

# Large Accounting Losses, But Is the Bank of Ghana Truly Policy Solvent?

 By Dennis Nsafoah

BANK  
OF  
GHANA



The 2025 financial statements of the Bank of Ghana (BoG) generated significant public debate regarding the financial condition of the central bank and the sustainability of its monetary policy operations. The Bank reported very large accounting losses, including a comprehensive loss of approximately GH¢34.95 billion, a net operating loss of approximately GH¢15.63 billion, and a deepening negative equity position.

These figures naturally generated concerns regarding the solvency and long-term sustainability of the institution. In response, the Bank of Ghana introduced and emphasized the concept of “policy solvency,” arguing that despite the accounting losses, the institution remained financially capable of implementing monetary policy effectively.

I agree with one important aspect of the Bank’s argument: central banks should not be evaluated solely on the basis of accounting profits and losses. Unlike commercial banks, central banks exist primarily to maintain macroeconomic stability, preserve price stability, anchor inflation expectations, and sustain monetary credibility. Consequently, the more important question is not whether a central bank records accounting losses, but whether it remains operationally capable of implementing credible stabilization policy.

However, I disagree with the Bank of Ghana’s specific attempt to demonstrate policy solvency using its 2025 calculations. The Bank’s reported positive policy solvency position depended heavily on realized gains from gold reserve sales. Once these one-time gains are excluded, the Bank’s own accounting framework shows that recurring operating income was insufficient to fully cover recurring monetary policy implementation costs. Under the Bank’s own accounting framework, the institution would therefore still be policy insolvent.

Nevertheless, I argue that policy solvency should not ultimately be evaluated through narrow accounting calculations alone. Instead, policy solvency should be evaluated through macroeconomic outcomes and the ability of the central bank to credibly and sustainably maintain monetary and macroeconomic stability.

## Accounting Losses Are Undeniable

The first point is straightforward and largely uncontested. The Bank of Ghana incurred very large accounting losses in 2025. The financial statements reported:

Item	2025
Net operating loss	GH¢15.63 billion
Comprehensive loss	GH¢34.95 billion
Negative equity	Approximately GH¢96 billion

These figures clearly demonstrate substantial accounting deterioration in the Bank's balance sheet position. Importantly, these losses cannot simply be ignored or dismissed as irrelevant. Persistent accounting losses can eventually:

- weaken institutional credibility,
- increase fiscal dependence,
- complicate recapitalization needs,
- and reduce confidence in the central bank's long-run financial position.

Accordingly, the Bank's accounting losses are both real and significant.

### **Central Banks Should Not Be Evaluated Solely on Accounting Losses**

While the accounting losses are undeniable, it would be incorrect to evaluate a central bank solely on the basis of accounting profitability. Unlike private firms or commercial banks, central banks are not profit-maximizing institutions. Their primary responsibilities include controlling inflation, preserving exchange rate stability and maintaining monetary credibility.

A central bank can therefore incur accounting losses while still successfully achieving its macroeconomic objectives. Indeed, many central banks globally have experienced periods of negative equity, accounting losses or sterilization-related financial deterioration, while still maintaining effective monetary control and policy credibility. Consequently, central banks should be evaluated not solely on accounting profitability, but more importantly on policy solvency.

Policy solvency refers to the ability of a central bank to credibly and sustainably implement monetary policy in a manner consistent with macroeconomic stability. Under this broader framework, accounting losses alone do not necessarily imply policy failure.

### **Why the Bank of Ghana's Policy Solvency Calculation Is Problematic**

Although the Bank of Ghana was correct to shift the discussion toward policy solvency rather than accounting losses alone, its specific attempt to demonstrate policy solvency in the 2025 report is problematic. The Bank reported:

<b>Item</b>	<b>2025</b>
Operating income	GH¢22.23 billion
OMO cost	GH¢16.73 billion
Reported policy solvency	GH¢5.50 billion

Using these figures, the Bank argued that operating income exceeded monetary policy implementation costs and therefore concluded that the institution remained policy solvent. However, a closer examination of the composition of operating income reveals a major issue. A substantial portion of the reported operating income came from realized gains on gold sales.

