Bank of Ghana introduces a new FX operations framework

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Structured Flexibility: A New Era for Ghana's Exchange Rate Management

In line with our expectation, the Board of the Bank of Ghana (BOG) has approved a new FX operations framework with the ultimate objective to enhance market transparency, investor confidence, and macroeconomic stability. The new FX intervention model will pursue three important targets:

(1) Reserve build-up to provide buffer against external shocks
(2) Volatility smoothening to reduce excessive short-term swings without undermining exchange rate flexibility and
(3) Market-neutral flow intermediations as BOG repositions itself as a disciplined market participant rather than a price-setter.

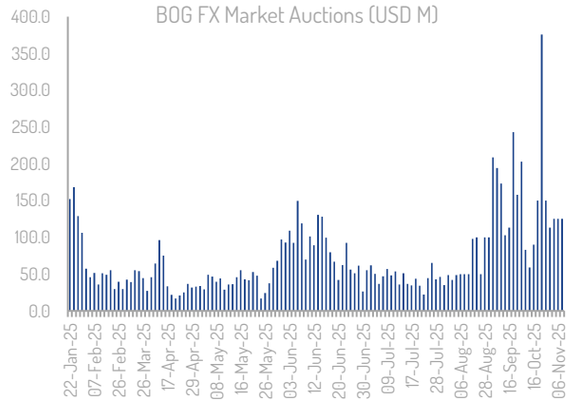
The BOG's flow intermediation will be funded from the ongoing Domestic Gold Purchase Programme (gold-for-reserves) or other export surrender requirements (including the Ghana GOLDBOD's export flows). As indicated by the Bank of Ghana, the intermediation approach implies that the BOG will support the FX market with foreign exchange supply in an orderly approach without influencing the exchange rate trend. In our view, this effectively assures that the Ghanaian Cedi's value will remain market-determined as the framework emphasizes a rule-based intermediation with focus to reduce excessive short-term volatility, rather than eliminating volatility.

Broad Mechanics of the FX Operation Framework

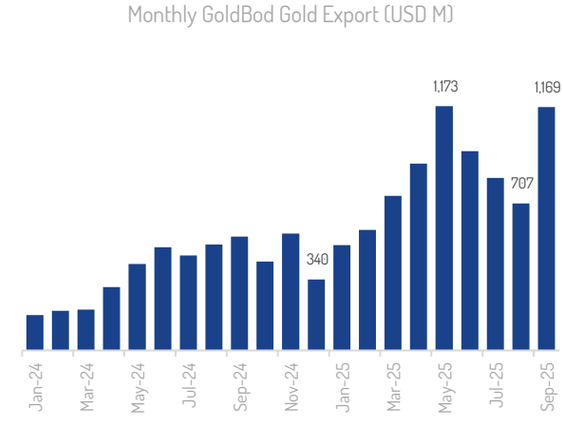
- **A rule-based approach.** The FX interventions will follow a structured discretion-under-constraint approach, ensuring the FX operations do not target a specific exchange rate but address market failures such as situations where businesses and investors do not have suitable financial solutions to protect capital against extreme FX volatility.

- **Transparency as a cornerstone.** The FX operations will be conducted through competitive, variable-rate, fixed-amount auctions. As observed in October 2025 (USD 1.15bn) and November 2025 (USD 1.0bn), auction amounts for each month will be announced in advance of moth start with twice-weekly FX operation. For FX intermediations which would seek to dampen excessive short-term volatility, the auction will be announced either on the same day or a day prior. We believe this suggests the possibility for ad hoc interventions (beside the announced offer for the month), subject to unanticipated depreciation pressures which could elevate short-term volatility.

BANK OF GHANA FX MARKET OPERATIONS IN 2025



MONTHLY GOLD EXPORT REVENUE BY GHANA GOLDBOD



Source: Bank of Ghana, GOLDBOD, IC Insights

Our views

- **Another positive step in meeting an IMF reform target:** We recall that this intervention framework is a structural benchmark under the ongoing IMF programme, which was aimed for completion by end-September 2025. Despite the seemingly delayed completion, this sets the authorities favourably to comply with one more structural benchmark by the sixth and final IMF programme review in early 2026.

- **Strengthening the policy anchor for smooth sailing post-IMF programme:** From a strategic viewpoint, this new FX operation framework codifies the Bank of Ghana's discretion under constraint intervention approach. We believe this is akin to the Inflation Targeting Framework which the monetary authorities have relied upon since 2007 to reduce the swings in inflation rate and anchor inflation expectations. We believe the BOG's "discretion under constraint" approach to its FX market operation preserve flexibility of market interventions while institutionalising market discipline. We view this as a particularly crucial policy anchor as Ghana approaches the end of its IMF programme in 2026 when market perception of policy credibility will significantly influence exchange rate trend.

- **Strong prospect for sustained near-term stability but medium-term outlook hinges on continued reserves accumulation and post-IMF fiscal discipline.** Similar to the transparency-induced benefits of inflation targeting, we expect the predictable, transparent and market-neutral approach to FX operations by the BOG to anchor market sentiment and reduce intraday volatility. This should

sustain the near-term stability of the Ghanaian Cedi, and we reiterate our view for the exchange rate to remain anchored below the USD 12.0/USD mark in the near-term, possibly into late-2026. However, the medium-term effectiveness of this framework will be tested by flows from gold-for-reserves and export surrenders which have implications for reserve accumulation, especially as Ghana begins the era of elevated external debt service from 2026. We also view the post-IMF fiscal operations (especially near the 2028 elections) as a major test of effectiveness for the new FX operations framework. The 2025 fiscal reforms (such as introduction of a 45.0% ceiling on debt-to-GDP ratio by 2034 and a new fiscal anchor – a 1.5% of GDP commitment primary surplus) provide a hypothetical basis to be more optimistic about Ghana's macroeconomic outlook. However, we believe the optimism softens into cautious positioning as we approach the next elections in 2028, pending the post-election fiscal outcomes. A continued fiscal policy credibility beyond the 2028 election will deepen market confidence and substantially shift investor positioning into Cedi assets.

- Overall, we believe the BOG's new FX operation framework strengthens institutional credibility and signals a policy shift from reactive ad hoc FX supports toward a predictable, rules-based FX governance model. We expect this new model to anchor a more stable Cedi in the near-to-medium term.

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