

January 3, 2023

Ghana: Cedi ends the turbulent year with 29.97% cumulative depreciation vs the USD after regaining 52.8% in Dec-22.

The Cedi endured a torrid year against the major trading currencies through 2022, weighed down by weak macroeconomic fundamentals, persistent inflation, an elevated debt burden and high import bill due to commodity price shocks.

Debt sustainability concerns weighed heavily on investor sentiments and increased risk aversion in Q1 2022, which undermined the Cedi. Following the announcement of some fiscal control measures in Mar-22, however, the Cedi stabilized broadly through Q2 2022 before succumbing under intense pressure from Aug-22 as Ghana's high debt vulnerabilities became apparent. By Mid-Nov-22, the Cedi lost 54.4%, 46.8% and 49.8% to the USD, the Euro and the GBP, respectively, on the interbank market before correcting sharply to end the year on a relatively resilient note. On the retail market, the Cedi closed 2022 at GHS11.95/US\$ (-46% y/y) and was 41% and 43% weaker against the GBP and the Euro, respectively.

With the depleted FX reserves (Reserve cover: 2.9Months of import as of Oct-22) and the prevailing debt crisis, the Cedi remains vulnerable. However, the ongoing debt treatments and the other reforms envisaged under the IMF programme could yield significant savings, if successful, that can anchor the Cedi through 2023. We expect the Cedi to be volatile and news-driven through 1Q23 until the government secures the IMF Board's approval to usher in the official start of the 3-year programme.

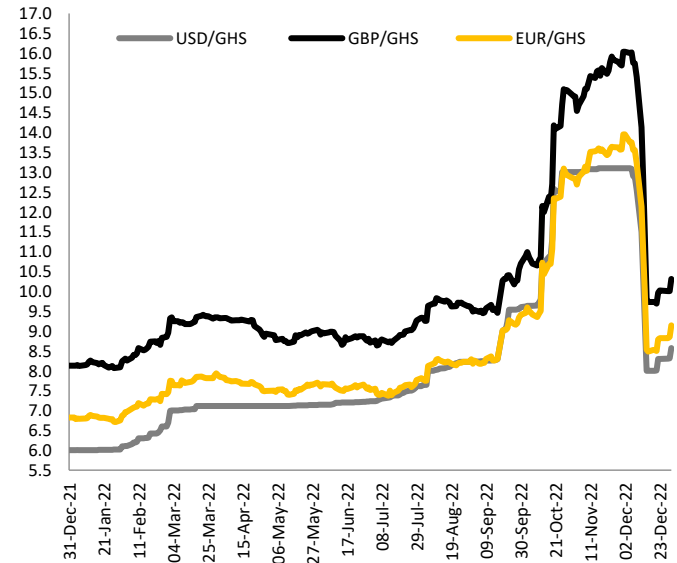
Tunisia: Rising Inflation and widening current account balances sustain the tight monetary stance

The Executive Board of the Central Bank of Tunisia Raised its monetary policy rate by 75bps to 8% at its Dec-22 policy meeting last week. The Board also raised the rate of the 24-hour deposit and loan facilities to 7% and 9%, respectively and raised the minimum savings remuneration rate to 7%

The decision, which took effect on January 2, 2023, sustains the Board's tight monetary policy stance aimed at combating the resurgent inflation that rose to a record high of 9.8% in Nov-22 (+340bps y/y). It appears inflation has become persistent with core inflation, which strips off fresh foodstuffs and controlled products, also surging to 9.1% in Nov-22 (+310bps y/y).

The Board may have to sustain the tight monetary policy stance to regain a handle on inflation and restore it to sustainable levels. Additionally, higher interest rates are necessary to preserve the stock of foreign assets, particularly given the widening current account deficit. The external sector balances show that the current account deficit widened to 7.8% of GDP by Nov-22 (versus 5.3% in Nov-21), resulting from a wider trade deficit in 2022. While the gross reserve cover remains robust, covering 101 days of import as of December 30, 2022, the widening trade deficit (which the authorities expected at a record US\$8 billion in 2022) could further worsen the current account balances. The Dinar closed 2022 7.19% weaker than the USD on the interbank market and given the increasing inflation differential and the negative trade balance, the Dinar could remain pressured.

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	6.0059	7.5839	6.7109
2022 High	13.1446	16.0353	13.9546
Average (YTD)	8.3071	10.1571	8.6928
Current Rate	8.5760	10.3118	9.1457

Source: Bank of Ghana | GCB Capital Research

Figure 2: Weekly SSA Exchange rate Summary

Country	\$	w/w (%)	€	w/w (%)	£	w/w (%)
Egypt	24.74	-0.08%	26.44	-0.73%	29.82	-0.02%
Ghana	8.58	-3.18%	9.15	-3.53%	10.31	-2.77%
Kenya	123.37	-0.13%	131.27	-0.26%	148.47	0.05%
Nigeria	448.55	-0.43%	478.92	-1.05%	540.10	0.10%
S. Africa	16.98	0.77%	18.11	0.20%	20.47	0.79%
Tanzania	2308.89	0.00%	2457.13	-0.11%	2784	-0.27%
Uganda	3724.79	-0.87%	3986.27	-1.29%	4497.7	-0.71%
Zambia	15.42	-3.95%	19.30	-5.05%	21.75	-1.91%

Source: Bank of Ghana | GCB Capital Research

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