

## Ghana: Cedi Reeling Under Intense Demand Pressure as Risk-off sentiments linger amidst the tightening FX liquidity conditions

Foreign Currency demand from investors and corporates has been elevated through Jul-22, putting the local unit back under intense demand pressure. From a stable run vs. the USD in 2Q-2022, the Bank of Ghana's reference rate shaved off 5.01% in Jul-22 to close the month at GH¢7.61/\$ (-1.81% w/w | -21.10% YTD). Similarly, the GHS lost 4.96% and 2.40% against the GBP and the Euro in July-22, extending the bearish run against the major trading currencies.

We note that GHS liquidity levels have tightened on the interbank and the spot FX market in recent weeks, with the "false alarm" of depleted gross FX reserves stoking adverse reactions in the market last week. While investor sentiments are already fragile, the revised 2022 budget did not exactly repose confidence as the fiscal outlook appears vulnerable to shocks. We believe negotiations towards a fund-assisted program could linger through 2022, and a program could be in place by 1Q23 at the earliest.

Therefore, the cedi could be pressured through 3Q-2022 amidst the prevailing concerns, fueled by the fast rate of FX reserve depletion. However, we expect proceeds from the annual cocoa syndication loan and the proposed US\$500 million external financing for 2H22 to provide some respite for the GHS in 4Q22.

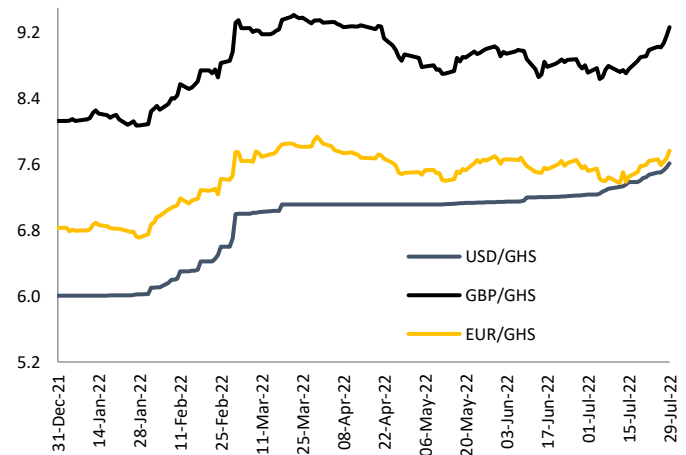
## Zambia: The Kwacha Set for Further Gains Following the Breakthrough in Negotiations with the Creditor Committee Towards Debt Restructuring

Zambia has taken a giant step toward securing the IMF Boards' approval for its pending economic recovery program supported by an Extended Credit Facility. The breakthrough follows a drawn-out negotiation with the Creditors Committee under the Common Framework, culminating in a financing assurance that will kick off talks on the terms of the debt restructuring.

A Board level approval for a program is imminent, with the breakthrough ushering in the next level of negotiations with commercial creditors for debt treatment under the common framework. With the imminent IMF backing, Zambia should regain market confidence and access to the International Capital Market to raise financing for capital projects, subject to market conditions. Foreign Direct Investments and portfolio investment inflows could also kick, which will lend timely support to the Kwacha.

Already, the Kwacha enjoyed a positive run in 7months-2022, and the positive news effect has switched the local unit into an appreciation territory. The Kwacha closed trading last week as the strongest currency within our basket of African currencies, gaining 1.06% w/w (+2% YTD). Despite the emerging inflationary risks, we expect the Kwacha to pick up further gains as the rising interest rates could attract portfolio investors.

Figure 1: Evolution of Interbank Exchange Rate (2022)



Source: GCB Capital Research | Ghana Statistical Service | Bank of Ghana

Table 1: Year to Date GHS Rates Summary

GHC	\$	£	€
2022 low	5.8011	7.5839	6.6248
2022 High	7.6120	9.4144	8.9069
Average (YTD)	6.4541	8.4651	7.1753
Current Rate	7.6120	9.2642	7.7658

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	18.87	0.00%	19.04	0.00%	22.37	0.00%
Ghana	7.61	-1.81%	7.77	-1.61%	9.26	-2.94%
Kenya	118.80	-0.19%	120.67	0.17%	143.69	-1.45%
Nigeria	415.87	-0.16%	420.82	0.62%	503.54	-1.62%
S. Africa	16.51	3.07%	16.85	2.70%	20.08	1.12%
Tanzania	2304.45	0.00%	2355.15	-0.31%	2802.90	-1.58%
Uganda	3862.17	-0.43%	3909.07	0.47%	4646.50	-0.71%
Zambia	16.34	1.06%	16.62	1.31%	19.84	-0.36%

Source: Bank of Ghana | GCB Capital Research

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