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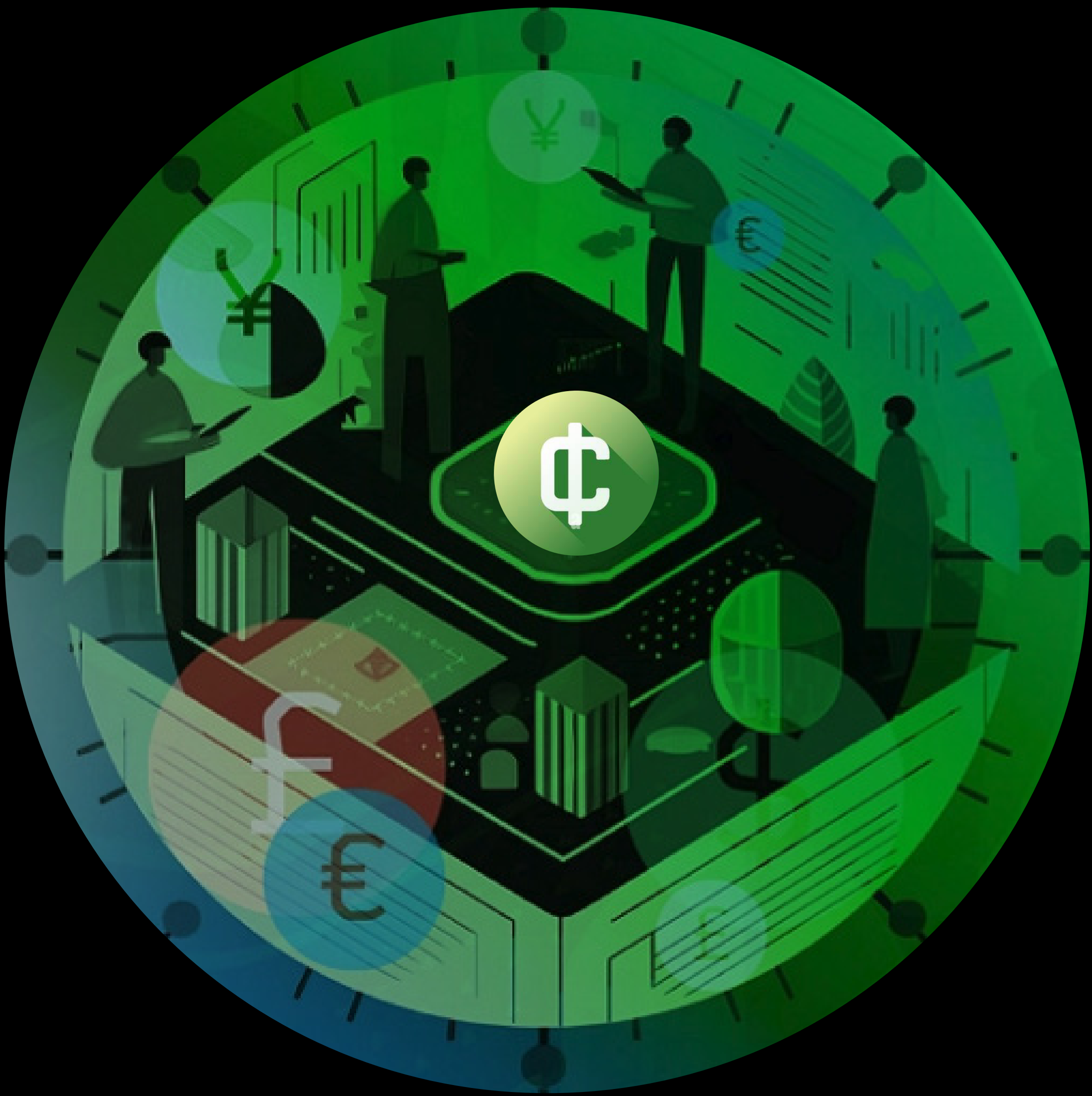

