CERPA
CENTRE FOR ECONOMIC RESEARCH AND POLICY ANALYSIS

UNDERSTANDING THE RISING LOSSES OF THE BANK OF GHANA: TRENDS, DRIVERS, AND POLICY OPTIONS (2025)

POLICY BRIEF

Executive Summary

The Bank of Ghana recorded a net loss of GH¢15.6 billion in 2025, representing a 66% increase from the GH¢9.4 billion loss in 2024. This extends a sequence of post-crisis losses following the unprecedented GH¢60.8 billion loss in 2022, largely triggered by the Domestic Debt Exchange Programme (DDEP).

While central bank losses are not inherently destabilizing, the persistence and escalation of losses raise important fiscal, monetary, and credibility concerns. The evidence suggests that the 2025 losses are driven by a combination of sovereign debt impairments, high monetary policy costs, exchange rate pressures, and quasi-fiscal operations.

This brief evaluates the trend, identifies the underlying drivers, and proposes actionable policy responses to strengthen central bank balance sheet resilience.

1 Trend Analysis: From Profitability to Structural Losses

Between 2018 and 2021, the Bank of Ghana remained consistently profitable, with net earnings averaging above GH¢1 billion annually. These profits were supported by relatively stable macroeconomic conditions, exchange rate gains, and conventional central banking operations.

However, the trend shifted dramatically in 2022, when the central bank recorded a historic loss of GH¢60.8 billion, primarily due to impairments on government securities under the Domestic Debt Exchange Programme. Although losses narrowed in 2023 (GH¢10.5 billion) and 2024 (GH¢9.4 billion), the rebound in 2025 losses to GH¢15.6 billion indicates that the balance sheet stress remains structural rather than transitory.

The trajectory suggests that the central bank has transitioned from profit-generating operations to loss-absorbing stabilisation functions, reflecting its expanded role in macroeconomic crisis management.

2 Key Drivers of the 2025 Losses

2.1 Sovereign Debt Impairments (DDEP Legacy Effects)

The most significant factor remains the residual impact of the Domestic Debt Exchange Programme. The restructuring of government bonds into longer-dated, lower-yield instruments reduced the income-generating capacity of BoG's asset portfolio.

In 2025, additional losses likely reflect:

- Further provisioning for expected credit losses
- Mark-to-market valuation adjustments
- Reduced interest income from restructured securities

Given that sovereign exposure constitutes a large share of BoG's balance sheet, these impairments continue to exert downward pressure on profitability.

2.2 Cost of Monetary Policy Operations

The high-interest rate environment has significantly increased the cost of liquidity sterilization operations.

To manage inflation and exchange rate pressures, the Bank of Ghana has relied heavily on:

- Open Market Operations (OMO)
- Central bank bills
- High policy rate transmission

These instruments carry substantial interest expenses, which have widened operational losses. This is a classic case of the “cost of disinflation”, where monetary tightening stabilises the macroeconomy at the expense of central bank profitability.

2.3 Exchange Rate and Currency Revaluation Losses

Depreciation of the Ghanaian cedi increases the domestic currency value of foreign liabilities. While central banks may also record gains on foreign assets, the net effect can be negative depending on the structure of the balance sheet.

In 2025, exchange rate volatility likely contributed to:

- Revaluation losses on external obligations
- Increased cost of foreign-denominated liabilities

This reinforces the vulnerability of the central bank’s balance sheet to external sector shocks.

2.4 Quasi-Fiscal and Strategic Operations

Programs such as:

- Gold-for-Oil
- Gold-for-Reserves

introduce valuation risks and operational costs. While these initiatives support macroeconomic stability, particularly foreign exchange management they can generate non-traditional financial exposures that impact profitability.

3 Policy Implications

3.1 Central Bank Financial Independence at Risk

Persistent losses weaken the equity position of the central bank, potentially requiring recapitalization by the government. This creates a fiscal-monetary interdependence that may compromise operational independence.

3.2 Blurring of Fiscal and Monetary Functions

The heavy exposure to government debt and involvement in quasi-fiscal operations indicates a shift beyond traditional central banking roles.

This raises concerns about:

- Policy credibility
- Institutional mandates
- Long-term sustainability

3.3 Inflation Control vs Financial Sustainability Trade-off

The current situation highlights a fundamental trade-off:

- Tight monetary policy stabilizes inflation
- But increases operational losses

This trade-off must be managed carefully to avoid undermining confidence in monetary policy.

4 Policy Recommendations

4.1 Gradual Balance Sheet Recapitalization

The Government of Ghana should implement a structured recapitalization plan for the Bank of Ghana, potentially through:

- Issuance of long-term recapitalization bonds
- Phased fiscal transfers

This will restore financial buffers without creating abrupt fiscal shocks.

4.2 Limit Central Bank Exposure to Sovereign Debt

Introduce statutory or operational limits on central bank holdings of government securities to:

- Reduce fiscal dominance
- Improve balance sheet resilience

4.3 Improve Monetary Policy Cost Efficiency

Enhance liquidity management by:

- Reducing reliance on high-cost sterilization instruments
- Deepening interbank and secondary markets
- Exploring non-interest-based liquidity tools

4.4 Strengthen Risk Management Frameworks

The central bank should adopt advanced asset-liability management strategies to mitigate:

- Exchange rate risks
- Interest rate risks
- Commodity price risks

4.5 Clarify Boundaries of Quasi-Fiscal Operations

Programs such as Gold-for-Oil should be:

• Transparently accounted for
• Gradually transitioned to fiscal authorities where appropriate

This ensures that the central bank remains focused on its core mandate.

5 Conclusion

The GH¢15.6 billion loss in 2025 underscores that the financial challenges facing the Bank of Ghana are not temporary but structural, rooted in crisis-response policies and evolving macroeconomic conditions.

While such losses are not unusual for central banks during periods of economic stress, their persistence necessitates deliberate policy intervention. Strengthening the central bank's balance sheet, clarifying its mandate, and improving policy coordination will be essential to restoring credibility, independence, and long-term macroeconomic stability.

About CERPA

The Centre for Economic Research and Policy Analysis (CERPA) is a think tank dedicated to providing independent, data-driven economic research and policy recommendations to foster sustainable

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