

September 25, 2023

Ghana Market Review

Growth averaged 3.25% in 1H23 despite the frontloaded policy adjustments; could end 2023 higher than the 1.5% programme target: Ghana's provisional overall real GDP grew by 3.2% y/y in Q2 2023 (-0.1% q/q | -0.3% y/y). The provisional Non-oil real GDP also increased by 3.2% y/y (-1.2% q/q | -1.6% y/y) in the quarter. The Q2 2023 GDP print follows a sharp downward review of the Q1 2023 GDP numbers from the initial 4.2% to 3.3%, with non-oil real GDP slashed to 4.4% (from the provisional 5.5%).

Again, the dominant services sector remained the main driver of growth in the quarter, recording a growth rate of 6.3% (-3.8% q/q) and supported closely by the agriculture sector with a growth rate of 6% (+1.2% q/q). The information and communication, health & social work, public administration, defence and social security, transport and storage, and education sub-sectors of the services sector and the fishing, livestock and crops sub-sectors of the agriculture sector are among the main growth drivers. However, the industrial sector remains in recession, contracting for the third consecutive quarter in Q2-2023. The construction, manufacturing, water supply, sewerage, waste management and remediation industry sub-sectors have contracted over the three quarters.

Notwithstanding the frontloaded fiscal adjustments and weaknesses in the industrial sector, GDP growth averaged 3.25% over 1H23, supported by the ongoing steady improvement in high-frequency indicators of economic activity. While we expect growth performance in 2H23 to be tamer amidst the limited policy support, the GDP growth outturn at FY23 could be higher than the 1.5% envisaged under the IMF programme. Again, we expect the disinflation run to continue through Q4 2023 despite the upside risks to inflation from petroleum prices and the quarterly tariff adjustments. Thus, the monetary policy stance could remain neutral through Q4 2023 and potentially pivot in Q1 2024 once inflation recedes sufficiently. This outcome should support growth through the credit channel in the second year of the IMF programme.

Cedi extends stable run despite the rising corporate FX demand: The FX market closed on a relatively stable note last week despite the growing demand from the corporate and the BDCs sectors. FX offers were limited throughout the week, with the central bank intervening with about US\$ 2.5 mn on the spot market to even out volatility.

The interbank reference market mid-rate closed slightly weaker at GHS11.07 (-0.03% w/w | -22.6% YTD). Our reference retail market midrate also closed the week unchanged at GHS11.6 (+3% YTD), quoted at around the GHS11.55/11.6 levels through the week. At one month of imports, the FX reserve cover remains weak and vulnerable to shocks. However, the prevailing market sentiments could sustain Cedi's stable run into Q4 2023, supported by the anticipated flows from the cocoa loan syndication and multi-lateral funding in the last quarter.

T-bill Auction rakes in about 26% more demand relative to target: Investor demand at the last T-bill auction was GH¢3.25bn (+3.2% w/w) against a target size of GH¢2.59 bn (-31.23% w/w) and a refinancing obligation of GH¢2.41 bn due today. The Treasury accepted 95.2% of the bids received, exceeding the auction target by 20% and the maturity due for the week by 28%. Despite the oversubscription, the 91-day bill cleared 38bps higher at 28.50%, with the 182-day (+139bps w/w) and the 364-day (+34bps w/w) also climbing to 30.68% and 32.51%, respectively.

Secondary Market Activity: We recorded a 32.3% w/ growth in secondary market activity to GH¢1.94bn last week following a 278.5% increase in the volume of bonds traded on the bourse. The bonds accounted for 31% of the value traded last week and priced at a significant discount to the face value.

T-Bill Auction in The Week Ahead: The auction ahead is targeting a gross issuance worth GH¢2.57 bn (-0.58% w/w) across the 91-day to 364-day bills to roll over about GH¢2.4bn in upcoming maturities. We expect the auction to be oversubscribed but at slightly higher yields.

