

March 27, 2023

Ghana Market Review

The slowing growth trend could limit the scope for frontloaded fiscal adjustment in 2023: The updated economic and financial data summary show worsening growth conditions which could hurt revenue growth and the fiscal consolidation agenda in 2023.

The data shows that the high-frequency composite indicator, the Composite Index of Economic Activity (CIEA), has contracted over 6 consecutive months to Jan-2023. The CIEA recorded a negative growth rate of 7.6% in Jan-23 (average monthly growth of -3.43% since Aug-2022) amidst the heightened inflation pressures that persisted over 18 consecutive months and triggered an aggressive monetary policy tightening, which effectively unwinded policy support for post-COVID recovery. As a result, the high cost of credit and the elevated risks to banks' asset quality have thus undermined credit growth in general and private sector lending in particular.

Against this backdrop and given the anticipated fiscal consolidation drive for 2023, we expect limited real sector spending. Also, commercial banks could sustain the cautious credit stance through 2023 as capital is at risk from the Domestic Debt Exchange Programme. Thus, economic activity could further slow down, with the potential decline in profitability of corporates and disposable incomes adversely impacting revenue collections from direct and indirect taxes. Fiscal consolidation could thus lean heavily towards expenditure cuts should revenue underwhelm, which will further depress economic activity in the immediate term.

Cedi stable despite fragile external sector fundamentals: The Cedi's mixed run continued on the interbank and retail market segments over the last fortnight. While the USDGHS pair has tilted toward appreciation over the period (+0.4% w/w | 5.5% YTD on the retail market), the Cedi remains bearish against the Euro (-1.1% w/w | -8.4% YTD), and the GBP (-0.6% w/w | -7.7% YTD), extending the volatile run that has characterised the local unit thus far in Q1 2023.

The updated external balances show that the external sector and exchange rate fundamentals remain weak and vulnerable. Export receipts grew by 11.2% while the import bill contracted by 11.76% over 2Months in 2023 (relative to the same period in 2022), resulting in a higher surplus merchandise trade balance of US\$752.8 (1% of GDP) for the period. Regardless, the gross FX reserves further dipped to US\$5.92 billion (-5.03%) from the end of 2022 | 2.8 months of imports, and the local unit remains vulnerable to external shocks in the near term.

Investor demand underwhelmed at the last T-bill auction relative to target: The Treasury raised GH¢2.44 billion from last week's T-bill auction, which exceeded the refinancing obligation due today, March 27, 2023, by 30%. However, the investor demand for T-bills at the auction fell 24% short of the Treasury's gross issuance target for the week. The higher offer target relative to the refinancing obligation for the week tilted nominal yields higher, distorting the yield compression strategy that started in March 2023. Consequently, the 91-day (18.88% |+35bps w/w) and the 182-day (21.44% |+17bps w/w) cleared higher, while the 364-day bill shaved off 116bps to close at an average weighted yield of 25.66%.

Secondary market Activity: Investors traded an aggregate volume worth GH¢1.298 billion on the secondary bonds market dominated by the re-discounting of T-bills. Bonds accounted for GH¢0.299 (23%) of the aggregate volumes traded last week, with the exchange bonds attracting 98% of the activity at prices near par.

T-bill auction in the week ahead: The next T-bill offer slated for Friday, March 31, 2023, will target a gross issuance size of GH¢1.34 billion across the 91-day and 182-day tenors to refinance upcoming maturities worth GH¢1.28 billion. With the 150bps increase in the policy rate to 29.5% at the March 2023 policy meeting and the increase in the Cash Reserve Requirement to 14%, we expect liquidity levels on the interbank market to tighten, which should halt the decline in yields. Consequently, we expect T-bill yields to tilt marginally higher at the next auction.

Cedi Performance Against Major Currencies					
GHS¢	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.01	13.47	11.84	0.08	1.60
W/W change	0.00%	-0.48%	-0.79%	-1.30%	-0.28%
YTD Change	-22.1%	-23.43%	-22.8%	-23.20%	-22.7%
Indicative retail rate	12.65	15.55	13.75	1.80	0.09
W/W change	0.4%	-0.6%	-1.1%	-0.3%	-0.8%
YTD change	-5.5%	-7.7%	-8.4%	-21.7%	-21.5%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	25.87%	25.87%	0.00%
Feb-23 Inflation	52.80%	53.60%	-0.80%
1-Yr Average Inflation	37.88%	34.78%	+3.10%
MPR (%)	29.50%	28.00%	+150bps
Real MPR	-23.30%	-24.80%	-
GRR (%)	32.91%	32.91%	-

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	18.88%	18.53%	0.35%	-
182-day	21.44%	21.27%	0.17%	-
364-day	25.66%	26.82%	-1.16%	-

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	2,441.89	4,209.19	-7.44%
Issuance (GH¢'M)	2,441.40	3,318.32	+16.90%
Target (GH¢'M)	3,206	2,417	+14.81%
Maturity (GH¢'M)	1,878.51	2,278.61	+15.95%
Target coverage ratio	0.76x	1.37x	n/a
Maturity coverage ratio	1.30x	1.46x	n/a
Bid/Cover ratio	1.0002x	1.27x	n/a

The Week Ahead			
Issuance Target - T-bills (GH¢'Bn)	1,338.00	3,206.00	-58.27%
Maturity -T-bills (GH¢'Bn)	1,277.04	1,878.51	-32.02%

Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.299	0.227	+31.72% w/w
Turnover – Notes & Bills GH¢'Bn	0.999	0.6435	+55.25 w/w

