



Nikolaus Geromont, CFA

nikolausphilip.geromont@absa.africa

Absa, South Africa

Completed: 12-May-25 11:00 GMT

Released: 12-May-25 11:15 GMT

Ghana Market Insight

We believe the cedi has rallied too far

The surge in gold prices and still-elevated cocoa prices have translated to strong export receipts and supported Ghana's official gross reserves, which have recovered to a multi-year high. In turn, the Bank of Ghana has been able to supply more hard currency to the interbank market, which has driven the exchange rate sharply lower from 15.50/USD a month ago to 13.05/USD currently. At these levels, however, we believe the cedi has rallied too aggressively. We expect a partial reversal in the cedi towards 14.00/USD by the end of the year so that the real effective exchange rate achieves purchasing power parity again, thereby keeping exports competitive and attracting more financial inflows. Overall, we expect the GHS to average 14.16/USD in 2025.

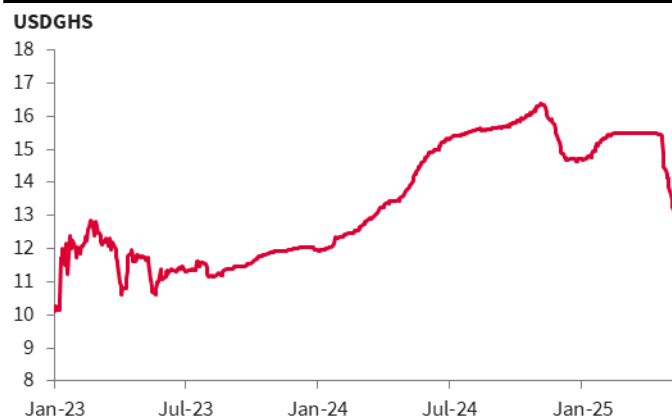
The currency has appreciated sharply over the past few weeks. Following two months of stability at 15.50/USD, the cedi has rallied by 19% over the past month to 13.05/USD currently (Figure 1). We believe the rally was fuelled by a combination of buoyant market confidence and increased FX support from the Bank of Ghana (BoG). The BoG has stepped up FX auctions amid a general increase in its official reserves. According to the latest Summary of Economic and Financial Data, Ghana's net reserves have grown to 3.0 months of imports from 1.8 months a year earlier (Figure 2). This robust growth is partly driven by the BoG's preference to accumulate gold (which too has seen a price surge) rather than fiat currency. Moreover, with the recent establishment of the Ghana Gold Board (GoldBod), the government has greater control over gold trade and is able to more effectively funnel export receipts into official reserves.

Looking ahead, reserves should be supported by a healthy current account surplus. We believe export receipts will continue to benefit from supportive gold and cocoa prices. The latter have risen (Figure 3) amid expectations of a smaller harvest in the West African region. In particular, output from the Ivory Coast could suffer amid volatile weather conditions. Rainfall levels have been more consistent in Ghana, which has led to a handsome rebound in output after last year's subdued crop output. Separately, we also expect Ghana's gold output to improve, for two reasons. First, several new mines (including the Cardinal-Namdingi and Ahafo South mines) are expected to commence production in 2025, according to their owners. Second, the yellow metal is exempt from the latest wave of US tariffs. The heightened uncertainty in global trade has also triggered a flight to safe-haven assets such as gold, driving its price to all-time highs of cUSD3,300/bl in recent weeks (Figure 4). Given these developments, we now expect the current account surplus to improve to 5.1% of GDP in 2025 from last year's 4.3%.

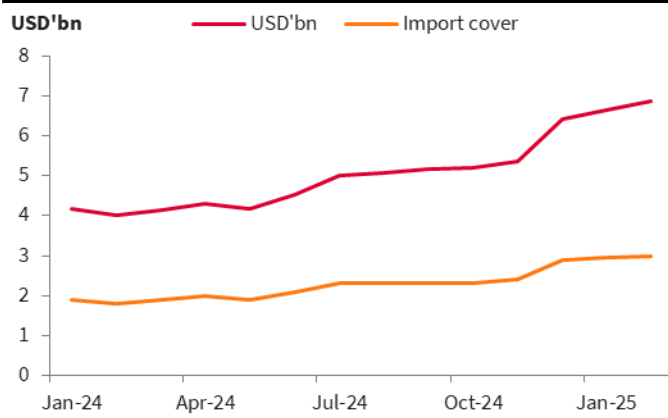
Given the prospective inflows, we acknowledge that the cedi should perform better in 2025. Specifically, we forecast that the currency will strengthen from last year's average rate of 14.50/USD to a 14.16/USD average in 2025. However, the current exchange rate of 13.05/USD seems too strong. Our framework suggests that the Real Effective Exchange Rate (REER) has appreciated to its most stretched level in at least a decade (Figure 5). Relative to the historical average, we estimate that the REER is overvalued by 19%, implying a low degree of competitiveness. To achieve purchasing power parity (PPP) again, we believe the cedi would need to cede some gains and revert towards 14.00/USD by year-end (Figures 6 and 7).