Cedi Performance Against Major Currencies					
	US\$	GB£	€	JP¥	CN¥
Interbank Ref. rate	11.07	13.57	11.80	0.07	1.52
W/W change	-0.03%	1.16%	0.13%	0.27%	0.30%
YTD Change	-22.6%	-12.61%	-22.5%	-13.12%	-18.3%
Indicative retail rate	11.60	14.45	12.45	1.58	0.08
W/W change	0.0%	0.0%	0.0%	-0.3%	-0.2%
YTD change	3.0%	-0.7%	1.2%	-10.8%	-5.7%

Source: GCB Capital Research, Bank of Ghana, Oanda

Snapshot of Monetary Indicators and Inflation			
	Current	Previous	Change
Interbank Rate (%)	27.39%	27.30%	0.09%
July-23 Inflation	40.10%	43.10%	-3.00%
1-Yr Average Inflation	45.22%	44.70%	0.52%
MPR (%)	30.00%	30.00%	0.00%
Real MPR	-10.48%	-10.16%	-0.32%
GRR (%)	30.29%	30.29%	0.00%

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T-Bill Clearing Yields				
	Current	Previous	Change	Real yield
91-day	28.50%	28.12%	0.38%	-11.51%
182-day	30.68%	29.29%	1.39%	-9.09%
364-day	32.51%	32.17%	0.34%	-8.75%

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The Ghana Market Summary			
	Current	Previous	Change
Bid (GH¢'M)	3,251.42	3,150.64	3.20%
Issuance (GH¢'M)	3,096.14	3,146.58	-1.60%
Target (GH¢'M)	2,585	3,759.00	-31.23%
Maturity (GH¢'M)	2,414.86	3,514.47	-31.29%
Bid/Cover ratio	1.0502	1.00	n/a
Target coverage	1.20	0.84	n/a
Maturity Coverage	1.28	0.90	n/a

The Week Ahead			
T-bill Issuance Target - (GH¢'mn)	2,570.00	2,585.00	-0.58%
Upcoming T-bill Maturities (GH¢'mn)	2,398.47	2,414.86	-0.68%

Secondary Market Activity			
Turnover – Bonds GH¢'Bn	0.606	0.160	278.45%
Turnover – Notes & Bills GH¢'Bn	1.33	1.305	2.12%

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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 8% 01/18/26	45.48	46.96	46.73%	44.95%
	GHA 8% 05/07/42	41.23	42.64	21.472%	20.82%
	GHA8% 03/11/61	40.81	42.96	21.40%	20.33%
Egypt B+/B3/B	EGPT 4.55 11/20/23	97.69	98.81	15.93%	10.35%
	EGPT 6% 04/30/40	51.29	57.99	14.83%	14.43%
	EGPT 7% 02/16/61	50.34	51.43	14.96%	14.65%
Kenya B/B2/B	KENINT 6% 6/24/24	94.45	95.76	14.43%	12.58%
	KENINT 6.3 1/23/34	71.98	73.28	10.87%	10.61%
	KENINT 8% 2/28/48	74.12	75.50	11.41%	11.20%
Nigeria B-/Caa1/B-	NGERIA 7%11/21/25	95.19	96.19	10.09%	9.57%
	NGERIA 7% 9/28/33	76.90	78.01	11.27%	11.05%
	NGERIA 8% 9/28/51	71.71	72.85	11.70%	11.52%
South Africa BB-/Ba2/BB-	SOAF 4.665 1/17/24	98.99	99.25	7.48%	6.73%
	SOAF 5 10/12/46	65.57	66.72	8.40%	8.25%
	SOAF 7.3 04/20/52	83.83	84.62	8.86%	8.77%
Cote Ivoire BB-/Ba3/BB-	IVYCYST 5% 07/23/24	97.10	98.65	8.85%	6.97%
	IVYCYST 6% 06/15/33	85.26	86.65	8.36%	8.13%
	IVYCYST 6% 03/22/48	69.99	70.93	9.92%	9.78%

Other African Markets Review

Nigeria: CBN postpones the September 2023 monetary policy meeting originally scheduled for this week.

