

Research Report:

## A Study of the Factors Contributing to the Recent Appreciation of the Ghanaian Cedi Against the US Dollar

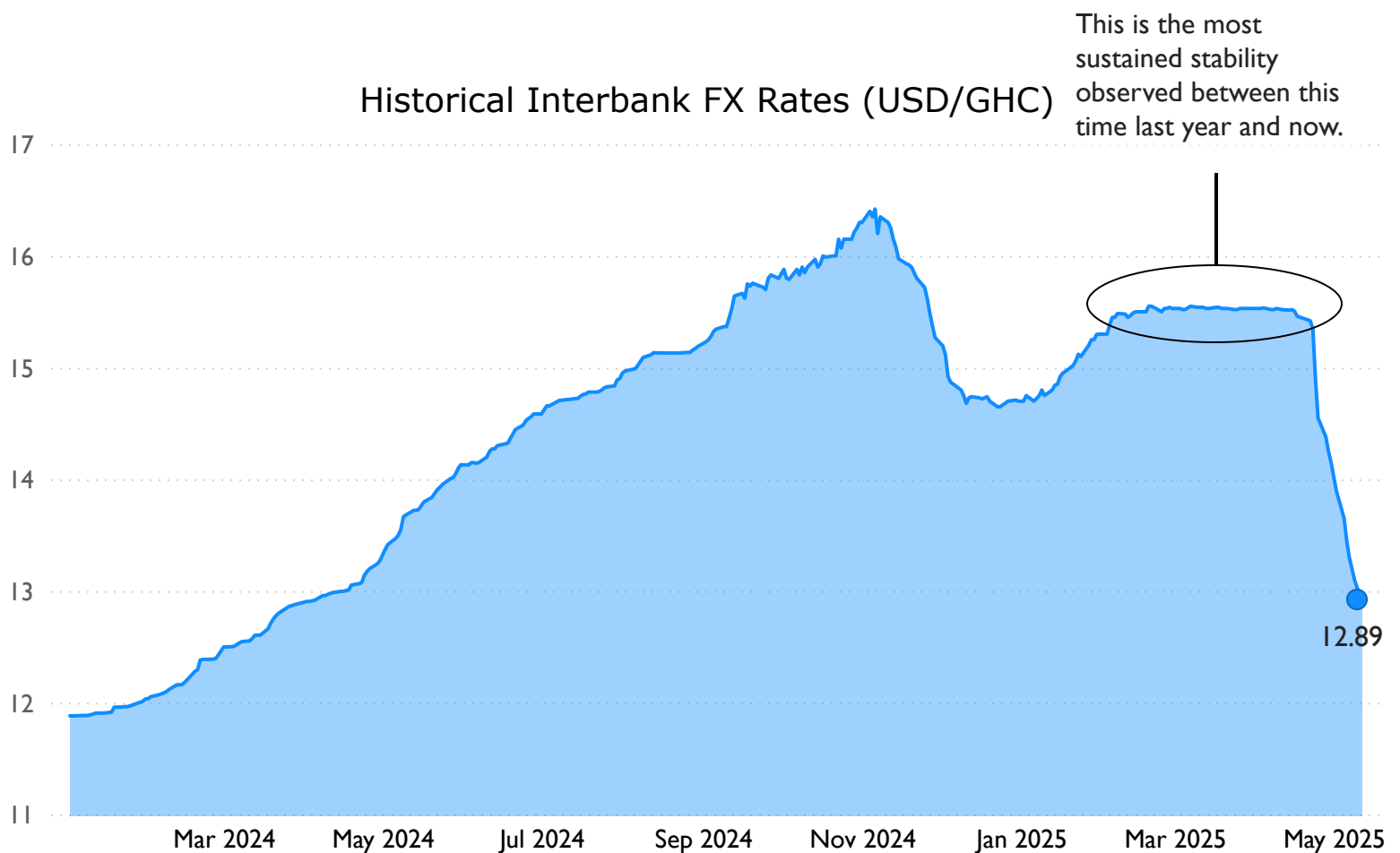
This report delves into the multifaceted reasons behind the Ghanaian Cedi's recent gains against the US dollar. It explores the impact of domestic policy decisions, including interventions by the Bank of Ghana and fiscal management strategies, as well as external factors such as global market trends and international financial support. By synthesizing these elements, this analysis aims to provide a clear and nuanced understanding of the forces contributing to the Cedi's appreciation.