Unpacking the Ghana Cedi's resurgence

An analysis of the Cedi's appreciation and future sustainability

July 2025

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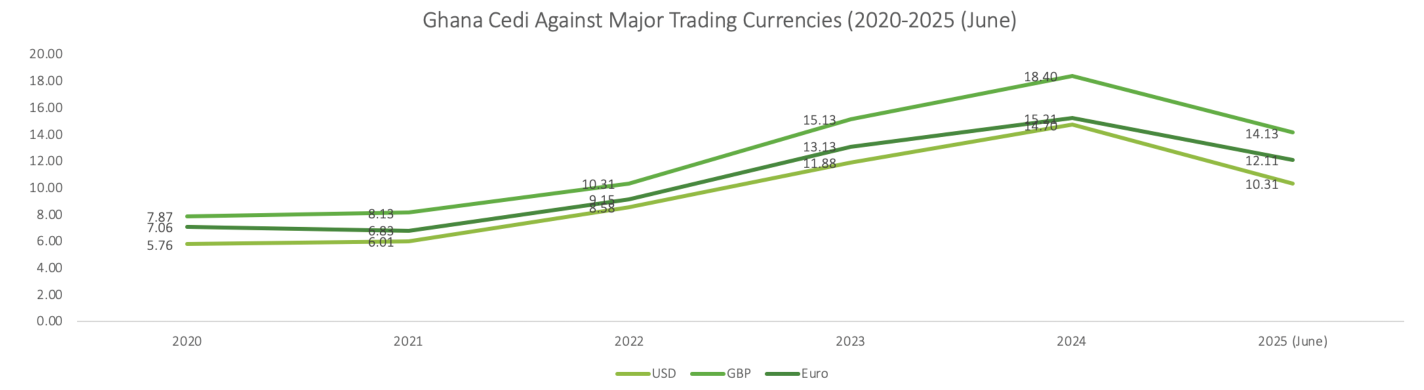
The Cedi's resurgence

The Ghanaian Cedi has recently experienced a remarkable turnaround, shifting from being one of the world's worst-performing currencies to a top performer against major trading currencies like the US Dollar, Euro, and British Pound so far in 2025. This significant appreciation has instilled a renewed sense of optimism and a boost in investor sentiment in Ghana's economic trajectory, providing a much-needed reprieve from persistent volatility and inflationary pressures.

This article explores the Ghana Cedi's historical performance, the factors that have accounted for its recent appreciation, and the outlook in terms of the sustainability of the recent trends.



Source: Bank of Ghana

- The Ghana Cedi over the past four years (between 2021 and 2024) has experienced significant and sustained depreciation of approximately about 61%, 53%, 57%, against the world's major trading currencies – the US Dollar (USD), the Euro (EUR), and the British Pound (GBP) respectively. The weakening of the Ghana Cedi against these major trading currencies, driven by a confluence of domestic economic challenges and external pressures, has had a profound impact on Ghana's economy, businesses, and citizens.

- Key domestic factors that have accounted for the depreciation of the Ghana Cedi include unsustainable public debt levels, deteriorating balance of payment position, growing and persistent fiscal deficit, high inflation, and speculative trading activities. On the external front, global economic shocks such as the COVID-19 pandemic and the Russia-Ukraine war have disrupted global supply chains, increased commodity prices, and led to a tightening of global financial conditions, all of which have negatively impacted the Ghanaian economy and its currency.

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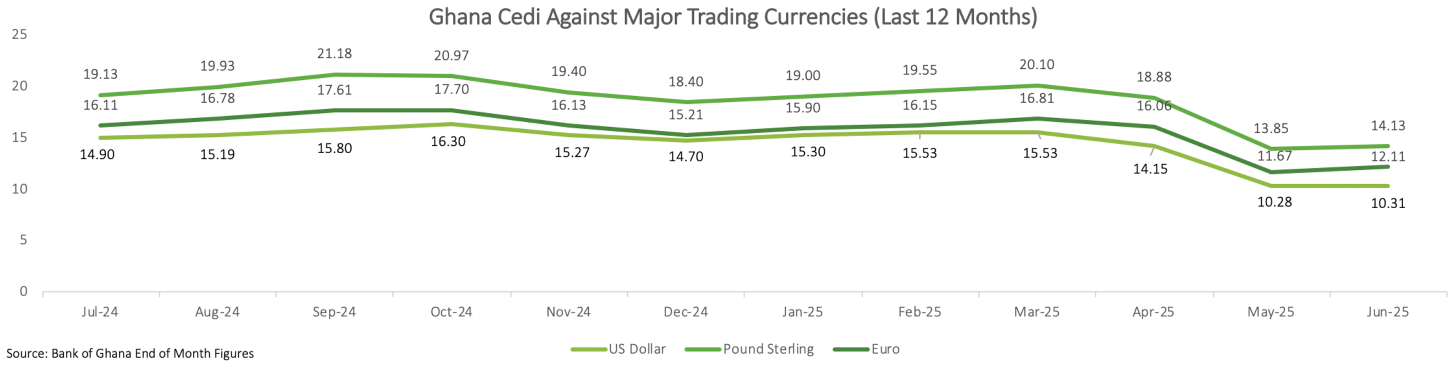
What has accounted for the recent appreciation?



