

Ghana: Cedi Plunges to New lows Amidst Heightened Demand Pressures from Corporates and Investors

The Cedi sunk to new lows vs the major trading currencies as elevated demand from corporates and domestic and offshore investors overwhelmed the local unit. We believe speculation is rife amidst the prevailing uncertainties as the Central Banks' increased liquidity intervention failed to lift sentiments.

The USDGHS pair touched GHS12/\$ at the close of trading last week, with the BoG easing the Cedi on the official market to narrow the wide spreads on the retail market. Consequently, the local unit closed trading 10.1% weaker vs the USD on the interbank market (-43.96% YTD) and was equally weaker vs the Euro (-9.70% w/w | -43.96% YTD) and the GBP (-10.80% w/w | -34.55% YTD).

USDGHS: US inflation remains elevated, fueling expectations that the monetary policy stance could remain hawkish until the Fed regains control of inflation. This expectation lifted the USD against EMDEs currencies and other safe-haven currencies like the Yen last week.

GBPGHS: The resignation of Chancellor Kwarteng and the announcement of the revised fiscal plan that partially restored some tax cuts lifted the GBP, recouping almost 10% of its value at the close of the week, albeit with a mixed outlook.

The FX demand pressures are elevated, and with the seasonality pressure around the Yuletide still to come, we envisage a continued run of depreciation through Q4 2022 until the authorities reach an agreement with the IMF for a balance of payment support.

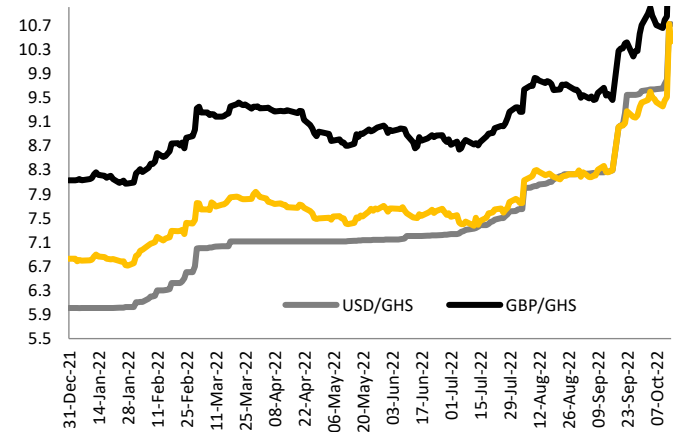
Egypt: A move to a Flexible Exchange Rate Regime is Imminent as Egypt nears a Staff-level agreement for IMF Support.

The Egyptian Pound (EGP) could be devalued in the coming days following a breakthrough in negotiations with the IMF for a Fund-assisted program. The talks have dragged over the last seven months as the IMF hold out for a shift to a flexible exchange rate regime as a pre-condition for a program.

The IMF announced last week that a staff-level agreement is imminent with the Managing Director of the Fund stating separately that the staff have resolved the big policy issues with the Egyptian authorities. With this announcement, it appears Egypt has consented to adopt a flexible exchange rate regime. Among others, the monetary sector reforms envisaged under the program would target improving the foreign exchange regime and bolstering external sector resilience to help Egypt rebuild its external buffers to support a flexible rate regime.

We believe this could be a positive step towards exchange rate liberalization in Egypt, which is necessary for long-term domestic and external competitiveness.

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	5.8802	7.5839	6.6248
2022 High	10.7169	12.1485	10.7229
Average (YTD)	7.0544	8.8847	7.5534
Current Rate	10.7169	11.9987	10.4318

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	19.67	-0.10%	19.12	0.12%	21.98	-0.9%
Ghana	10.72	-10.1%	10.43	-9.7%	12.0	-10.8%
Kenya	120.97	-0.10%	117.35	1.84%	134.81	1.41%
Nigeria	435.56	-0.29%	424.41	0.23%	490.79	-0.8%
S. Africa	18.17	-1.07%	17.71	-0.40%	20.47	-1.6%
Tanzania	2308.22	-0.01%	2232.97	0.82%	2590.4	-1.6%
Uganda	3830.22	-0.26%	3721.19	1.18%	4304.1	-0.2%
Zambia	15.42	-0.55%	17.93	-14.1%	17.93	-1.9%

Source: Bank of Ghana | GCB Capital Research

Research Contacts

Courage Kwesi Boti
Economist/ Research Lead
+233302945848 | +233302945838
ckboti@gcb.com.gh

Fund Management Contacts

Afua Akyaa Osei
Vice President, Fund Management
+233302945848 | +233302945838
aaosei@gcb.com.gh

Debt Capital Market (DCM) Contacts

Baffour Agyarko Kwakye
Vice President, DCM
+233302945848 | +233302945838
bakwakye@gcb.com.gh

Wilson Kyeremeh
Portfolio Manager, HSG
+233302945848 | +233302945838
wkyeremeh@gcb.com.gh

Michelle Nana Ohenewaa Kitson-Amoah
Associate, DCM
+233302945848 | +233302945838
mnodadey@gcb.com.gh

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49 Ndabaningi Sithole Rd

Labone, Accra