

April 25, 2023

Ghana Market Review

The economy expanded by 3.1% in 2022: The provision GDP numbers released by the Ghana Statistical Service (GSS) last week show real GDP growth of 3.7% in Q4 2022 (+60bps q/q | -190bps y/y). The services (7.6%) and agriculture (3.6%) sectors dominated economic activity, with the industrial sector contracting by 1%. Five sub-sectors, including ICT (20.5%), public administration, defence & security (15.7%), mining & quarrying (13.4%), education (12.3%) and health & social work (10.50%), expanded for the period. However, seven sub-sectors across the agriculture, industrial and services sectors contracted for the period, headlined by real estate (-13.4%), electricity (-12.8%), manufacturing (-9.6%) and construction (-7.1%).

Annual GDP expanded by 3.1% in 2022 (against GCL's forecast: 3% ± 50bps | down 2% y/y). The yearly GDP data mirrors the quarterly numbers, with the services (5.5%) and the agriculture (4.2%) sectors driving economic activity, while growth from the industrial sector remains depressed at 0.9%. Out of the five industry sub-sectors, only mining & quarrying recorded positive growth for the period driven by gold mining. The oil and gas sector, manufacturing, electricity, water and sewage and construction sub-sectors contracted for the period, as reflected in the leading indicators of industrial activity. Given the tight policy framework and the urgent need for aggressive fiscal consolidation, the growth outlook remains dim, and we expect GDP growth for 2023 to be around 2% ±1%.

Cedi extends losing streak amidst renewed concerns about reserve vulnerability: The Cedi trimmed 0.8% vs the USD on the retail market last week, continuing the reversal of recent gains. The local unit is equally reversing gains vs the Euro and the GBP across the interbank reference and the retail market segments, which continues the volatile run thus far in 2023.

Ghana's increased FX reserve vulnerability came to the fore over the weekend and could dominate market sentiments in the week ahead. While the government is progressing towards unlocking a balance of payment backstop, the pronounced reserve vulnerabilities could fuel speculation and extend the bearish trend until the government secures the needed financing assurances to secure the IMF Board's sign-off. While the Cedi remains undervalued, its performance thus far in 2023 is relatively more robust than the fundamentals suggest, and we expect the volatile run to continue until the IMF deal is secured, albeit within the GH¢10.70 to GH¢13.2 support and resistance levels seen thus far in 2022.

T-bill yields inched higher despite oversubscription: The Treasury accepted 99.7% of the GH¢2.4 bn bids tendered last week to refinance T-bill maturities worth GH¢1.87 billion that fell due today, April 25, 2023. The uptake exceeded the auction target by 29% and the maturity obligation by 36%. The closing yields crept higher across the T-bill curve despite the oversubscription. While the interbank market is still liquid, the interbank interest rate inched 7bps higher last week, the first increase in several weeks, and could be a sign of a gradual liquidity tightening.

Secondary market Activity: Activity on the secondary market remains depressed, with the mix of new and old bonds moving about GH¢337 mn on the market last week. T-bill rediscounting remains the most dominant activity on the GFIM, recording a total volume of GH¢620 mn last week.

T-bill auction in the week ahead: The next T-bill auction slated for Friday, April 28, 2023, will target a gross issuance of GH¢1.59 bn to roll over a maturing face value worth GH¢1.51bn falling due on May 1, 2023. We do not envisage significant oversubscriptions going forward, which could sustain the marginal uptick in yields.

Cedi Performance Against Major Currencies

	GHS¢	US\$	GB£	€	JP¥	CNY¥
Interbank Ref. rate	10.99	13.58	12.01	0.08	1.59	
W/W change	-0.49%	0.07%	0.06%	0.49%	0.31%	
YTD Change	-22%	-24.1%	-23.9%	-20.37%	-21.9%	
Indicative retail rate	12.20	15.05	13.40	1.71	0.09	
W/W change	-0.8%	0.0%	-0.7%	-5.9%	-5.0%	
YTD change	-2.0%	-4.7%	-6.0%	-17.8%	-16.1%	

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation

	Current	Previous	Change
Interbank Rate (%)	25.94%	25.87%	0.07%
Mar-23 Inflation	45%	45%	-7.80%
1-Yr Average Inflation	40%	40%	+2.12%
MPR (%)	29.50%	29.50%	+150bps
Real MPR	-15.5%	-15.5%	- 7.8%
GRR (%)	25.76%	25.76%	-7.15%

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T-Bill Clearing Yields

	Current	Previous	Change	Real yield
91-day	19.86%	19.74%	0.12%	-14.38%
182-day	22.58%	22.47%	0.10%	-12.44%
364-day	27.26%	26.92%	0.34%	-9.10%

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The Ghana Market Summary

	Current	Previous	Change
Bid (GH¢'M)	2,537.98	1,791.58	42%
Issuance (GH¢'M)	2,530.92	1,791.58	41%
Target (GH¢'M)	1,958	1,767	11%
Maturity (GH¢'M)	1,865.58	1,587.27	18%
Target coverage ratio	1.29x	1.01x	n/a
Maturity coverage ratio	1.36x	1.13x	n/a
Bid/Cover ratio	1.003x	1.00x	n/a

The Week Ahead

Issuance Target - T-bills (GH¢'mn)	1,585	1,958	-20.15% w/w
Maturity -T-bills (GH¢'Bn)	1,509.84	1,865.58	-19.07% w/w