Absa Research is produced by Absa Bank Limited acting through its Corporate and Investment Banking division, which is a part of Absa Group Limited (referred to as "Absa Bank"). This report may not be independent of proprietary interests of Absa Bank Limited, registration number 1986/004794/06 ("Absa Bank"). This document is intended for institutional investors and is not subject to all of the independence and disclosure standard applicable to debt research reports prepared for retail investors. Absa Bank trades the securities covered in this report for its own account and on a discretionary basis on behalf of certain clients. Such trading interests may be contrary to the recommendation(s) offered in this report. This report may not be independent of Absa Bank proprietary interests. Absa Bank trades the securities covered in this report for its own account and on a discretionary basis on behalf of certain clients. Such trading interests may be contrary to the recommendation(s) offered in this report.

PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES FROM PAGE 3

Figure 1: Historical USDGHS rates

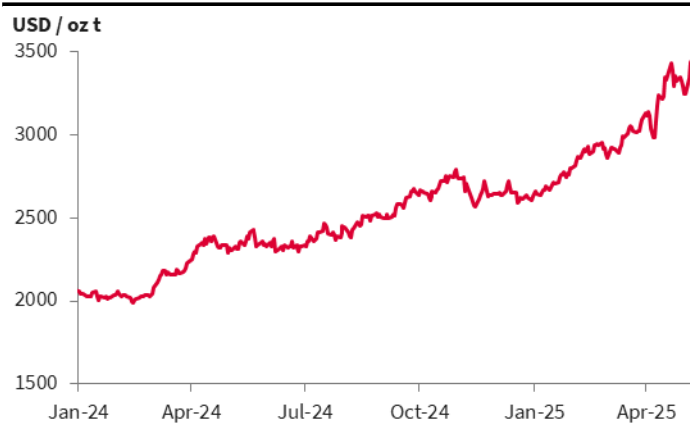
Source: Bloomberg, Absa Research

Figure 2: Gross reserves excl. encumbered assets and petroleum fund

Source: BoG, Absa Research

Figure 3: Historical cocoa prices

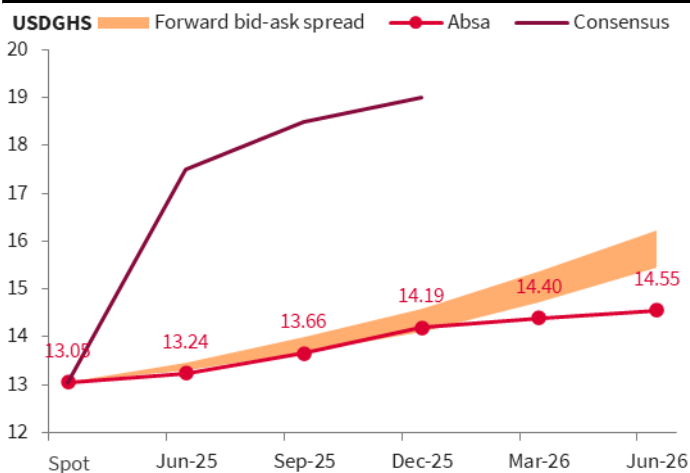
Source: Bloomberg, Absa Research

Figure 4: Historical gold prices

Source: Bloomberg, Absa Research

Figure 5: Ghana's real effective exchange rate

Source: Bloomberg, IMF, Absa Research

Figure 6: Comparative USDGHS forecasts (relative to BBG consensus)

Source: Bloomberg, Absa Research

Figure 7: Long-term USDGHS forecasts

| | Current | Jun-25 | Sep-25 | Dec-25 | Mar-26 | 2025 | 2026 | 2027 | 2028 |
|----------------|---------|--------|--------|--------|--------|-------|-------|-------|-------|
| Period end | 13.05 | 13.24 | 13.66 | 14.19 | 14.40 | 14.19 | 14.98 | 15.75 | 17.40 |
| Period average | | 14.00 | 13.45 | 13.92 | 14.32 | 14.16 | 14.58 | 15.33 | 16.49 |

Source: Bloomberg, Absa Research

IMPORTANT DISCLOSURES FOR INSTITUTIONAL INVESTORS

Absa Bank is an authorised financial services provider and a registered credit provider (NCRCP7) in South Africa and is regulated by South African Reserve Bank

Analyst(s) Certifications:

Each research analyst certifies that with respect to each security of issuer that the analyst covered in their report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; the issuer were not informed about the content of the recommendation included in this research report and the assumptions were not validated by the issuers; (2) no part of his or her compensation was, is will be directly or indirectly related to (a) the specific recommendations or views expressed by that research analyst in the research report; and/or (b) any services provided or to be provided by Absa Bank Limited and /or by any of its affiliates to the issuer of the securities under recommendation. Moreover, each of the analysts hereby certifies that he or she has no economic or financial interest whatsoever in the companies subject to his or her opinion and does not own or trade any securities by the issuer.