Source: Bank of Ghana End of Month Figures

- The Ghana Cedi has recorded a substantial gain of approximately 44.5%, 33% and 35.4% against all three major currencies (USD, EUR, and GBP, respectively) over the last 12 months, with bulk of the appreciation recorded in the second quarter of 2025. This appreciation resulted from a combination of prudent management of domestic factors and some positives from global activities. Key amongst them include:

  - **Tight Monetary Policy Stance:** At the forefront of the Ghana Cedi recovery is the Central Bank or the Bank of Ghana's (BoG's) decision to maintain a tight monetary policy stance between 27%-30% between the period 2024 and 2025, which has been geared towards reinforcing the disinflation process. The tight monetary policy stance of the Central Bank has successfully worked to curb inflation, with the inflation rate declining from 23.5% as of January 2024 to 13.7% in June 2025. The Central Bank's policy rate stance has proven pivotal in reducing speculation and increasing the attractiveness of Ghana Cedi-denominated assets to both domestic and foreign investors, thereby boosting demand for the local currency.

  - **Fiscal Consolidation and Reforms:** Complementing BoG's efforts is the Government's demonstrated commitment to fiscal discipline. The 2025 budget outlined a clear path towards achieving a primary fiscal surplus (a target surplus of 1.5% of GDP compared to deficits of 3.9%, 4.3%, and 3.2% of GDP reported in 2022, 2023 and 2024 respectively) and a shift from the high levels of budget deficits reported in previous years. The new direction on fiscal consolidation has been further supported by some tangible actions including reduction in the number of Ministers of State and their Ministries, a 39% reduction in goods and services budget for 2025 relative to 2024 and the amendments to the Public Financial Management Act to enforce fiscal responsibility, all of which have been pivotal in restoring confidence in the Government's ability to implement its planned measures and to achieve the results thereof.

  - **The IMF Program:** Ghana's continued engagement with the International Monetary Fund (IMF) under the US$3 billion Extended Credit Facility (ECF) program has served as a crucial anchor for policy credibility. Under the program, the Government has performed well in reaching designated quantitative and structural reform targets since May 2023. In April 2025, Ghana reached a staff-level agreement with the IMF for the fourth review of the program, paving the way for a further disbursement of about US$ 360 million. Once approved, this would bring the total amount disbursed so far to US$2,280 million. Also, as part of the IMF Program, Ghana's restructuring of its external debts has resulted in debt cancellation of US$4.7 billion and debt relief of US$ 7.2 billion. The above measures, together with other prudent strategies, have contributed to the decline in public debt to GDP from 72.9% as of December 2022 to 55.0% of GDP as of March 2025. This progress has signaled to the international community that Ghana is committed to its reform agenda, thereby boosting investor confidence in the economy.

What has accounted for the recent appreciation?

Improved Foreign Exchange Reserves Position: Ghana's gross international reserves position has improved from approximately US$6.24 billion (equivalent to 2.9 months of import cover) in 2022 to US$ 10.7 billion (equivalent to 4.7 months of import cover) as of April 2025. This improvement resulted from a surge in export earnings, particularly from gold export earnings, due to an increase in gold market prices (from US$1,801 per ounce in 2022 to US$ $3,272 per ounce as of June 2025). The reserves have further improved on the back of the Central Bank's "Gold-for-Reserve" program, which involves purchasing gold locally to shore up reserves. Since the commencement of this program, Gold reserves have surged from 8.78 tons in May 2023 to 31.37 tons as of April 2025. This strategic accumulation has effectively leveraged Ghana's position as a leader in Africa's gold sector to safeguard the currency. This reserve position has also enhanced the BoG's capacity to support the currency and maintain stability in the foreign exchange market.

