



2024 Quarter 3 Economy and Market Recap

Key Macroeconomic Indicators Review: Q3'2024

GDP Q2'2024

6.9%

In Q2' 2024, Ghana's GDP growth rate reached 6.9% year-on-year, marking the highest quarterly growth since Q2' 2019. This performance was primarily driven by a 9.3% expansion in the industrial sector, largely influenced by a robust 14.8% increase in the mining and quarrying sub-sector. The agricultural sector recorded a 5.4% growth, with the crops sub-sector contributing a 6.4% increase. Additionally, the services sector expanded by 5.8%, mainly due to a 12.8% growth in the information and communication sub-sector. Despite these positive developments, the IMF and World Bank project Ghana's end-of-year growth at 3.1% and 3.0%, respectively.

INFLATION

21.5%

At the end of Q3' 2024, inflation in Ghana rose to 21.5%, primarily driven by an increase in food prices. This marks an uptick from the 20.4% recorded in August 2024, following a period of decline where inflation had eased for five consecutive months.

MONETARY POLICY

27.00%

The Monetary Policy Committee (MPC) reduced the Monetary Policy Rate (MPR) by 200 basis points, from 29.00% to 27.00%, marking the first rate cut since January 2024. This decision follows five consecutive months of easing inflation. The rate cut also aligns with actions taken by central banks in major advanced economies, which have similarly eased policy rates amid declining inflationary pressures.

EXCHANGE RATE

Average Depreciation
26.46%

As at Q3' 2024, the Ghanaian cedi depreciated against the USD, GBP, and EUR by 24.95%, 28.70%, and 25.74%, respectively. This reflects a weaker performance compared to the same period in 2023, when the cedi depreciated by 22.94%, 24.15%, and 22.31% against these currencies.

Source: Ministry of Finance, Bank of Ghana and Ghana Statistical Service

CURRENCY PERFORMANCE

Performance of the Ghana Cedi

EXCHANGE RATES	USD/GHS	EUR/GHS	GBP/GHS
2023 End Year (Depreciation)	27.78%	30.29%	31.87%
Exchange Rate (As at end of Q2)	15.80	17.61	21.18
Year to Q3 Change (Depreciation)	24.95%	25.74%	28.70%

Source: Bank of Ghana

FIXED INCOME MARKET REVIEW

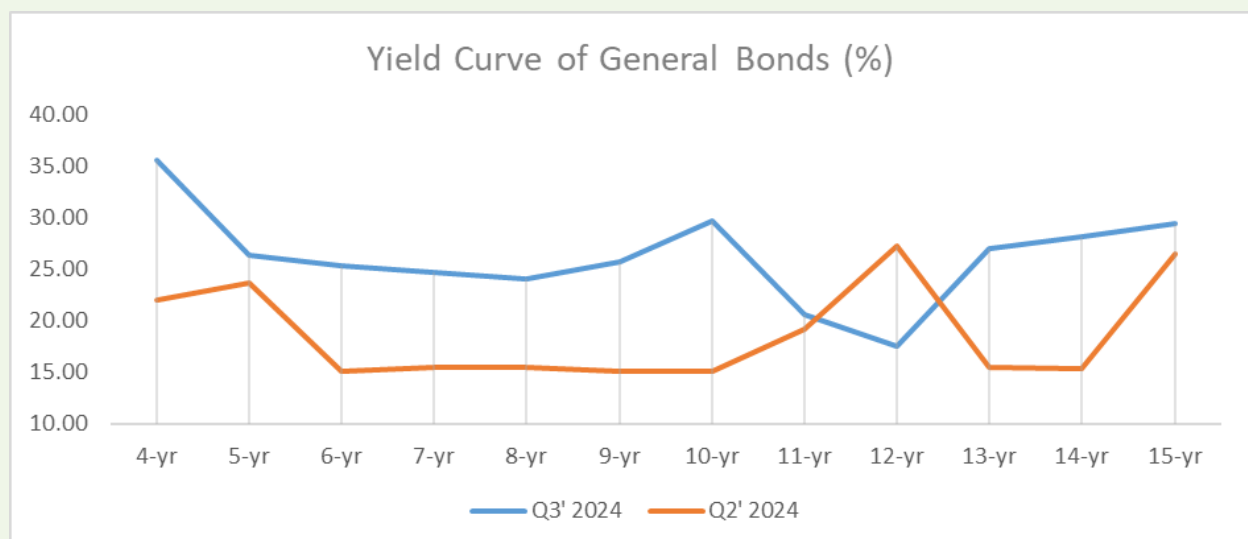
Primary Market Activities for Treasury Bills

Target for Q3	GHS 68.68 Billion
Bids Tendered	GHS 58.35 Billion
Amount Raised	GHS 58.35 Billion

Source: Bank of Ghana

In Q3' 2024, the government missed its treasury bill auction target by 15%, equivalent to GHS 10.32 billion. This shortfall can be attributed to two key factors: the government's decision to raise its auction target and heightened investor concerns over treasury bills. Though investors increased their bids at the auctions, it was not enough to outstrip the demand of Government. This is on the back of Investors becoming more cautious due to the rapid accumulation of public debt and uncertainty surrounding the upcoming presidential and parliamentary elections in Q4' 2024.

