

July 31, 2023

Ghana Market Review

Revised 2023 budget shows a slight deficit despite encouraging adjustments to the fiscal framework: Finance Minister, Ken Ofori-Atta, presented the mid-year budget review to parliamentarians on Monday July 31, 2023 but with no major policy statement. Instead, the Minister expectedly re-jigged the headline fiscal and macroeconomic targets to align with the expectations of the IMF programme ahead of the first review of the programme slated for Sept-23.

The fiscal numbers at 1H23 show an 8.4% shortfall in revenue relative to the target of GHS 59.3 bn (7.4% of GDP) following shortfalls in petroleum revenues, lower collection from excise taxes and E-levy, among other revenue handles. However, a slower rate of expenditure accumulation for the period due to pronounced cuts in CAPEX, interest savings resulting from DDEP, the freeze on external debt service, and the slashed subsidies to government agencies compressed total expenditure (commitment) by 26.3% below target at GHS68.50bn.

The revised budget projects an end period inflation higher at 31.3% (from 18.9%), slashed both oil and non-oil real GDP growth outlook to 1.5% (from 2.8% and 3%, respectively) despite raising the nominal GDP outlook to GHS854.83 bn (from GHS800.92bn). In a move to further align the 2023 budget to the programme targets of the IMF-supported PC-PEG, the government revised the revenue outlook lower to GHS 134.91bn (15% of GDP) by trimming revenue expectations from taxes on oil and the E-levy, among other revenue handles. On the expenditure side, the government trimmed the 2023 expenditure target by 3.7% to GHS183.86bn (21.5% of GDP). However, the fiscal adjustments resulted in a higher nominal budget deficit (on a commitment basis), swinging the primary balance into a deficit equal to 0.5% of GDP relative to the initial target of a primary surplus equivalent to 0.7% of GDP. While the higher nominal GDP will improve the liability ratios, the deficit expansion under a period of fiscal consolidation raises concerns.

Cedi stable amidst concerns about near-term reserve vulnerability: The Cedi extended its purple patch through July 2023, posting a 1.28% net appreciation versus the USD on the retail market thus far in July (+0.6% w/w). On the interbank market, the Cedi has traded almost unchanged against the USD through Jul-23 and was flat at the close of trading last week. Despite the impressive Cedi run since Feb-23, the reserve buffer remains vulnerable to shocks, with the gross reserves (adjusted for petroleum funds and encumbered assets) estimated to cover 0.8 months of import by Dec-23. Thus, the weak reserve cushion will continue to undermine the near-term outlook of the local unit in the near term.

Treasury attracted enough demand to meet its rollover obligations at the last T-bill auction: The Treasury's latest offer of 91-day to 364-day bills raked in total bids worth GH¢2.34 bn, which exceeded the offer target marginally. The Treasury accepted 99.7% of the bids tendered, exceeding the refinancing obligation for the week by 15%. Regardless, nominal money market yields continued higher, with the benchmark 91-day yield creeping past 25% while the 182-day and 364-day yields printed at 27.15% (+24bps w/w) and 30.31% (+26bps w/w), respectively.

Secondary Market Activity: Trading volumes on the secondary market crept higher across bills and bonds last week, culminating in aggregate trades valued at GH¢1.6bn (+58.5% w/w). Bonds accounted for about 39% of the value traded, with the trades spread across the curve and the new bonds priced at and around par levels.

T-Bill Auction in The Week Ahead: A total T-bill face value of GH¢2.13bn across the 91-day to 364-day bills will mature on Monday, August 7, 2023, and the Treasury is targeting a gross issuance of GH¢2.26bn at the next T-bill auction later this week to roll over the maturity. We expect the auction to attract sufficient demand but at a slightly higher cost amidst the lingering inflation risks, the tightening credit conditions and general market uncertainty.

Cedi Performance Against Major Currencies						
	GH¢	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.00	14.15	12.13	0.08	1.54	
W/W change	0.00%	-0.09%	0.86%	-1.77%	-0.64%	
YTD Change	-22.1%	-27.12%	-24.6%	-17.95%	-19.5%	
Indicative retail rate	11.70	14.95	12.85	1.57	0.08	
W/W change	0.6%	1.3%	1.9%	0.1%	0.6%	
YTD change	2.1%	-4.0%	-1.9%	-10.6%	-8.5%	

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	26.29%	26.27%	0.02%
April-23 Inflation	42.50%	42.50%	0.00%
1-Yr Average Inflation	43.75%	43.75%	0.00%
MPR (%)	30.00%	29.50%	0.50%
Real MPR	-9.57%	-9.91%	0.35%
GRR (%)	26.89%	26.89%	0.00%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	25.24%	24.92%	0.32%	-12.88%
182-day	27.15%	26.91%	0.24%	-11.55%
364-day	30.31%	30.05%	0.26%	-9.35%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	2,342.06	2,699.38	-13.24%
Issuance (GH¢'M)	2,334.77	2,699.05	-13.50%
Target (GH¢'M)	2,282	2,654.00	-14.02%
Maturity (GH¢'M)	2,022	2,499.56	-19.12%
Bid/Cover ratio	1.0031	1.00	n/a
Target coverage	1.02	1.02	n/a
Maturity Coverage	1.15	1.08	n/a

The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	2,261.00	2282.0	-0.92%
Upcoming T-bill Maturities (GH¢'mn)	2,126.15	2,021.63	5.17%
Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.619	0.288	114.78%
Turnover – Notes & Bills GH¢'Bn	0.98	0.721	35.76%