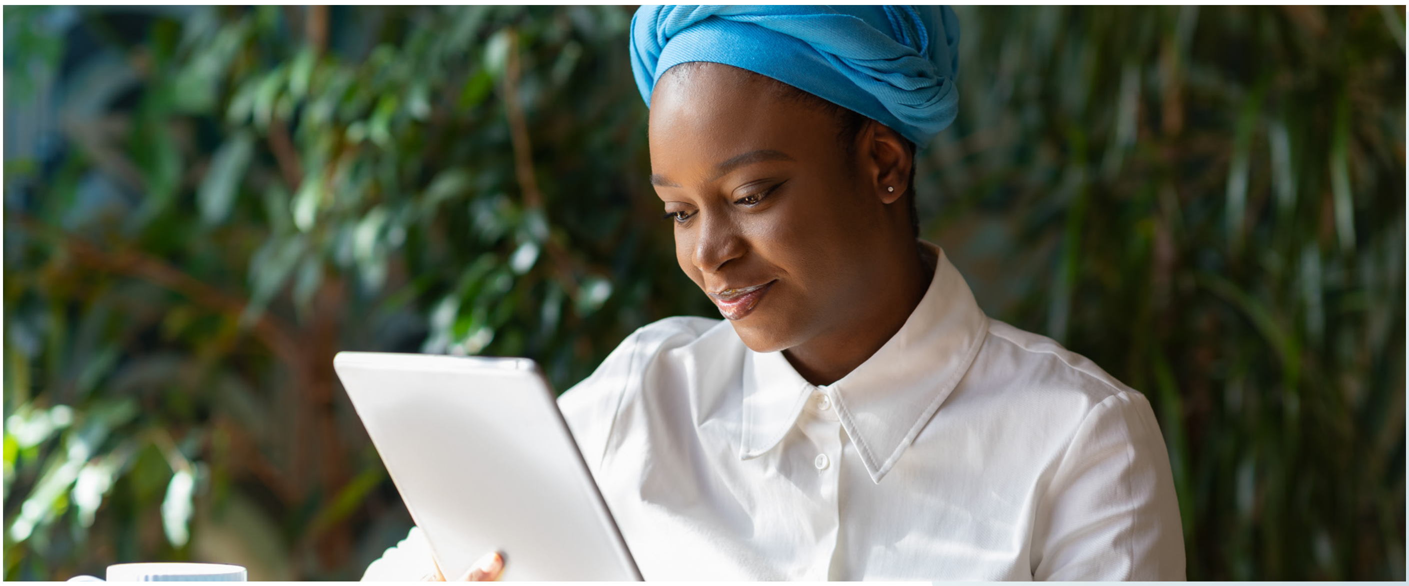
Surge in Commodity Prices: The surge in global commodity prices, particularly gold and cocoa, has also been a key causative factor of Ghana's recent Cedi appreciation. Ghana, as a major exporter, benefits from an upsurge in the prices of these commodities, which are priced in US dollars, as the upsurge in prices leads to increased foreign currency inflows. Gold's unit value, for instance, jumped from US$1,801 per ounce in 2022 to approximately US$ 3,272 per ounce in June 2025, while cocoa beans rose from US$2,477 in 2022 to approximately US$8,101 per ton as of June 2025. This price surge has contributed to the significant boost in Ghana's export revenue, with exports climbing from US$ 16.8 billion in 2023 to US$ 20.6 billion in 2024, resulting in an increase in trade surplus from US$ 0.5 billion in 2023 to US$ 3.1 billion in 2024. As of April 2025, Ghana's trade surplus rose to approximately US$4.14 billion, which is equivalent to 4.7% of the GDP. The influx of foreign currency strengthens the Cedi by providing an adequate buffer to absorb FX demand pressures, which keeps the exchange rate stable.

Global Economic Effect: The global performance of the US dollar is a pivotal factor in determining currency strength. The US Dollar Index, reflecting the dollar's value against other major currencies, has shown a decline in early 2025 due to global economic uncertainties such as the global trade war, dumping of US bond holdings by China and fears of a potential recession. These factors have contributed to the dollar's weakening, which has been reflected in the appreciation of the Cedi. In this context, Ghana's economy is akin to a boat on the global economic ocean, benefiting from the favourable winds by way of the dollar's weakening value.

Approximate Commodity Price (US$)

	2022	2023	2024	2025 (June)
Gold /Ounce	1,801	1,944	2,353	3,272
Cocoa beans /Ton	2,477	3,295	7,501	8,101

Source: Reuters & Mining Companies in Ghana and International Cocoa Organization



The Future Outlook – Measures to Ensure these Gains are Maintained

To ensure the Cedi's appreciation is not short-lived and translates into long-term economic stability, Ghana will need to implement a multi-pronged approach which focuses on fiscal discipline, improving foreign exchange inflows, structural reforms and monetary policy effectiveness.

