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NATIONAL BANK OF ETHIOPIA

## PRESS RELEASE

# MONETARY POLICY COMMITTEE MEETING NO.6

31 March 2026 | Addis Ababa, Ethiopia

The National Bank of Ethiopia's Monetary Policy Committee (MPC) held its 6<sup>th</sup> meeting on March 21, 2026. In line with its roles and responsibilities set out in the NBE Establishment Proclamation 1359/2025, Article 23, the MPC regularly meets and proposes monetary policies for approval by the NBE Board. In its 6<sup>th</sup> meeting, the MPC reviewed latest real sector development, inflation dynamics, external sector performance and developments in the monetary, financial and fiscal sectors, along with global developments affecting the Ethiopian economy. Based on a comprehensive review of these developments, and the near-term outlooks, the Committee recommends appropriate monetary policy measures to be endorsed by the Board.

The Committee reviewed major developments in the following areas:

- **Inflation:** The Committee noted that the February 2026 inflation rate at 9.7 percent marked a continuous downward trend; meeting the single digit objective of NBE since December 2025. The Committee observed that the continuous deceleration of inflation is driven by the NBE's sustained tight monetary policy stance since August 2023, fiscal discipline and positive supply side measures. Looking at the components, food inflation has fallen to 10.8 percent, a substantial drop from 14.6 percent a year earlier. Non-food inflation has eased to 8.1 percent, marking a significant slowdown from 15.6 percent in the same period last year. Month-on-month inflation was 0.4 percent in February 2026, reflecting a continued easing of price pressures in recent months. Looking ahead, however, the Committee noted that recent geopolitical tensions in the Middle East will exert upward pressure on global oil prices and will create disruptions in supply chains; thereby posing increased upside risks to the domestic inflation outlook. While noting that the extent of the pressure depends on the length of the turmoil and tackling mechanisms introduced by the government, the Committee underscored maintaining the tight monetary policy stance.
- **Growth and Economic Activity:** The Committee witnessed that Ethiopia's economy has maintained a robust growth trajectory. Real GDP grew by 9.2 percent in FY 2024/25, higher than the 7.5 percent average growth rate over the last eight years. The service sector's contribution to economic growth remained steady at 3.1 percent whereas the industrial sector contribution to growth rose from 2.7 percent in 2024 to 3.7 percent in 2025 strongly supported by mining and quarrying sector. Particularly gold contribution surged to 1.0 percent in FY 2024/25 from 0.1 percent in 2023/24, a tenfold increase. Agriculture's contribution has also seen a steady rise, slightly from 2.2 percent in 2023/2024 to 2.3 percent



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in 2024/25. The NBE's Composite Indicators of Economic Activity (CIEA), which monitors high-frequency data across various sectors of the economy signals robust growth momentum in FY 2025/26. Accordingly, the growth is anticipated to be driven by macroeconomic reforms and progress in key economic sectors. In the manufacturing sector, developments in cement production, electricity generation, and iron & steel output among others indicated a vibrant overall industrial sector activity. The services sector has also exhibited remarkable performance, with key indicators swinging upward. Especially tourist inflows and air transport activities (both passenger and freight) demonstrated significant growth over the period. However, declines were observed in some areas including export volume (Coffee and oilseed) and import of raw materials compared to the same period last fiscal year.

- **Monetary Developments:** Monetary aggregates: broad money has been expanding further on y-o-y basis while there is a slower growth in base money. As of February 2026, y-o-y growth in broad money and base money stood at 39.3 percent and 43.2 percent, respectively. Compared with their June 2025 balances, broad money and base money increased by 22.7 percent and 23.0 percent, respectively. Growth in outstanding credit of banks reached 45.3 percent (y-o-y) by end February 2026 while it has expanded by 33.3 percent compared to June 2025 balance. The rapid y-o-y growth in broad money has been largely driven by credit expansion whereas moderate y-o-y growth in base money has been due to a significant sterilization through FX auctions.
- **Interest Rate Developments:** The Committee noted that short term market interest rates have exhibited significant development and remained positive in real terms. In the Treasury Bills market, the 91-day T-bill weighted average yield declined to 12.4 percent in February 2026 from 15.2 percent in February 2025, owing to huge participation from private investors (through investment banks) in addition to increased participation from banks and non-bank institutions. On the other hand, the 7-day interbank weighted average rate rose to 17.9 percent in February 2026 from about 16.5 percent in February 2025, reflecting liquidity pressure in some private banks. The cumulative traded volume in local currency inter-bank money market has grown steadily, reaching Birr 1.97 trillion since the operation started in late October 2024.
- **Banking and Financial Sector:** The banking sector remained safe and sound, with low NPLs and adequate capital. However, some segments of the banking sector continue to face liquidity challenges, given their high loan-to-deposit ratios. However, the introduction of an inter-bank money market and a Standing Lending Facility at the NBE has significantly helped to alleviate the short-term liquidity challenges faced by these banks.
- **Fiscal Sector:** Fiscal policy in the review period appeared to be prudent, and more disciplined; aligned with the NBE's tight monetary policy stance and the overall macroeconomic reform. Since the reform in July 2024, the government continued to refrain from taking direct advance from the NBE which has significantly contributed to lower base money growth. During the first seven months of FY 2025/26, the overall budget deficit to



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GDP ratio stood at 1.1 percent, up from 0.7 percent last year same period, despite a 65 percent y-o-y increase in revenue mobilization, as total expenditure grew by 48 percent over the same period. The T-bill market has played a key role to finance the deficit amounting to net Birr 136.6 billion during the first seven months of FY 2025/26.

- **External Sector:** Following the comprehensive reform in July 2024, Ethiopia’s balance of payments registered a surplus, signalling resilience in external accounts. Likewise, during the first eight months of FY 2025/26, Ethiopia’s balance of payments recorded surplus marked by significant improvements in exports; particularly coffee and gold, private transfers, net service trade and increases in capital account. These developments underscore the impact of ongoing economic reforms aimed at improving external competitiveness to strengthen foreign exchange earnings and enhancing the overall sustainability of the external sector.
- **Global Environment:** According to IMF’s January 2026 outlook, global growth was projected at around 3.3 percent in 2026 and 3.2 percent in 2027. However, this outlook is now subject to heightened downside risks following the recent oil price shock associated with escalating Middle East tensions. The sharp rise in energy prices is expected to dampen global growth by raising production costs, eroding real incomes, and tightening financial conditions, particularly in oil-importing economies. As a result, while the baseline projections remain broadly intact, the balance of risks has shifted to the downside, with the magnitude of the impact depending critically on the duration and intensity of the conflict and the persistence of elevated oil prices.

### MPC Assessment and Recommendations

The Committee noted that, to sustain the single-digit inflation since December 2025, a continued tight monetary policy stance remains necessary. In this regard, the Committee underscored that the NBE should employ all available instruments, individually or in combination. Consequently, the Committee reaffirmed its commitment to maintain a tight monetary policy stance to achieve the price stability objective.

Accordingly, the Committee decided to maintain the NBE policy rate and annual credit growth caps at their current levels. However, in light of heightened global economic uncertainty, driven by the conflict in the Middle East and its potential impact on the domestic economy, the Committee emphasized the necessity of more frequent reviews of key macroeconomic developments. The Committee agreed to reconvene by late April, or earlier if warranted, to evaluate whether additional policy measures are required.

Monetary Policy Committee  
National Bank of Ethiopia  
31 March 2026