of the Ghanaian economy that mediate the transmission of monetary policy to real economic outcomes. The high degree of informality, the shallow financial markets, the dependence on imported inputs, and the limited fiscal space for countercyclical policy all contribute to the amplification of monetary policy shocks and the prolongation of their effects. These structural features cannot be addressed by monetary policy alone and require complementary fiscal and structural reforms to create an enabling environment for investment, growth, and employment. The comparative analysis of Ghana's monetary policy stance relative to other African economies has provided valuable perspective on the unique features and common challenges of monetary management in the region. Ghana's relatively expansionary stance, with a negative real interest rate, reflects the success of its disinflation program and the credibility of its central bank. However, this stance must be carefully calibrated to avoid the risks of excessive credit growth, asset price bubbles, and exchange rate depreciation, and must be supported by proactive fiscal and structural policies to ensure that the benefits of lower interest rates are realised in terms of growth and employment.

The policy recommendations presented in Section 11 offer a comprehensive framework for addressing the trade-offs between inflation control and inclusive development. These recommendations emphasise the need for a more nuanced approach to liquidity management, the acceleration of structural reforms, the prioritisation of capital investment, the enhancement of social protection, the development of domestic capital markets, the targeting of employment-intensive sectors, the strengthening of fiscal-monetary coordination, the improvement of financial stability monitoring, and the proactive engagement of the international community. The implementation of these recommendations will require political will, institutional capacity, and sustained commitment from all stakeholders, but the potential benefits in terms of improved living standards, accelerated growth, and expanded employment are substantial.

In conclusion, the Bank of Ghana's liquidity management operations represent a necessary but insufficient component of a comprehensive strategy for sustainable and inclusive development. The central bank has demonstrated its capacity to maintain price stability under challenging circumstances, and this credibility provides a valuable foundation for the next phase of economic development. However, the translation of macroeconomic stability into tangible improvements in the welfare of the Ghanaian people requires a concerted effort from all branches of government, the private sector, civil society, and the international community. The path forward is clear, but the journey will be demanding. The Ghanaian people, who have borne the costs of macroeconomic adjustment with remarkable resilience, deserve nothing less than a policy framework that delivers on the promise of prosperity for all.

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# APPENDIX: DATA TABLES

**Table 1: Key Macroeconomic Indicators for Ghana (2020–2026)**

| Indicator | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F |
|---|---|---|---|---|---|---|---|
| Real GDP Growth (%) | 0.5 | 5.4 | 3.1 | 3.1 | 5.7 | 3.9 | 4.6 |
| Inflation Rate (%) | 9.9 | 10.0 | 31.5 | 40.3 | 22.9 | 5.8 | 5.8 |
| Policy Rate (%) | 14.5 | 14.5 | 27.0 | 30.0 | 29.0 | 27.0 | 14.0 |
| Public Debt (%GDP) | 62.0 | 76.6 | 92.7 | 84.9 | 61.8 | 45.3 | 42.0 |
| Investment (%GDP) | 13.8 | 12.5 | 11.2 | 13.0 | 14.5 | 16.0 | 17.5 |
| Lending Rate (%) | 21.0 | 20.5 | 32.0 | 35.0 | 31.0 | 28.0 | 25.0 |
| Poverty Rate (%) | — | — | — | 40.0 | — | — | — |
| Youth Unemployment (%) | 12.0 | 13.0 | 14.5 | 15.5 | 16.0 | 15.5 | 14.0 |

*Source: World Bank (2025), IMF (2024), Bank of Ghana (2026), Ghana Statistical Service (2025), Ministry of Finance (2026). Note: F denotes forecast.*

**Table 2: Sectoral GDP Growth and Employment Contribution (2024)**

| Sector | GDP Share (%) | Growth Rate (%) | Employment Share (%) |
|---|---|---|---|
| Services | 51.5 | 5.9 | 35.0 |
| Industry | 30.2 | 7.1 | 15.0 |
| Agriculture | 18.3 | 2.8 | 50.0 |

*Source: Ghana Statistical Service (2025), World Bank Macro Poverty Outlook (2025).*

**Table 3: Employment Structure and Labour Market Indicators (2023–2024)**

| Indicator | Value | Source/Period |
|---|---|---|
| Total Employment (millions) | 12.5 | GSS Labour Statistics 2024 |

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| | | |
|---|---|---|
| Formal Sector Employment (%) | 18.0 | ILO 2024 |
| Informal Sector Employment (%) | 82.0 | ILO 2024 |
| Youth Unemployment Rate (%) | 16.0 | GSS 2024 |
| Overall Unemployment Rate (%) | 8.5 | GSS 2024 |
| Employment-Population Ratio (%) | 65.0 | World Bank 2024 |
| Newly Poor from Inflation Shock | 800,000 | World Bank 2023 |

*Source: Ghana Statistical Service (2024), International Labour Organization (2024), World Bank (2023).*