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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 RD/CA/SD	GHA 7% 08/07/23	52.23	52.87	598.58%	583.5%
	GHA 8% 05/07/42	37.8	39.21	22.228%	21.53%
	GHA8% 03/11/61	37.60	39.38	22.107%	21.16%
Egypt B+/B3/B	EGPT 4.55 11/20/23	98.13	99.24	8.95%	6.303%
	EGPT 6% 04/30/40	56.34	57.99	13.493%	13.11%
	EGPT 7% 02/16/61	52.49	53.60	14.351%	14.06%
Kenya B/B2/B	KENINT 6% 6/24/24	92.638	93.943	14.810%	13.34%
	KENINT 6.3 1/23/34	73.041	74.341	10.587%	10.34%
	KENINT 8% 2/28/48	75.032	76.432	11.259%	11.05%
Nigeria B-/Caa1/B-	NGERIA 6% 7/12/23	99.24	100.26	15.228	13.18%
	NGERIA 7% 9/28/33	74.13	75.25	11.771%	11.54%
	NGERIA 8% 9/28/51	69.72	70.84	12.026%	11.84%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	98.03	99.38	6.329%	5.734%
	SOAF 5 10/12/46	66.49	67.50	8.261%	8.128%
	SOAF 7.3 04/20/52	84.08	84.71	8.831%	8.761%
Cote Ivoire BB-/Ba3/BB-	IVYCYST 5% 07/23/24	96.86	98.419	8.376%	6.866%
	IVYCYST 6% 06/15/33	86.84	88.237	8.067%	7.843%
	IVYCYST 6% 03/22/48	68.96	70.078	10.062%	9.897%

Other African Markets Review

Nigeria: MPC raises the policy rate by 25bps, citing heightened risks to inflation

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria, in a 6-5 majority split decision, raised the monetary policy rate by 25bps to 18.75% at its July-2023 monetary policy meeting last week. The committee also unanimously narrowed the asymmetric corridor to +100/-300 bps (from +100/-700 bps) around the policy rate and maintained the Cash Reserve Ratio and Liquidity ratio at 32.5% and 30%, respectively.

The rather close call relative to the general market expectation of a 50bps increase in the policy rate is instructive amidst the persistent inflation run and its adverse impact on output growth and household income levels. The committee noted the continuous rise in headline inflation, driven by food prices and other core components as security concerns in the major food hubs, public infrastructure limitations and high transport costs. In the short-to-medium term, the Committee expects the transition to a unified FX regime and the de-regulation of the downstream petroleum sector to sustain the upside risks to inflation.

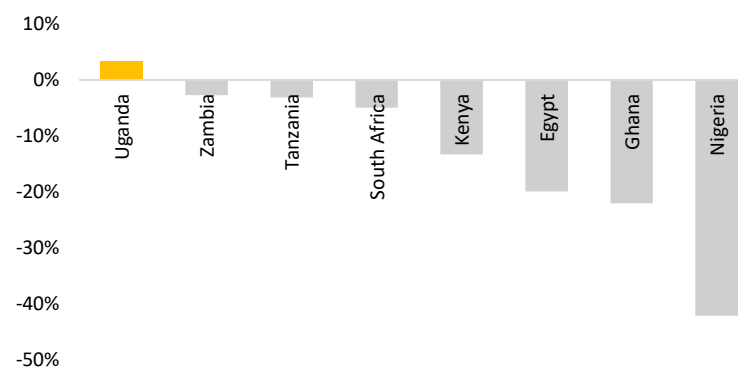
While the post-COVID economic recovery is on course, the pace of growth continues to moderate, and the high inflation environment could stifle economic activity in the near term. The 25bps hike in the policy rate thus signals the MPC's resolve to sustain a tight policy stance to rein in inflation, with the committee calling for a complementary fiscal and monetary policy stance to address the inflationary pressure and stimulate economic activity.

Ghana Economic Events Calendar for July - 2023		
Event	Due date	Expectations
BDCs FX Auction	July 11, 2023	BoG expected to forward sell US\$20 mn
June-2023 CPI	July 12, 2023	Another marginal climb in inflation
May 2023 PPI	July 19, 2023	Rising input costs to drift PPI higher
MPC meetings	July 19-21, 2023	MPC expected to hold the policy rate
MPC press conf.	July 24, 2023	MPC increased policy rate by 50bps
BDCs FX Auction	25 th July 2023	BoG expected to forward sell US\$20 mn
Mid-year Budget rev	25 th July 2023	Review of the 2023 budget

Performance of Selected African Currencies						
Country	US\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.90	0.00%	34.03	0.68%	39.71	-0.15%
Kenya	142.30	-0.37%	156.68	1.24%	182.87	-0.20%
Nigeria	774.78	-0.57%	852.41	0.46%	996.52	-0.67%
S. Africa	17.87	0.49%	19.58	2.11%	22.87	0.89%
Tanzania	2383.14	-1.93%	2635.64	-0.83%	3072.83	-2.09%
Uganda	3612.46	1.57%	3966.84	3.78%	4619.97	4.18%
Zambia	15.42	4.42%	20.43	5.69%	23.88	4.25%

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%	2.86%	3.14%
South Africa	8.42%	8.60%	-0.18%
Uganda	9.31%	10.20%	-0.89%
Egypt	23.55%	23.29%	0.26%
Kenya	12.35%	12.23%	0.12%
Tanzania	4.60%	4.60%	0.00%
Zambia	9.50%	9.80%	-0.30%

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