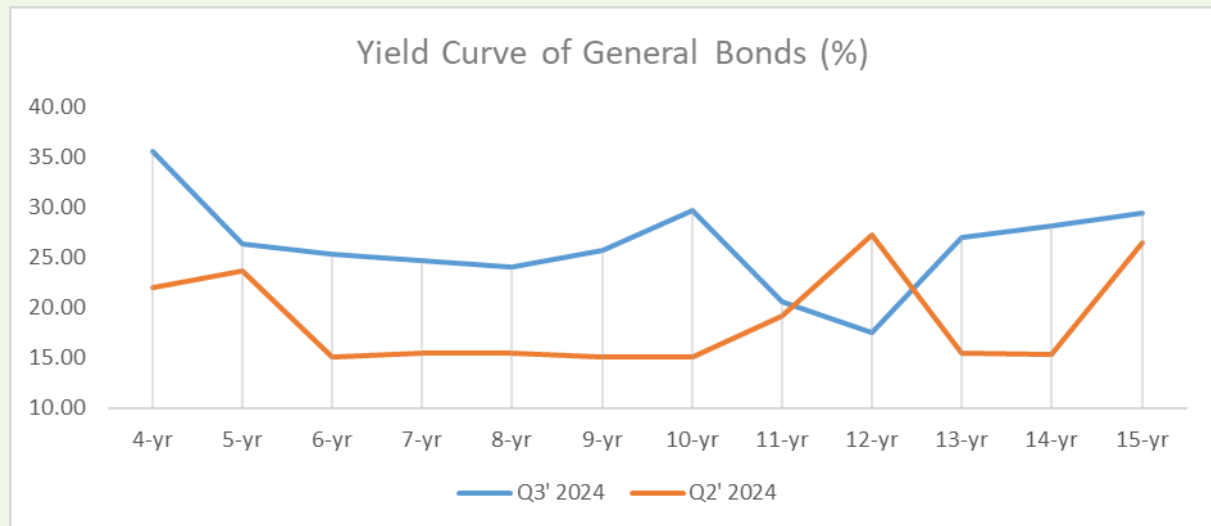
Secondary Market Activities



Source: GFIM

Trade activity in the secondary market has experienced a notable recovery following the downturn that followed the Domestic Debt Exchange Program (DDEP). Prior to the DDEP, trade volumes and values stood at approximately GHS 173 billion and GHS 169 billion, respectively. In 2024, trade volumes surged by 100.55%, while trade values increased by 94.10%, signaling a strong rebound compared to the sharp declines of 65.94% in volume and 70.31% in value during the same period in 2023. Despite these significant improvements, current trade activity has not yet returned to the pre-DDEP levels.

Trend of Yield Curve



Source: Tesah Research with Data from GFIM

The average yields for the General Bond category across all maturity periods rose sharply to 26.16% at the end of Q3' 2024, compared to 18.82% in Q2' 2024. This increase in yields is primarily driven by the liquidity constraints in the secondary market. Government of Ghana bonds, which constitute a large portion of the market, remain highly illiquid, forcing bondholders to sell off more of their holdings at discounted prices to access the limited available funds. This supply-demand imbalance has resulted in the rise in bond yields.

Key Takeaways

Fixed Income

- Demand for treasury bills declined in Q3' 2024, with an undersubscription rate of 15%, falling short of the Q3 target of GHS 68.68 billion.
- The low investor demand was likely due to the government's increased auction

target and its urgent need to borrow on the short end of the yield curve, which raised perceived risks.

- Secondary market activity improved, with trade volumes and values rising by 100.55% and 94.10%, respectively, in Q3' 2024 compared to Q2' 2024. This reflects an improvement in investor confidence in the financial markets.
- As secondary market activities continue to improve, this is expected to enhance market liquidity and subsequently lead to lower yields.
- Given the government's rapid debt accumulation, investors may need to exercise caution in lending to the government to avoid the risk of another debt restructuring.
- We anticipate a recovery in the losses recorded by mutual funds and unit trusts, driven by the mark-to-market valuation of illiquid bonds.



Equity Market: Gainers and Losers as at -Q3 2024

Gainers

UNIL	+103.45%
GLD	+86.36%
GCB	+76.47%
MTNGH	+55.71%
TOTAL	+40.11%

Losers

CAL	-41.67%
EGL	-16.74%
MMH	-9.09%
DASPHARMA	-5.00%
SOGEGH	-4.46%

Key Takeaways

Equities

- The GSE Composite Index (GSE-CI) maintained its bullish momentum in Q3' 2024, posting a quarter-on-quarter return of 14.10% and a year-to-date return of 39.59% by the end of Q3.
- Gains were recorded across various sectors, while losses were primarily concentrated in financial stocks.
- Trade volumes and values increased by 126.17% and 230.38%, respectively, on a year-to-date basis.
- MTN Ghana (MTNGH) continued to lead in both trade volumes and value, with a total of 277 million shares exchanged, amounting to approximately GHS 542 million.
- MTNGH remains a strong performer, consistently providing investors with capital gains and dividends.
- As banks gradually recover from the adverse effects of debt restructuring, investors may consider taking positions in financial stocks.

OUTLOOK FOR Q4' 2024

- The IMF projects Ghana's GDP growth to reach 3.1% by the end of 2024.
- Inflationary pressures are expected to decline, with an estimated year-end inflation rate of 18.0%, higher than the Ministry of Finance's projection of 15%.
- The upcoming Monetary Policy Committee meeting is likely to maintain the current policy rate, given the recent downward trend in inflation.
- The bullish trend on the GSE is expected to extend into Q4' 2024, with gains anticipated across various sectors, notably ICT and Food and Beverage.
- The GSE Financial Index (GSE-FI) is expected to improve from its earlier performance this year as banks continue to show signs of recovery.