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BRASSICA CAPITAL: INVESTOR INSIGHTS - GHANA’S ECONOMIC PULSE

Time Period from Aug 11, 2025 to Aug 15, 2025

1

Fitch Predicts Halt in Monetary Easing (H2 2026)

Fitch expects Ghana’s rate cuts to end in H2 2026 as inflation rebounds post-IMF, testing the country’s ability to sustain external balance without programme support.

2

Bank of Ghana Expands Gold Reserves to 34.4 Tonnes

BoG’s gold reserves rose to 34.4 tonnes in July 2025, a 4% monthly increase and nearly four times 2023 levels, driven by the Domestic Gold Purchase Programme to reduce FX dependence and support the cedi.

3

Fitch: Ghana’s Economic Stability Hinges on Gold Prices

Fitch highlights that gold makes up approximately 40% of Ghana’s exports, supporting reserves and the cedi, but warns this reliance leaves the economy vulnerable to global price swings.

4

World Bank Sees Opportunity for 0.6% GDP Revenue Increase in 2025

World Bank says Ghana could raise revenues by 0.6% of GDP in 2025 if budget reforms and tax measures are fully enforced.

Fitch Predicts Halt in Monetary Easing (H2 2026)

What Happened

Fitch Solutions projects the Bank of Ghana will keep lowering interest rates from 25% in July 2025 to about 20% by end-2026, with cuts continuing until mid-2026. The easing cycle is predicted to pause in H2 2026 with inflation forecast to rebound above the 6–10% target range, largely due to fading base effects and looser fiscal policy after the IMF programme ends in April 2026. The post-IMF period will test Ghana's ability to sustain external balances without programme linked support.

Why it Matters

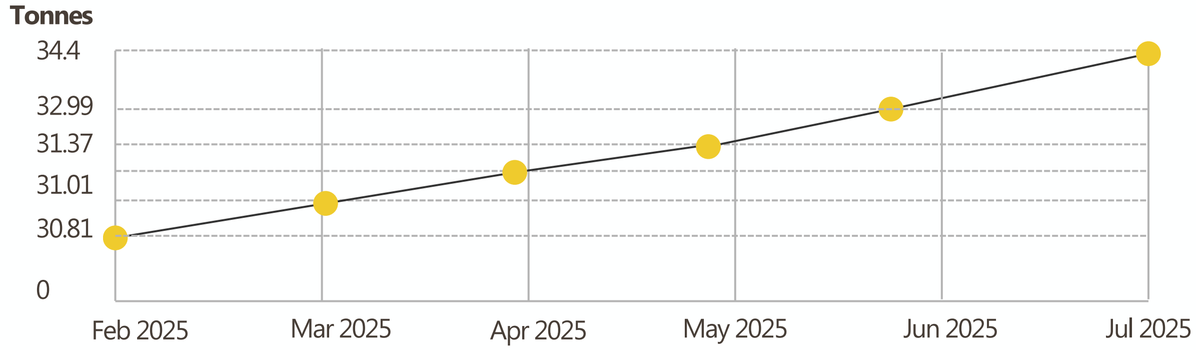
- **Borrowing Costs**: The low-rate environment will be temporary, with financing conditions tightening after mid-2026.
- **Market Timing**: Bonds and equities may perform strongly in H1 2026, especially in rate-sensitive sectors, but momentum could slow in H2.
- **Currency Stability**: Inflation pressure could weaken the cedi, affecting unhedged returns for foreign investors.

Brassica Capital's Take:

H1 2026 will likely be a prime period for growth and capital gains across equities and bonds. expansion and capital appreciation. Investors should pivot to inflation-resilient strategies in H2, such as inflation-linked bonds, exporters, and sectors with strong pricing power.
The first half of 2026 offers a potential growth and valuation boost across asset classes as MPC rates fall.
While Fitch's forecast aligns with current fiscal and inflation trends, there's room for a softer inflation outcome if commodity prices remain stable, other foreign exchange generating strategies are efficiently executed, and fiscal discipline is maintained post-IMF. In that scenario, easing could extend further into late 2026, prolonging the growth cycle.

Bank of Ghana Expands Gold Reserves to 34.4 Tonnes

Bank of Ghana Reserves



What Happened

The Bank of Ghana's gold holdings climbed to 34.4 tonnes in July 2025, up 4% from June and nearly quadruple 2023 levels. This surge is attributed to the Domestic Gold Purchase Programme, aimed at reducing reliance on foreign currency reserves and supporting the cedi.

Why it Matters

- **FX & Resilience**: Larger gold reserves strengthen the country's ability to defend its currency and cushion against external shocks.
- **Market Confidence**: Signals commitment to reserve diversification, which can boost investor sentiment.
- **Concentration Risk**: Gold now makes up around one-third of reserves, increasing vulnerability to price drops and liquidity constraints in times of crisis.

Brassica Capital's Take

The reserve build-up is a strong signal for macro stability, especially in the near term as gold prices remain high. For investors this supports a more stable currency environment for investment planning. However, to avoid exposure to a single commodity's volatility, Ghana should use gold reserves as a strategic buffer, not as the sole stability pillar. Ghana also needs to gradually diversify reserves and consider partial hedging to lock in value.

Fitch: Ghana’s Economic Stability Hinges on Gold Prices

What Happened

Fitch Solutions notes that gold accounts for about 40% of Ghana’s export earnings. High gold prices have bolstered reserves, supported the cedi, and helped manage inflation, but this dependency leaves the economy highly exposed to global price swings.

Why it Matters

- **Revenue Sensitivity:** Export income and government revenues could fall sharply if gold prices decline.
- **Macroeconomic Risks**: A price drop could weaken the cedi, raise import costs, and push inflation higher.
- **Structural Weakness**: Heavy reliance on one commodity limits the country’s ability to pursue independent economic policy and increases susceptibility to external shocks.

Brassica Capital’s Take:

The near-term macro environment is supported by strong gold prices, but long-term sustainability depends on reducing overreliance. Diversifying exports, building fiscal buffers, and managing mining sustainably should be policy priorities. Investors should monitor gold marketprice trends closely, as they remain the primary driver of Ghana’s macro-economic trajectory.

World Bank Sees Opportunity for 0.6% GDP Revenue Increase in 2025

What Happened

The World Bank estimates that full enforcement of Ghana's 2025 budget revenue measures such as stricter tax exemption rules, a comprehensive tax expenditure register, and upgrades to fiscal management systems (GIFMIS, GHANEPS, TSA) could increase government revenues by 0.6% of GDP.

Why it Matters

- **Fiscal Gains**: Additional revenue would help reduce the fiscal deficit, support debt servicing, and create fiscal space for public investment.
- **Governance**: Better oversight and transparency in tax and spending systems could improve investor confidence in governance and policy stability.
- **Debt Profile**: A stronger revenue base reduces reliance on domestic and external borrowing, lowering interest costs over time.

Brassica Capital's Take

Successful execution of these reforms could significantly improve fiscal sustainability and creditworthiness, potentially narrowing Ghana's sovereign bond spreads. Execution is the main risk; administrative bottlenecks, weak enforcement, political resistance, and tax evasion could dilute the gains. Investors should track reform progress as a key signal of policy credibility.

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