Availability of Disclosures:

Absa Bank does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Absa Bank may have a conflict of interest that could affect the objectivity of this report. Absa Bank regularly trades, generally deals as principal and generally provides liquidity (as market maker or otherwise) in the debt securities that are the subject of this research report (and related derivatives thereof). Absa Bank trading desks may have either a long and / or short position in such securities, other financial instruments and / or derivatives, which may pose a conflict with the interests of investing customers. Where permitted and subject to appropriate information barrier restrictions, Absa Bank fixed income research analysts regularly interact with its trading desk personnel regarding current market conditions and prices. Absa Bank fixed income research analysts receive compensation based on various factors including, but not limited to, the quality of their work, the overall performance of the firm (including the profitability of the Corporate and Investment Banking division), the profitability and revenues of the Global Markets business and the potential interest of the firm's investing clients in research with respect to the asset class covered by the analyst. To the extent that any historical pricing information was obtained from Absa Bank trading desks, the firm makes no representation that it is accurate or complete. All levels, prices and spreads are historical and do not represent current market levels, prices or spreads, some or all of which may have changed since the publication of this document. The Research Department within Absa Bank operates independently. Eligible clients may receive research reports from Absa Bank, its affiliates or third party service providers approved by Absa Bank.

For current important disclosures regarding any issuers which are the subject of this research report or for enquiries regarding Research Dissemination Policies and Procedures and Absa's Conflict Management Policy, or to view previous investment recommendations published by Absa FICC Research in the preceding 12 months please send a written request to Absa Research Compliance 15 Alice Lane, Sandton, Johannesburg, 2196.

Explanation of other types of investment recommendations produced by Absa FICC Research:

Trade ideas contained herein that have been produced by the Credit analyst within Absa FICC Research are valid at current market conditions and may not be otherwise relied upon.

Disclosure of previous investment recommendations produced by Absa FICC Research:

Absa FICC Research may have published other investment recommendations in respect of the same securities/instruments recommended in this research report during the preceding 12 months.

Legal entities involved in producing Absa Research:

Absa Bank Limited (Absa, South Africa)
Absa Securities Limited (Kenya).

DISCLAIMERS:

Absa Bank distributes research reports directly in South Africa and through affiliates or service providers in other regions. This report is intended for receipt by selected recipients. Any other recipient who receives this report through unauthorised means should not rely on or act upon it. Absa Bank accepts no liability for use of the contents of this report by unauthorised recipients. Where this publication states on the front page that it is intended for institutional investors in any region, distribution to retail investors is strictly prohibited.

Where this publication states on the front page that it is intended for institutional investors, distribution to retail investors is strictly prohibited. Any other persons who receive this communication should not rely on or act upon it. Absa accepts no liability for use of the contents of this report by unauthorized recipients.

Absa and/or its affiliates seeks to do business with companies covered in its research reports. The contents of this report is not, nor is it intended to be, advice as defined and/or contemplated in the (South African) Financial Advisory and Intermediary Services Act, 37 of 2002, or any other financial, investment, trading, tax, legal, accounting, retirement, actuarial or other professional advice or service whatsoever. The securities discussed herein may not be suitable for all investors. Investors must independently evaluate each issuer, security or instrument discussed herein and consult any independent advisors they deem necessary.

Absa Bank does not represent or warrant that it is accurate or complete however the information contained in this report has been obtained from sources that Absa Bank believes to be reliable. Prices shown are indicative and Absa Bank is not offering to buy or sell or soliciting offers to buy or sell any financial instrument.

Absa Bank is not responsible for, and makes no warranties as to the information or opinions contained in any written, electronic, audio or video presentations of third parties that are accessible via a direct hyperlink in this report or via a hyperlink to a third-party web site ('Third-Party Content'). Third-Party Content is provided for information purposes only, does not represent the view or opinions of Absa Bank, and is not incorporated by reference. Absa Bank has not verified its accuracy or completeness.

The views in this report are those of the author(s) and are subject to change, and Absa Bank has no obligation to update its opinions or the information contained in this report. If the report contains recommendations, those recommendations reflect solely and exclusively those of the authoring analyst(s), and such opinions were prepared independently of any other interests, including those of Absa and/or its affiliates.

Absa Banks disclaims itself against any liability for any direct, indirect or consequential damage or losses that recipients may suffer from using or relying on the information contained in this report even if notified by the recipient of the possibility of such damage or loss and irrespective of whether the recipient has obtained independent advice.

