

Ghana: Resurgent Corporate FX Demand Pegs the Cedi on the Backfoot.

The Cedi continued the path of decline last week, shaving off 1.32% w/w (-57.30% YTD), 3.16% (-54.65% YTD) and 3.20% (-52.58% YTD) vs the USD, the Euro, and the GBP on the retail market, respectively. On the interbank market, the Cedi recorded a mixed performance. The local unit traded relatively stable at GH¢ 13.11/US\$ (-0.25% w/w | -54.17% YTD) but ceded about 1.25% vs the Euro (-49.71% YTD) and was unchanged vs the GBP at GH¢ 15.62/US\$ (-47.97% YTD).

We note that the Bank of Ghana has sustained its liquidity interventions on the retail spot market and through the bi-monthly forward auction to the BDCs sector. However, the BoG has suspended the regularly bi-weekly forward FX auction, effectively withdrawing liquidity support for the importation of general goods the government deemed as non-essential, in line with the President's directive during his last public broadcast earlier this month.

While this policy directive is essential to discouraging non-essential imports, the timing and the seeming lack of sensitization, particularly ahead of the Yuletide season, could lead to a surge in FX demand on the spot retail and parallel markets and weigh down the local unit.

USD: The increasing risk of stagflation and the coordinated tightening of global monetary policy conditions amidst the depressed global demand levels could continue to encourage portfolio reversals to form EMDEs. As such, we expect US interest rates to remain high and, together with the strong appeal of the blue-chip stocks, could support the USD's resilience.

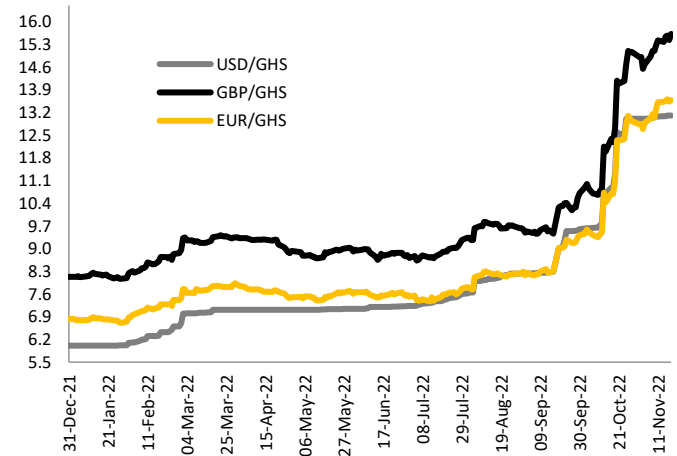
GBP: The Fiscal statement last week, which threw up a mix of tax hikes and expenditure cuts, triggered rapid swings as the Pound softened against the USD but recovered strongly to end the week on a solid footing. Thus, the Pound's post-September corrective rally continues and will be driven by data and external market developments.

Nigeria: IMF Reiterates Calls for a Unitised FX Regime In Nigeria to Inspire Market Confidence

Improved oil prices boosted Nigeria's trade receipt, resulting in a merchandise trade surplus, and improved current account balances thus far in 2022. Regardless, the external sector remains under pressure, with large net private outflows from domestic banks and non-banks undermining the reserve position amidst the marked slowdown in inward capital flows.

In the latest Article IV review, the IMF staff noted that the continued FX shortages, rising inflation, limited debt servicing capacity, and administrative restrictions on current transactions continue to fuel speculation about a near-term devaluation of the Naira. Thus the IMF staff identified a unified and market-clearing exchange rate as a critical element to inspire market confidence. The staff also deems Nigeria's monetary policy stance as accommodative despite the cumulative 400bps hike in the policy rate and the 500bps increase in the Cash Reserve Ratio to 32.5% thus far in 2022. These factors could continue to undermine the Naira in the retail market segments and fuel speculation on the parallel market.

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	5.9113	7.5839	6.6248
2022 High	13.1446	15.6213	13.6037
Average (YTD)	7.7231	9.5338	8.1352
Current Rate	13.1056	15.6213	13.5766

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	24.50	-0.31%	25.29	-0.03%	29.12	-0.74%
Ghana	13.11	-0.23%	13.51	0.00%	15.62	-1.25%
Kenya	122.08	-0.24%	126.67	-3.53%	145.48	-3.82%
Nigeria	442.99	-0.46%	459.69	-4.54%	528.04	-4.90%
S. Africa	17.39	-0.63%	18.00	-1.61%	20.68	-2.00%
Tanzania	2308.41	0.00%	2389.66	-0.64%	2738.0	-0.85%
Uganda	3735.33	0.73%	3858.41	-1.83%	4399.6	-1.11%
Zambia	15.42	-1.51%	17.24	-1.98%	19.80	-2.42%

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

Advisory & Capital Markets 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
mnodadev@gcb.com.gh

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49 Ndabaningi Sithole Rd

Labone, Accra