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## Introduction

Bloomberg reported that the Ghanaian cedi was the world's best-performing currency in April 2025, appreciating nearly 16% against the US dollar. This significant gain, which brought the exchange rate to GH¢12.89 per dollar, has had a tangible impact on Ghana's economy. Lower import costs, resulting from the cedi's strength, have contributed to a drop in inflation to 21.2% – the lowest in eight months. It's worth noting that this appreciation came after a period of uncharacteristic stability in the cedi's foreign exchange rate, which the attached diagram illustrates.



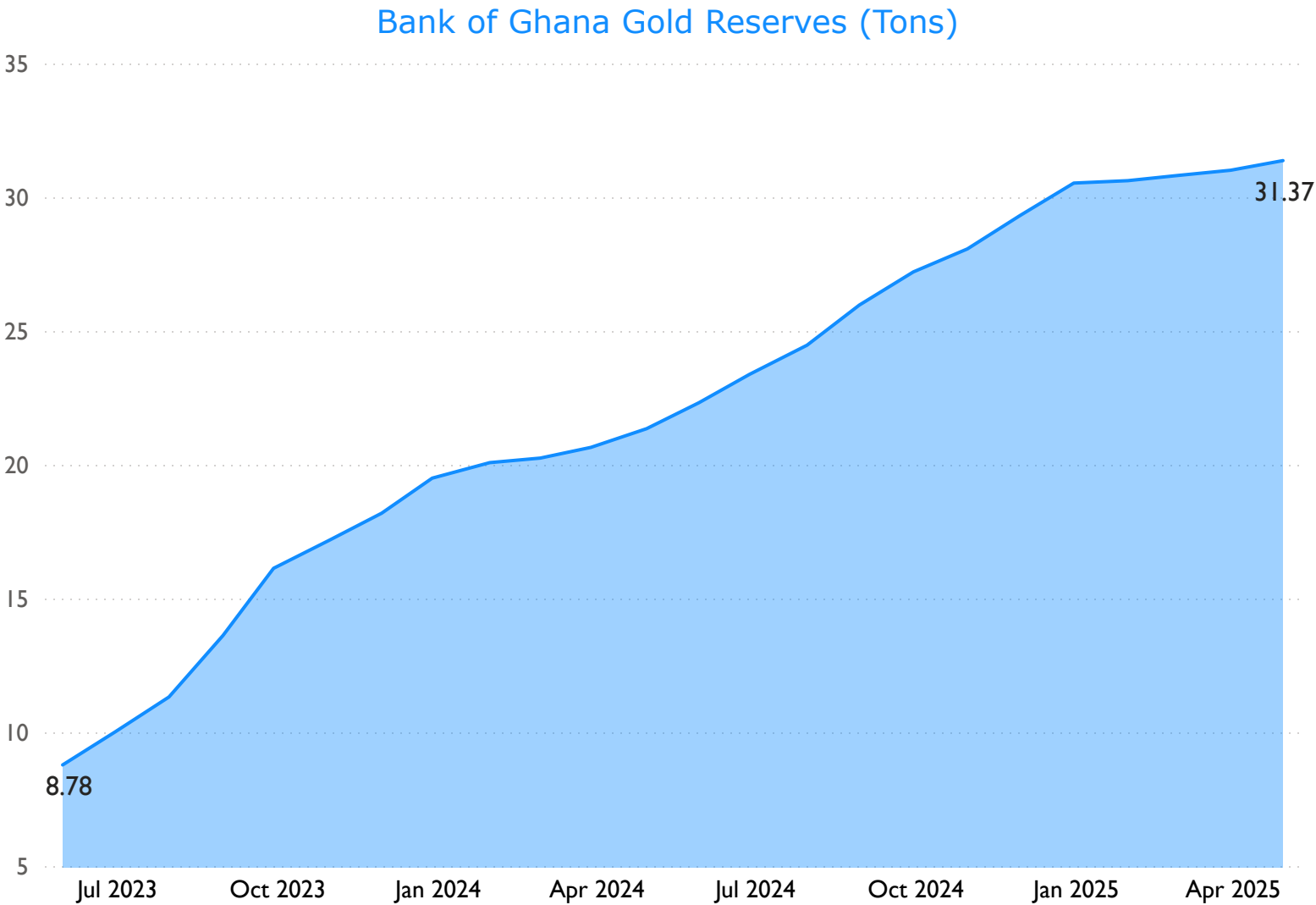
Below are five primary drivers that explain the Cedi's appreciation:

1. The GOLDBOD Initiative
2. Bank of Ghana's (BoG) Foreign Exchange Interventions
3. Fiscal Discipline
4. IMF Support and Economic Reforms
5. US Dollar Depreciation due to US Tariff War

## The GOLDBOD Initiative

The Ghana Gold Board (GoldBod), founded in the year 2025, has reached an agreement with nine additional large-scale mining companies to purchase 20% of their gold production to augment the nation’s gold and foreign reserves under the Bank of Ghana’s Domestic Gold Purchase Programme (DGPP). The build-up of gold within Ghana's reserves, facilitated by the DGPP, provides a stable asset base and increases confidence in the cedi. Complementing this, the Bank of Ghana's significant foreign exchange purchases from mines and international oil companies inject much-needed foreign currency into the economy. This increased supply of foreign exchange directly reduces the demand for foreign currencies, particularly the US dollar, which in turn strengthens the value of the cedi. In essence, the DGPP provides a solid foundation of gold reserves, while active foreign exchange purchases manage the supply and demand dynamics, contributing to the cedi's appreciation.

The diagram below illustrates how much the BoG's Gold Reserves have grown.



**Bank of Ghana's (BoG) Foreign Exchange Interventions** - In April 2025, the Bank of Ghana (BoG) implemented a comprehensive strategy to strengthen the cedi. A key component was the injection of \$490 million into the foreign exchange market, which increased the supply of US dollars and eased demand pressures. Concurrently, the BoG pursued tight liquidity measures, effectively reducing the amount of cedis in circulation. This dual approach—increased dollar supply and reduced cedi availability—directly addressed the fundamental supply and demand dynamics of the currency market, resulting in the cedi's appreciation against the US dollar. The interventions countered depreciation pressures and fostered a more stable and valuable cedi.

**Fiscal Discipline** - Complementing these monetary policy actions, the government, under Finance Minister Dr. Cassiel Ato Forson, demonstrated fiscal prudence. Reduced government spending, coupled with strong demand for Treasury Bills (GHS 7.27 billion bids against a GHS 6.15 billion target), signaled a commitment to fiscal discipline. This high demand for T-Bills led to declining yields (with the 91-day yield at 15.32%), reducing the pressure of debt servicing on the government's finances. This, in turn, indirectly supported the cedi by bolstering investor confidence and decreasing concerns about government solvency. In essence, the cedi's appreciation was driven by a combination of strategic monetary policy interventions and credible fiscal management.

**IMF Support and Economic Reforms** - Ghana recently secured a staff-level agreement with the International Monetary Fund (IMF) on the fourth review of its IMF-supported programme, which is expected to result in the disbursement of approximately \$370 million to support the country's economic recovery agenda.

**US Dollar Depreciation due to US Tariff War** - Amidst ongoing trade wars and geopolitical uncertainty, investors are increasingly moving away from the US dollar and seeking safe-haven assets like gold. This trend directly benefits Ghana, given its policy of increasing gold reserves through the Domestic Gold Purchase Programme. As investors globally flock to gold, Ghana's strengthened gold reserves enhance its financial security, diversify its reserve portfolio, and bolster its credibility in international markets, further contributing to the cedi's stability. Thus, the cedi's stability and appreciation are attributable to a combination of strategic monetary policy, fiscal prudence, the supportive framework provided by the IMF program, and favorable global economic trends.

In conclusion, the cedi's resilience and appreciation are the result of a multifaceted approach, encompassing strategic monetary and fiscal policies, the supportive IMF program, and tailwinds from global economic shifts favoring gold. This combination has created a more stable and promising economic outlook for Ghana.

## Sources

Historical Interbank FX Rates - Bank of Ghana

Gold Reserves Reporting – April 2025 - Bank of Ghana

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GITFiC Research Report: Analyzing the drivers of the Cedi's recent appreciation against the US dollar