<b>Item</b>	<b>2025</b>
Net gain from sale of refined gold	GH¢9.57 billion

This is critically important. The positive policy solvency position was heavily dependent on one-time realized gains generated through the sale of reserve assets. From a policy solvency perspective, realized reserve asset sales should not be treated as recurring operational monetary income. A central bank cannot sustainably rely on the repeated liquidation of strategic reserve assets to finance recurring monetary policy operations. Once the gold-sale gains are excluded, the Bank's own numbers imply:

<b>Item</b>	<b>2025</b>
Reported operating income	GH¢22.23 billion
Less: gold-sale gains	- GH¢9.57 billion
Adjusted recurring income	GH¢12.66 billion
OMO cost	GH¢16.73 billion
<b>Revised policy solvency</b>	<b>- GH¢4.07 billion</b>

Therefore, under the Bank's own accounting-oriented framework, the institution would still

be policy insolvent. I must emphasize that this disagreement is not with the concept of policy solvency itself, but rather with the Bank's attempt to classify one-time reserve asset sales as evidence of recurring operational solvency.

### **How Policy Solvency Should Instead Be Viewed**

Policy solvency should not ultimately be evaluated through narrow accounting calculations alone. Instead, policy solvency should be assessed through macroeconomic outcomes and the central bank's demonstrated ability to maintain macroeconomic stability and monetary credibility. Under this broader framework, several indicators become far more important than accounting profitability alone. These include:

- whether inflation expectations are anchored,
- whether exchange-rate stability is maintained,
- whether fiscal dominance has been reduced,
- whether reserve adequacy has improved,
- and whether the central bank retains monetary credibility.

Using these broader criteria, the Bank of Ghana's 2025 performance appears considerably stronger. The Bank demonstrated:

- strong commitment to inflation reduction,
- aggressive liquidity sterilization,
- significant exchange-rate stabilization,
- improved reserve adequacy,
- and reduced fiscal dominance.

Most importantly, the Bank appeared willing to incur substantial political and financial costs in order to maintain macroeconomic stabilization. This willingness itself strengthened monetary credibility. A fiscally dominated or operationally weak central bank would typically avoid expensive sterilization operations, tolerate excess liquidity growth, or suppress tightening measures in order to protect its balance sheet.

*Ultimately, as a macroeconomist, the key question I ask myself is this: Do I believe the Bank of Ghana is less credible today than it was a year ago? My answer is a strong and unequivocal no. On the contrary, the Bank's policy decisions in 2025 have strengthened my confidence in its commitment and ability to achieve its primary mandate of price stability more than at any point in recent years.*

### **Revisiting the 15-Month Reserve Target**

The broader discussion on policy solvency also raises important questions regarding Ghana's recently announced target of achieving foreign exchange reserves equivalent to 15 months of import cover. While the objective of strengthening reserves after the 2022–23 crisis is understandable, the scale of the proposed target deserves careful re-examination.

The Bank's 2025 financial statements themselves demonstrate that reserve accumulation is not costless. As reserves increased, the Bank of Ghana was forced to aggressively sterilize the resulting liquidity injections to maintain inflation control and exchange-rate stability. The consequence was a dramatic rise in open market operation costs and a worsening accounting position for the central bank. Pursuing extremely ambitious reserve targets may require the Bank of Ghana to continuously expand sterilization operations, issue increasing

amounts of monetary liabilities, and absorb persistently high interest costs. At some point, the marginal macroeconomic benefit of additional reserves may begin to decline while the financial and quasi-fiscal costs continue rising.

For that reason, I remain unconvinced that a 15-month reserve target is necessary for Ghana's long-run macroeconomic stability. The current reserve position, supported by credible monetary policy, fiscal discipline, exchange-rate flexibility, and strong export flows, may ultimately prove more economically efficient and financially sustainable.

### **Written by**

Dennis Nsafoah

Assistant Professor of Economics

Niagara University, NY

Member of Research Committee, Tesah Capital