

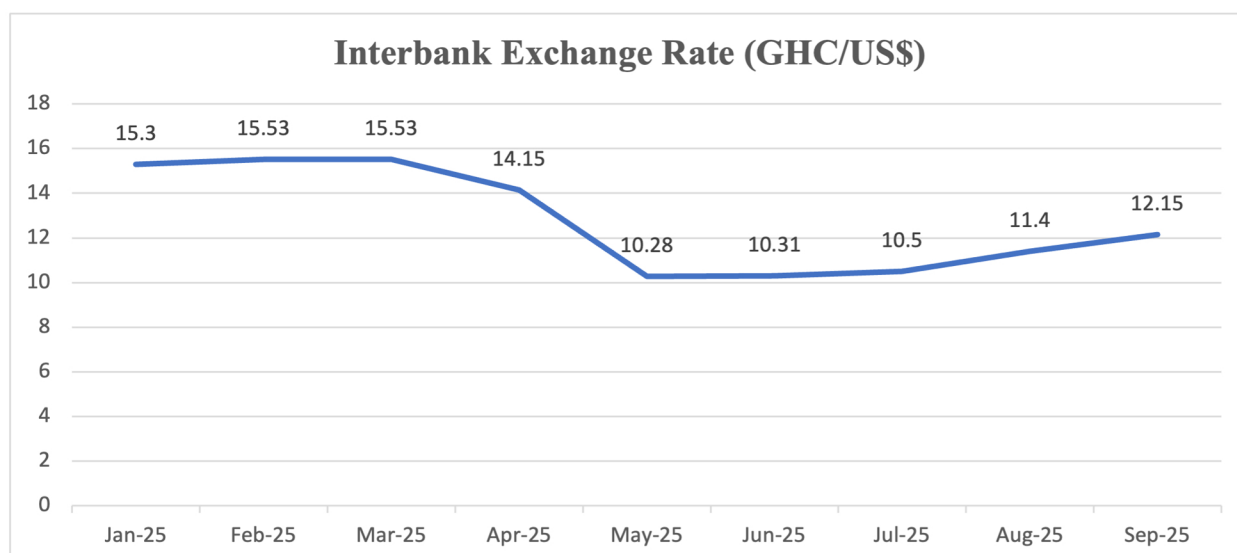
GHANA'S CURRENT CEDI DEPRECIATION DRIVERS AND POLICY OPTIONS

POLICY BRIEF

1. Background

By the end of 2024, the Ghanaian Cedi was widely recognised as one of the weakest-performing currencies in Africa, experiencing substantial depreciation relative to major global currencies. This depreciation contributed to macroeconomic instability, which in turn exacerbated economic hardships for many Ghanaians. In 2025, however, the trajectory shifted markedly, with the Cedi appreciating and, for a period, being acknowledged as one of the best-performing currencies globally. The Cedi is currently experiencing a depreciating trend against the US Dollar, British Pound, and Euro. As of September 10, 2025, the Cedi has been trading at approximately GHc12.11 per \$1 on the interbank market and between GHc13.20 and GHc13.45 at forex bureaus. The Cedi's Year-to-Date gain against the US\$ has dropped to 18.51%. The Bank of Ghana's interbank rate is approximately GHc16.38 per British Pound, while forex bureaus are quoting rates between GHc16.15 and GHc16.96. The interbank rate for the Euro is approximately GHc14.19, and forex bureaus are selling between GHc14.04 and GHc14.72. This paper examines the policy implications of this depreciation episode, interrogates its underlying drivers, evaluates its effects on the Ghanaian economy, and proposes policy measures aimed at promoting exchange rate stability.

Figure 1: Recent trend in the performance of the Ghanaian cedi.



Source: Summary of Economic and Financial Data, September 2025.

Note: The September 2025 figure represents the interbank foreign exchange rate as of Friday, 12th September 2025.



The interbank exchange rate represents the rate at which commercial banks trade foreign currency, particularly the US dollar, with each other. As shown in Figure 1, the cedi appreciated between the first and second quarters of 2025, indicating improved performance during this period. Despite this, the start of the third quarter has been marked by a small rise in the exchange rates offered by commercial banks, signifying renewed downward pressure on the Cedi's value.

2. Causes of Ghana's Recent Cedi Depreciation

- **Increased import demands**

A major driver of the cedi's recent depreciation is the surge in demand for U.S. dollars to finance imports ahead of the festive season. This seasonal trend sees businesses and companies stocking up on goods in anticipation of the Christmas period, creating heightened pressure on the cedi.

- **Tighter forex market intervention by the Bank of Ghana**

The International Monetary Fund (IMF) has advised the Bank of Ghana to reduce its frequent interventions in the foreign exchange market, allowing the cedi to find its true value. Following this advice, the Bank of Ghana has tightened its interventions, despite the country currently holding adequate foreign reserves. This reduced level of intervention is believed to be one of the key reasons for the cedi's recent depreciation.