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Week 3: Performance of Selected African Sovereign Bonds					
Country/ Ratings	Maturity	Current Price		Yield-to-Maturity	
Fitch/Moody 's/S&P		Bid	Ask	Bid	Ask
Ghana C/CA/SD	GHA 7% 08/07/23	49.70	60.60	254.79%	163.7%
	GHA 8% 05/07/42	34.34	35.77	25.44%	24.51%
	GHA8% 03/11/61	33.90	35.71	23.182%	22.11%
Egypt B+/B3/B	EGPT 4.55 11/20/23	95.22	96.17	12.014%	10.48%
	EGPT 6% 04/30/40	55.02	56.28	13.771%	13.47%
	EGPT 7% 02/16/61	55.46	56.56	13.596%	13.33%
Kenya B/B2/B	KENINT 6% 6/24/24	93.87	95.28	12.18%	10.91%
	KENINT 6.3 1/23/34	73.27	74.57	10.476%	10.23%
	KENINT 8% 2/28/48	73.87	75.21	11.436%	11.23%
Nigeria B-/Caa1/B-	NGERIA 6% 7/12/23	97.85	98.87	13.075%	9.836%
	NGERIA 7% 9/28/33	71.74	72.85	12.212%	11.98%
	NGERIA 8% 9/28/51	68.02	69.13	12.325%	12.13%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	98.66	99.10	6.312%	5.768%
	SOAF 5 10/12/46	69.15	70.26	7.906%	7.77%
	SOAF 7.3 04/20/52	86.66	87.41	8.549%	8.47%
Cote Ivoire BB-/Ba3/BB-	IVYCST 5% 07/23/24	95.61	97.17	8.868%	7.602%
	IVYCST 6% 06/15/33	84.77	86.02	8.364%	8.161%
	IVYCST 6% 03/22/48	66.78	67.79	10.394%	10.24%

Other African Markets Review

Egypt: Egypt bags US\$7 billion partnership with IBRD and IFC to support private sector growth and boost economic resilience to shocks

The word bank approved a 5-year partnership agreement for the Arab republic of Egypt last week, supporting the government's private sector support agenda and improved services in the education and health sectors. This Country Partnership Agreement (CPA) will advance a total of USD7 billion to Egypt over 5 years (2023 to 2027), comprising US\$ 5 billion from the International Bank for Reconstruction and Development (IBRD) and US\$2 billion from the International Finance Corporation (IFC) spread over the 5 years.

The US\$7 billion CPA (US\$1.4 billion to be disbursed each year) represents significant support for Egypt's private sector-led development agenda ahead of the IMF's first review of the 46-month programme supported by the Extended Fund Facility (EFF). While the government's ambitious divestiture plan is still pending, the CPA is expected to create a competitive business environment for private sector entities to thrive while the Egyptian government work on improving economic resilience to shocks.

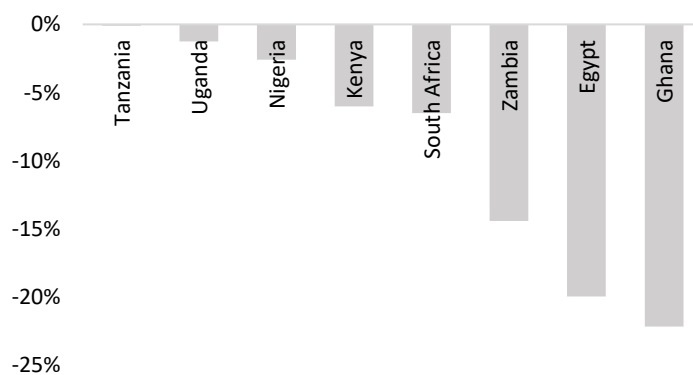
We expect Egypt to complete the first review under the programme. The successful disbursements under the EFF and the CPA will improve FX liquidity levels and ease the FX liquidity crunch that has undermined the EGP since Q4 2022.

Ghana Economic Events Calendar for April-2023		
Event	Due date	Expectations
MPC Press Conference	March 27, 2023	MPC could maintain the policy rate at 28% all things being equal
BDCS forward FX auction	March 29, 2023	BoG expected to auction US\$30 million to BDCs
March 2023 inflation release	April 12, 2023	Inflation to continue the decline
March 2023 PPI release	April 19, 2023	PPI to continue the decline
Q4 & FY2022 GDP release	April 19, 2023	Quarterly and annual GDP numbers to slow down y/y

Performance of Selected African Currencies						
Country	\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	0.05%	33.24	-1.34%	37.78	-1.45%
Kenya	129.88	0.00%	142.89	-3.59%	161.73	-3.23%
Nigeria	460.44	0.00%	487.47	0.00%	555.84	0.00%
S. Africa	18.16	0.83%	19.60	-0.42%	22.27	-0.14%
Tanzania	2,310.97	-0.01%	2,482.10	-1.35%	2,822.39	-1.31%
Uganda	3,770.04	-0.63%	4,084.46	-2.35%	4,631.11	-1.69%
Zambia	15.42	-2.57%	22.70	-3.61%	25.80	-3.17%

Source: GCB Capital Research | The Relevant Central Banks

SSA Currencies Performance Tracker (YTD Appreciation/Depreciation)



SSA: Snapshot of Benchmark 91-day Yields			
Country	Current week (%)	Previous Week (%)	w/w Change (%)
Nigeria	2.55%	5.50%	0.00%
South Africa	6.48%	6.56%	0.00%
Uganda	10.33%	11.10%	0.00%
Egypt	20.87%	18.33%	0.00%
Kenya	9.83%	9.37%	0.05%
Tanzania	4.00%	3.00%	0.01%

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