

Cedi Resurgence: Can It Withstand a Gold Price Retreat Amid Global Adjustments?

As of mid-2025, Ghana's cedi has experienced a notable appreciation, a trend largely underpinned by strong international reserves and a robust rally in global gold prices. The Bank of Ghana reports international reserves of **USD 7.9 billion**, supported by historically elevated gold prices, which have helped maintain a stable foreign exchange position and improved investor sentiment toward the local currency.

Source: Haver, Bank of Ghana, Intercontinental Exchange, BMI

Sustainability in Question

However, the AMKA Institute poses a critical question: **Is the cedi's recovery structurally sound, or merely a gold-driven illusion?** With gold prices currently bolstered by global economic uncertainty—including the lingering effects of the U.S. Federal Reserve's monetary policy, ongoing conflict zones, and volatility in the Chinese property market—the cedi's gains may be vulnerable to a sharp correction should global conditions normalize.

Implications of a Gold Price Decline

Recent U.S. economic data suggests inflation is moderating faster than expected. As of July 2025, the **Federal Reserve has signaled the potential for interest rate cuts by Q4 2025**, triggering a mild strengthening of the U.S. dollar. If geopolitical tensions (such as those in Eastern Europe or the South China Sea) ease significantly, a correction in gold prices is likely.

In that scenario, Ghana could face a dual shock:

- **Declining export revenues**, as gold accounts for a significant portion of foreign exchange earnings.
- **Pressure on reserves**, forcing the Bank of Ghana to choose between tightening monetary policy or allowing the currency to depreciate.

Such dynamics would undermine the sustainability of the cedi's current appreciation, potentially reversing recent gains.

Beyond Gold: Are Fundamentals Improving?

The key to long-term stability lies not in commodity dependence but in structural reform. Encouragingly, there are signs of improving macroeconomic fundamentals:

- **Fiscal consolidation efforts** have narrowed Ghana's primary budget deficit.
- The **IMF support package** continues to anchor policy credibility.
- Growth in **non-traditional exports** (like cocoa derivatives and digital services) is slowly diversifying the revenue base.

Yet, these gains are still nascent. Ghana remains exposed to external shocks, especially from gold and oil markets.

Conclusion: Cautious Outlook

While the cedi's current appreciation is welcome, AMKA Institute cautions that without deeper diversification, improved productivity, and sustained fiscal discipline, its stability is tenuous. Policymakers must continue reforms that reduce reliance on commodity cycles and build resilience into Ghana's economy.

Recommendation: Ghana should use this window of currency strength to bolster non-gold exports, advance debt restructuring efforts, and enhance domestic revenue mobilization.

Published by AMKA Institute

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