Secondary Market Activity

Turnover – Bonds GH¢'Bn	0.337	0.023	+1,365% w/w
Turnover – Notes & Bills GH¢'Bn	0.620	0.717	-13.53% 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 GHA 8% 05/07/42 GHA8% 03/11/61	45.70	55.25	347.77%	237.1%
		33.44	35.01	26.407%	25.29%
		32.90	34.89	24.096%	22.84%
Egypt B+/B3/B	EGPT 4.55 11/20/23 EGPT 6% 04/30/40 EGPT 7% 02/16/61	94.59	95.58	13.818%	12.05%
		54.29	55.56	13.963%	13.65%
		53.84	54.94	13.996%	13.72%
Kenya B/B2/B	KENINT 6% 6/24/24 KENINT 6.3 1/23/34 KENINT 8% 2/28/48	98.72	99.82	14.30%	12.98%
		69.95	71.378	11.151%	10.86%
		72.66	74.28	11.631%	11.37%
Nigeria B-/Caa1/B-	NGERIA 6% 7/12/23 NGERIA 7% 9/28/33 NGERIA 8% 9/28/51	98.72	99.82	11.046%	6.954%
		70.63	71.80	12.56%	12.28%
		66.18	67.40	12.667%	12.44%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24 SOAF 5 10/12/46 SOAF 7.3 04/20/52	98.92	99.37	6.082%	5.491%
		69.01	70.24	7.926%	7.775%
		86.75	87.57	8.541%	8.455%
Cote Ivoire BB-/Ba3/BB-	IVYCST 5% 07/23/24 IVYCST 6% 06/15/33 IVYCST 6% 03/22/48	96.21	97.761	8.495%	7.197%
		86.33	87.649	8.364%	8.161%
		69.05	70.112	10.048%	9.89%

Other African Markets Review

Zambia: MoU on Bilateral Debt Restructuring is Imminent

The government of Zambia is closing in on sealing a Memorandum of Understanding (MoU) with official creditors on the modalities of bilateral debt restructuring under the Common Framework.

While all the bilateral creditors, including China, have expressed willingness to support Zambia in restructuring its debt, the negotiations dragged on due to concerns about the debt relief required to restore debt sustainability. Zambia has earmarked about US\$18 billion of external debts for restructuring under the common framework and has sent its fully-formed debt restructuring memorandum to the official creditors for consideration and sign-off.

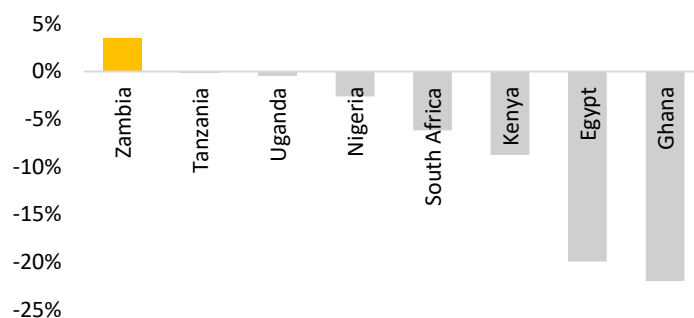
Zambia concluded the first review of the US\$1.8 bn 38-month programme supported by the Extended Credit Facility at the staff level earlier this month, which should pave the way for the disbursement of US\$188 mn under the programme once the IMF Board approves the review. However, the IMF Executive Board's approval hinges on signing the Memorandum of Understanding (MoU) with official creditors on the modalities of bilateral debt restructuring. The sign-off appears imminent, given the progress of negotiations thus far, and the MoU is now tabled for consideration. The Kwacha has rallied over the last two weeks on this optimism, and the MoU sign-off and subsequent approval of the first review of the ECF will give Zambia's economic reform plan a further tailwind.

Ghana Economic Events Calendar for April-2023		
Event	Due date	Expectations
March 2023 CPI	April 12, 2023	Inflation to continue the decline
BDCs forward auction	13 th April 2023	BoG expected to forward sell US\$20 million to BDCs
2023 IMF/WB Spring Meetings	April 10 -16, 2023	Updated global forecasts, fiscal monitor and regional economic outlook.
March 2023 PPI	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
BDCs forward auction	27 th April 2023	BoG expected to forward sell US\$20 million to BDCs

Performance of Selected African Currencies						
Country	\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	0.00%	33.76	0.77%	38.31	0.83%
Kenya	135.19	-0.62%	148.16	0.24%	168.28	-0.03%
Nigeria	460.53	-0.04%	503.54	0.04%	571.56	0.49%
S. Africa	18.10	0.08%	19.83	1.04%	22.46	0.94%
Tanzania	2312.88	-0.02%	2537.58	0.38%	2879.08	0.46%
Uganda	3740.42	-0.30%	4106.60	0.54%	4647.47	0.62%
Zambia	15.42	4.48%	19.17	4.87%	21.67	4.98%

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	6.00%	5.50%	0.00%
South Africa	6.48%	6.56%	0.50%
Uganda	10.33%	11.10%	0.00%
Egypt	21.86%	18.33%	0.56%
Kenya	10.16%	9.37%	0.16%
Tanzania	4.00%	3.00%	0.00%
Zambia	10.01%	10.00%	-0.13%

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