Any South African person or entity wishing to effect a transaction in any security discussed herein must contact a representative of Absa acting through its Corporate and Investment Bank division in South Africa situated at 15 Alice Lane, Sandton, Johannesburg, South Africa, 2196.

Person or entities domiciled outside of South Africa that wish to effect a transaction in any security discussed herein must contact an authorised representative of Absa or where relevant, its affiliate that disseminated this report, and ensure that such transaction complies with the local regulations of its home jurisdiction.

The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

This report may not be independent of Absa Bank's proprietary interests. Absa Bank trades the securities covered in this report for its own account and on a discretionary basis on behalf of certain clients. Such trading interests may be contrary to the recommendation(s) offered in this report.

Absa or its employees may, from time to time, maintain a long or short position in securities referred to in this publication or in related futures or options; purchase or sell, make a market in, or engage in any other transactions involving such securities or issuers, earn brokerage or other compensation in respect of the foregoing; and provide investment banking, credit or other services to any party referred to in this publication. Absa may have acted as manager or co-manager of a public offering of securities discussed in this publication.

Important Disclosures for investors in the United Kingdom

Recipients in the United Kingdom may receive this report from Absa Securities United Kingdom Limited which is authorised and regulated by the Financial Conduct Authority.

This document has been prepared for (i) professional clients or (ii) per se professional clients (together, "Professional Clients") as defined under Annex II of the MiFID II Directive. As such it is directed at Professional Clients and other persons to whom it may lawfully be promoted. Should you not be a Professional Client you should be aware that the products and services referenced herein are neither suitable nor appropriate for you.

Important Disclosures for U.S. Institutional Investors

This research report has been prepared in whole or in part by FICC research analysts based outside the United States who are not registered or qualified as research analysts with Financial Industry Regulatory Authority ("FINRA") in the US. The publication date at the top of the report reflects GMT time and may differ from local time where the report was produced.

This research report is distributed as "Third Party Research" as such, Absa Securities U.S. Inc. ("ASUS") does not produce or provide input into the research report.

This report is intended only for Qualified Institutional Buyer and U.S. Major Institutional Investors, as defined in the rules of the U.S. Securities Exchange Commission ("SEC"), that have indicated to ASUS that it exercises independent judgement in evaluating recommendations involving debt securities ("Report Recipients"). Report Recipients are advised that ASUS may provide research reports that are intended for institutional investors and not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors. Report Recipients may request that ASUS not provide such reports.

To the extent you receive this report from ASUS, ASUS has reviewed the report and accepts responsibility for its content, solely by satisfying itself with regard to key statements in the report, having no indication that the content of the report is suspect, by comparing the report to confirm that the facts and analysis contained herein do not appear inconsistent with readily available public information about the issuer.

Rule 15a-6:

Any U.S. recipient of the research wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so through Absa Securities U.S. Inc., a U.S. registered broker-dealer, located at 610 Fifth Avenue, Suite 405, New York, NY 10020; 646-844-2018.

Under no circumstances should any U.S. recipient of this research report effect any transaction to buy or sell securities or financial instruments through any of the non-U.S. entities which prepare Absa research. This report is not being provided pursuant to any express or implied understanding that the recipient will direct commission income to Absa Bank Limited. This research report is not intended for distribution to retail investors and such distribution is strictly prohibited.

Absa Beijing Advisory

Absa Beijing Advisory Co. LTD., incorporated in Beijing, registration number: 91110105MAF47T634D, whose registered office is at No. 2, Room 901, 9/F, Unit 1, 10 Jintong Rd (W.), Chaoyang, Beijing does not provide financial services in the Peoples Republic of China. This document and any attachments thereto should not be construed as investment advice or recommendation, guidance or proposal of a financial nature. Distribution to individual persons in China is prohibited. This document is confidential and addressed to a restricted number of entities. If you are not an addressee of this communication, you should immediately destroy it. The dissemination or copy, in whole or in part, of this document is strictly prohibited. Absa Beijing Advisory Co. LTD disclaims all liability for any direct, indirect or consequential damage or losses that you may suffer from using or relying on the information contained herein. This publication is neither an offer to sell nor a solicitation of an offer to buy any of the securities and/or financial or investment products or services (the Products). Any pricing included in this publication is only indicative and is not binding on Absa Beijing Advisory Co. LTD. All the risks and significant issues related to or associated with the Products are not disclosed in this publication. Absa Beijing Advisory Co. LTD does not predict actual results, performances and/or financial returns and no assurances, warranties or guarantees are given in this regard.

© Copyright Absa Bank Limited (2025). All rights reserved. No part of this publication may be reproduced or redistributed in any manner without the prior written permission of Absa. Additional information regarding this publication will be furnished upon request.