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NATIONAL BANK OF ETHIOPIA

PRESS RELEASE

MONETARY POLICY COMMITTEE MEETING NO. 8

3 November 2026 | Addis Ababa, Ethiopia

The National Bank of Ethiopia's Monetary Policy Committee (MPC) has conducted its 8th regular meeting in line with its roles and responsibilities set out in the NBE's Establishment Proclamation 1359/2025, Article 23, to propose monetary policies for approval by the Board. In its 8th 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 implications on the Ethiopian economy. Based on a broad assessment of recent economic and financial developments and the near-term macroeconomic outlook, the Committee formulates and recommends appropriate monetary policy measures for the Board's consideration and approval.

The Committee's 8th report covers developments in the following areas:

- **Inflation Development and Outlook:** The Committee noted that Inflation has begun to ease from a supply-driven peak, but at 14.9 percent in September it remains far above the Bank's single-digit goal. Food inflation eased slightly to 14.8 percent from 15.1 percent in June, 2026, while non-food inflation rose to 15.1 percent from 12.2 percent, during the same period. Within the food category, bread and cereals, vegetables and pulses, and coffee beans cause food CPI upsurge. In non-food inflation, energy items (electricity tariffs, kerosene and chopped firewood) pushed up the CPI. Overall, the Committee observed that supply-side factors remained the predominant drivers of inflation following the Middle East conflict. Looking ahead, the Committee noted that headline inflation is projected to exhibit a declining trend but is expected to remain in double digits over the six-month forecast horizon.

- **Growth and Economic Activity:** The Committee noted that Ethiopia's economy has continued to register strong growth. The NBE's Composite Indicators of Economic Activity (CIEA), which monitors high-frequency data across various sectors of the economy signal robust growth momentum in FY 2026/27. The projected economic growth is expected to be reinforced by ongoing macroeconomic reforms and improvements in key economic indicators, including electricity generation, cement and iron & steel production, tourist arrivals, banking sector credit, air passenger traffic, gold exports, imports of capital and intermediate goods, and tax revenue mobilization.

- **Monetary Developments**: Annual reserve money growth accelerated to 87.2 percent in the first quarter of 2026/27, up from 72.6 percent recorded in the same quarter of the previous year. Major contributor to base money growth was NBE's gold operation which increased net foreign assets, following corresponding injection of local currency liquidity into the banking

system. Similarly, broad money grew 40.2 percent y-on-y, up from 33.2 percent growth recorded in same quarter last fiscal year. The committee noted that, this y-on-y growth in broad money is above the projected growth of nominal GDP. While domestic credit has historically been the primary driver of broad money expansion, the recent acceleration was largely driven by the accumulation of net foreign asset (NFA).

- **Interest Rate Developments:** The Committee noted that Treasury bill yields, interbank money market rates keep falling and have been negative in real terms since May 2026 while commercial banks' lending and deposit rates did not change from the previous quarter. The declining trend in short term rates could be explained by huge excess reserve banks held with NBE keeping other factors constant.

- **Banking and Financial Sector:** The committee noted that during the first quarter of 2026/27, the banking sector remained safe and sound, with low NPLs and adequate capital. Commercial banks have sustained a strong resource mobilization in the review period, net deposits increased by 85.4 percent and outstanding credit grew by 42.6 percent over the quarter last fiscal year. Despite the removal of the credit cap and significant deposit mobilization, commercial banks' fresh loan disbursements ratio to total resources mobilized remained broadly unchanged from last year same period.

- **Fiscal Sector:** Fiscal policy remained prudent during the review period, supporting the NBE's tight monetary policy stance and the broader macroeconomic reform agenda. The Committee noted that the Government has maintained its commitment to refraining from direct advances from the NBE during the quarter taking the refrain period to over 27 months, making the longest such period on record and contributing to price stability.

- **External Sector:** Compared to the pre-reform period performance, the external sector has improved substantially, although the overall surplus has declined this quarter. During the first quarter of FY2026/27, positive growth trajectory has been observed in export of goods particularly growth in gold and coffee while import of goods as well showed significant growth during the quarter. There has been also encouraging development in private transfers and capital accounts. These developments have supported to maintain surplus in overall balance of payment despite a wider trade balance deficit over the period.

- **Global Environment:** The IMF's October 2026 WEO projected global economic growth at 3.1 percent in 2026, before recovering to 3.4 percent in 2027. Despite resilience in some economies, the outlook remains vulnerable to prolonged geopolitical conflicts, elevated energy prices, renewed trade tensions, and financial vulnerabilities. For energy-importing economies, persistent supply disruptions could further weaken growth by raising production and transportation costs. Global headline inflation is projected to rise to 4.7 percent in 2026 before easing to 4.1 percent in 2027. The conflict-related energy shock has renewed inflationary

pressures by increasing oil and other input costs, potentially delaying disinflation. However, the outlook remains conditional on the duration and intensity of geopolitical disruptions, the recovery of energy supply, and the extent to which higher costs feed into broader prices and inflation expectations.

MPC Assessment and Recommendations

The Committee noted that maintaining tight monetary policy stance is indispensable to achieve NBE's medium term goal of single-digit inflation. As a result, the MPC recommended and the Board approved the following monetary policy actions:

- **First:** The recent monetary and financial conditions signal moderate looseness, and also a double-digit short term inflation forecast calls for a tight stance. The Committee, therefore, proposed to maintain the NBR at 16 percent and keep the ±300 basis point corridor band unchanged.

- **Second:** based on regular assessments on individual banks' loans-to- deposit ratios, the NBE will continue to use the targeted (additional) reserve requirement if credit expansion threatens the inflation path.

- **Third:** The NBE will keep its tight stance by using all its indirect instruments effectively, at its disposal. In particular, we will absorb excess liquidity through open market operation (OMO).

The committee will meet at end of January 2027, or earlier if conditions warrant, to assess whether further measures are required.

Monetary Policy Committee
National Bank of Ethiopia
3 November 2026