The Central Bank of Nigeria (CBN) announced late last week that it had postponed its September 2023 monetary policy meeting scheduled for September 25 and 26, 2023. The announcement stopped short of assigning reasons for the postponement and did not indicate a new timeline for the crunch policy meeting, which is coming on the heels of the 18-year high inflation rate recorded for August.

We believe the postponement stems from the ongoing process to reconstitute the leadership of the CBN following the president's new nominations who are pending parliamentary vetting. A major decision awaits the new team as the exchange rate and subsidy interventions continue to fuel inflation in Nigeria and require a decisive monetary policy response to re-anchor inflation expectations.

Egypt: All clear for the first and second reviews of the Extended Fund Facility

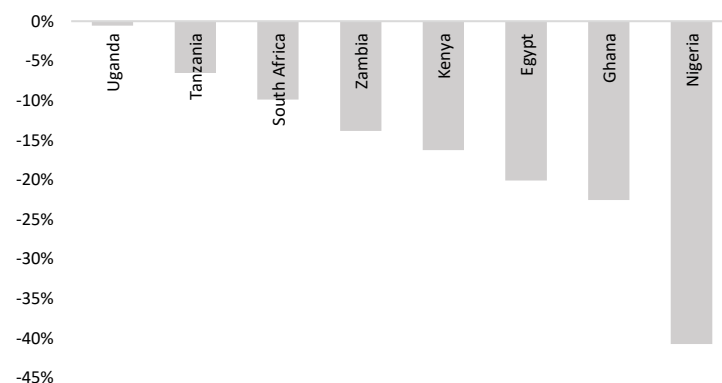
The government of Egypt appears set the first and second reviews of its US\$3 bn Extended Fund Facility after reaching an agreement with the staff of the IMF to merge the reviews. The first review of the programme originally slated for March 2023 is yet to happen, with the repeated postponement potentially due to limited progress in achieving some structural benchmarks related to adopting a fully flexible exchange rate regime. Following the initial rounds of devaluation ahead of the official start of the programme, the official USDEGP exchange rate has been unchanged at EGP 30.9 for nearly six months, with the prime minister of Egypt ruling out further devaluation. A successful joint review is imperative to correct the FX reserve imbalances and unlock private capital flows to Egypt.

Ghana Economic Events Calendar for September- 2023		
Event	Due date	Expectations
S&P Global PMI	Sept 5, 2023	Marginal growth in PMI
Aug-23 CPI	Sept. 13, 2023	Inflation could increase marginally
BDCs forward auction	Sept. 14, 2023	BoG expected to forward sell US\$20m
Aug-23 PPI, Q2-23 GDP	Sept. 20, 2023	PPI to continue the decline
Sept MPC meeting	Sept. 20 – 22,	Analysis of economy and monetary policy
Sept. MPC press conf.	Sept. 25, 2023	Rate-neutral decision
IMF staff review	From 25 th Sept	First review of the ECF and staff report
BDCs forward auction	Sept. 29, 2023	BoG expected to forward sell US\$20m

Performance of Selected African Currencies						
Country	US\$	Chg. (%)	€	Chg. (%)	£	Chg. (%)
Egypt	30.89	-0.01%	32.91	0.02%	37.81	1.22%
Kenya	147.36	-0.38%	156.94	-0.23%	181.02	0.75%
Nigeria	756.96	1.49%	806.91	1.56%	929.24	2.68%
S. Africa	18.85	1.06%	20.06	1.29%	23.09	2.59%
Tanzania	2470.8	-0.50%	2626.5	0.00%	3027.15	1.06%
Uganda	3754.3	-0.65%	3997.9	-0.57%	4608.71	0.57%
Zambia	15.42	-2.33%	22.36	-2.24%	25.72	-1.16%

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	6.50%	5.00%	1.50%
South Africa	8.30%	8.40%	-0.10%
Uganda	10.38%	10.38%	0.00%
Egypt	25.15%	24.87%	0.28%
Kenya	14.52%	13.99%	0.53%
Tanzania	4.98%	4.76%	0.22%
Zambia	9.50%	9.50%	0.00%

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