Fiscal Discipline

- **Expenditure Control:** Going forward, the Government should ensure strict expenditure management, which is geared towards reducing budget deficits, avoiding large-scale unfunded projects and election-oriented spending.

- **Enhanced Revenue Mobilisation:** In addition to improved expenditure management, the Government should roll out measures that enhance revenue mobilisation, including broadening the tax base, improving tax collection efficiency, and reducing tax exemptions to lessen reliance on borrowing. Areas such as property rates, environmental taxes, and misconduct fines have been under-exploited revenue generation avenues for some time now.

- **Debt Sustainability:** Prudent debt management should be prioritised going forward. In this regard, we recommend that the Government conclude the outstanding debt restructuring program and ensure that future borrowing is sustainable and directed towards productive sectors and activities. The Government should commit to keeping debt-to-GDP and debt-to-revenue ratios within healthy limits, even beyond the current IMF program, to ensure improved overall sovereign credit ratings and the country's debt servicing position.

Boosting Foreign Exchange Reserves and Inflows

- **Export Diversification and Value Addition:** The current model of exporting some commodities in their raw state is a vicious cycle of transferring jobs and enhanced earning potential to foreign market players at the expense of Ghanaians. In this regard, we recommend that the Government invest in initiatives that add value to our primary commodity exports, such as gold, timber, cocoa, and crude oil, among others. Export diversification initiatives should also include promoting non-traditional exports like processed goods, services (tourism, IT), and manufactured items.

- **Attract Foreign Direct Investment (FDI):** Ghana can boost foreign exchange earnings with enhanced FDI policies, which are geared towards improving the ease of doing business, protecting property rights, and providing clear and consistent regulatory frameworks to attract long-term FDI, which brings in stable foreign currency.

- **Incentivize Remittance Inflows:** Over the past few years, we have seen a high level of emigration of Ghanaian professionals and unskilled workers to Europe, America, Asia and other parts of the world. The Government should explore policies that encourage diaspora remittances through formal channels and incentivize their investments into productive sectors of the economy. For example, a Special Purpose Vehicle (SPV) to create and issue sovereign bonds to Ghanaians in the diaspora can be considered.

- **Strengthen "Gold for Reserves" / "GoldBod" Programs:** We encourage the Government to work on strengthening the GoldBod initiatives following its positive dividend in the implementation so far to enable Ghana to reap the gains from its Gold reserves. Further, the Government should consider reviewing the fiscal regime in the extractive sector to increase the Government's share of revenue in the sector. The Government should undertake reforms that ensure the Government's stake in the extractive sector is managed for the optimum benefit of the state. The Central Bank should strengthen its efforts to leverage Ghana's Gold and other mineral reserves to shore up the reserves, leading to stability and strengthening of the currency in the medium to long term.

Monetary Policy Effectiveness and Independence

- **Maintain a Credible Disinflation Path:** The BoG must continue its tight monetary policy stance until inflation is firmly brought within the target band of 8% ± 2%. This will build confidence in the Cedi's purchasing power.

- **Tactical Market Interventions:** The BoG should intervene in the forex market judiciously, aiming to smooth volatility rather than trying to fix the exchange rate at an unsustainable level. It is essential for the BoG to stick to its proactive liquidity support as witnessed so far in 2025.

- **Build Robust Foreign Exchange Buffers:** The Central Bank should work on accumulating sufficient reserves to withstand external shocks and deter speculative attacks on the currency. Whilst resorting to some level of Moral Suasion can be effective in suppressing speculative attacks on the Cedi, we caution that this must be done responsibly and must be supported by an adequate FX buffer.

Structural Reforms to Reduce Import Dependency

- **Promote Import Substitution:** Government should, as a matter of urgency, work to implement policies that support local industries in producing large-ticket import items where Ghana has a comparative and/or competitive advantage. Policy support can include providing incentives for local production, improving infrastructure, and ensuring access to affordable credit for businesses, among others.
- **Boost Agricultural Productivity:** Going forward, the Government should encourage investments in modernizing agriculture to enhance food security and reduce reliance on imported food items. This can include measures to derisk the agricultural sector, including investments in irrigation systems, dams, and improved seeds and seedlings to enhance overall output and improve yield.
- **Energy Sector Reforms:** Ghana, as part of its structural reforms, needs to reduce the energy sector debt burden, enhance overall efficiency in energy production and distribution, as well as work to reduce the cost of power. The Government should take a holistic view of resolving the power-related issues, as it will be key to ensure a reliable power supply, which can boost the competitiveness of local industries.

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