- **Impact of monetary policy on investor behavior**

The significant decline in treasury bill rates, coupled with a recent 350-basis point reduction in the monetary policy rate, is believed to have contributed to recent market developments. Lower interest rates have reduced the attractiveness of domestic investments, creating incentives for capital outflows. This trend is reflected in the persistent undersubscription of treasury bills, which suggests that investors are increasingly moving their capital abroad and, in the process, generating higher demand for foreign currency.

- **Speculative dollar demand from exporters**

The situation has also been made worse by the actions of businesses and exporters. Earlier in the year, when the cedi appreciated, many firms that earn in dollars lost revenue because converting their dollars yielded fewer cedis. As the cedi began to weaken, these same businesses rushed to secure more dollars to recover their earlier losses. This surge in demand for foreign currency has further pressured the cedi, accelerating its depreciation.





- **Limited dollar supplies**

The Bank of Ghana regulates foreign exchange allocations to commercial banks to safeguard reserve levels. While this cautious approach helps protect external buffers, it also restricts the flow of dollars into the market. The resulting scarcity reinforces depreciation pressures. This situation is often reflected in the local adage: *“The Bank of Ghana has the rate, but Abochi has the dollar”*, underscoring the gap between official quotations and actual market availability.

- **Hoarding of foreign currency**

The scarcity of foreign exchange in circulation incentivises speculative behavior among market participants. Individuals and firms that access limited amounts of dollars often hoard them, subsequently reselling them in the parallel (black) market at higher rates. This practice exacerbates shortages in the formal system and fuels exchange rate volatility.

3. Implications of the Cedi Depreciation

- **Loss of Investor Confidence in the Cedi.**

The current trend of cedi depreciation signals to investors that the currency's stability is uncertain. As a result, investor confidence in the cedi diminishes, making them less likely to trust periods of apparent stability.

- **Inflationary Pressures**

The depreciation of the cedi has direct implications for the prices of goods and services. Imports purchased at the higher exchange rate will translate into increased costs, which businesses are likely to pass on to consumers. As a result, market prices, particularly for imported goods, are expected to rise in the coming days and weeks

- **A rise in Public Debt**

The depreciation of the cedi has direct implications for Ghana's debt stock. As noted by the finance minister during the budget presentation, the earlier appreciation of the cedi helped reduce the country's debt burden. However, with the current depreciation, the reverse is occurring, as dollar-denominated debt obligations are increasing in cedi terms.

- **Business Uncertainty**

Businesses are also adversely affected, as the cedi's volatility against the dollar makes planning and forecasting increasingly unreliable. This uncertainty raises operational risks, affects pricing decisions, and undermines long-term investment planning.





4. Policy Recommendations for the Cedi Stabilisation

Short-Term

- **Central Bank Intervention**

In the short term, the Bank of Ghana can draw on its accumulated reserves to intervene in the foreign exchange market. The President has previously noted, based on consultations, that the cedi's fair value lies between GHS 10 and GHS 12. With current rates exceeding this range, especially in the parallel market, targeted intervention is necessary to curb further depreciation and restore stability, while longer-term structural measures are pursued.

- **Moral Suasion**

To ease speculative pressures driving the cedi's depreciation, the Bank of Ghana should step up its use of moral suasion. Clear communication and engagement with market players can help calm sentiment, discourage panic buying, and reduce unnecessary demand for dollars.

Long-Term

- **Enhance Fiscal Discipline**

Strengthening fiscal discipline is critical to sustaining currency stability. This calls for reducing fiscal deficits through prudent expenditure management, improving domestic revenue mobilization, and minimizing dependence on borrowing, especially in foreign currencies.

- **Promote Local Production and Export Diversification**

To reduce dependence on imports, it is crucial to invest in local manufacturing and agriculture while supporting SMEs to increase domestic production. At the same time, expanding non-traditional exports, through value addition in key commodities such as cocoa processing, gold jewelry, garments, and processed fruits and vegetables, will be essential. Furthermore, leveraging trade agreements and strengthening regional integration can provide additional opportunities to boost Ghana's exports and enhance competitiveness.

- **Manage Debt Restructuring and Liabilities:**

Early engagement with external creditors on debt restructuring is essential to easing fiscal pressures and restoring confidence. Successful negotiations can also unlock IMF support, providing critical buffers to stabilize the cedi in the long term.





5. Conclusion

The recent depreciation of the cedi, though moderate, signals the urgent need for coordinated policy action. Temporary interventions by the Bank of Ghana must be complemented by decisive structural reforms. Strengthening local manufacturing, expanding and diversifying exports, and reducing import dependence are critical steps to build resilience. Sustained exchange rate stability will ultimately hinge on credible fiscal discipline, prudent debt management, and strategies that enhance investor confidence and boost foreign exchange earnings. Policymakers must act swiftly and decisively to implement these measures, as delays risk deepening volatility and undermining Ghana's economic recovery.

About CERPA

The Centre for Economic Research and Policy Analysis (CERPA) is a think tank dedicated to providing independent, data-driven economic research and policy recommendations to foster sustainable economic growth in Ghana and beyond.

Email: info@cerpagh.org

Phone: 0246642520, 0546834744

Website: cerpagh.org

