PRESS RELEASE – 14 FEBRUARY 2023

Volatile FX market hits UK charity investment in Sub-Saharan Africa

- **Ebury analysis shows in 2022, UK charities allocate most funds in local currencies to countries in Sub-Saharan Africa**
- **Most traded currencies see the pound lose purchasing power throughout the year, weakening investment potential**
- **Volatility of up to 27% emphasises the need for charities to put effective hedging strategies in place to lower currency risk, minimise fees and maximise funds**

Data from **Ebury, the global financial services firm**, reveals the top 5 most traded currencies traded by Ebury on behalf of UK-based charities and, therefore, the countries receiving the highest volume of payments.

All five currencies are used by countries in Sub-Saharan Africa: Uganda, South Africa, Kenya and Nigeria. The following countries use the Central African Franc: Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea and Gabon.

Top 5 Exotic currencies traded by charities

Currency	£value 1 Jan 2022	£value 1 Jan 2023	% Change	Volatility % change	£100,000 (in local currency) in 2022	£100,000 (in local currency) in 2023	Loss of £ power
South African Rand (ZAR)	21.5	20.4	-5.1	15.7	2,150,000	2,040,000	5392
Ugandan Shilling (UGX)	4786.8	4483.1	-6.3	17.3	478,680,000	448,310,000	6774
Central African Franc (XAF)	780.6	739.6	-5.3	9.6	78,060,000	73,960,000	5544
Kenyan Shilling (KES)	152.8	148.7	-2.7	21.3	15,280,000	14,870,000	2757
Nigerian Naira (NGN)	555	540	-2.7	24.1	55,500,000	54,000,000	2778

Analysis of the currency markets finds that all five currencies have posted improvements against the pound sterling in 2022. This means that UK charities sending money overseas to pay for charitable projects face a major challenge in optimising their fundraising to achieve their aims.

Charities deploying funds in Uganda will have seen a decrease of 6% in what they can buy for that money in nations using that currency, with a 5% drop for the Central African Franc.

This has a tangible impact on aid provision – a £100,000 spend in these countries respectively will buy £6,774 and £5,544 less in goods and services than a year ago.

Moreover, the currency pairs also experienced significant volatility throughout the year, with the Nigerian Naira seeing a swing of 24% between its high and low value against the pound. The South

African Rand (16%), Kenyan Shilling (21%) and Uganda Shilling (17%) also all saw double-digit differences between their best and worst spot rate.

Even though many charities use the US Dollar to avoid significant price swings, 2022 saw volatility across the GBP/USD pair of 29.5%, outstripping all five local currencies where charities are deploying most capital.

Cornelius Clarke, Head of Desk at Ebury and specialist in the NGO and charity sector, said charities must regularly reassess their FX strategy regardless of whether they are using USD or local currency, with the volatility demonstrating the huge price increases that can be incurred from spot trading.

"The sector has long experienced challenges in sending money overseas effectively to maximise the potential of the money they raise from the public, corporates and the government," he said.

"Without specialist knowledge and hedging solutions, charities and NGOs are left exposed to high conversion costs and transaction fees as well as volatility in currency markets.

"The whipsawing value of the pound at times last year has left a tangible impact on what their money can achieve in many nations, potentially leaving them thousands of pounds short of what they initially raised in the first place. Such margins are enough to endanger flagship projects and ambitious regeneration aims.

"An effective FX strategy does not only significantly reduce the cost of inefficient conversions. It also frees up more time for charities to focus on more important matters whilst benefiting from protection against negative market moves with a locked-in forward rate and opportunity.

"With rising energy and running costs as well as difficulties in recruiting and retaining staff amid a cost-of-living crisis, taking the stress out of their FX policy will give charities one less headache in 2023."

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About Ebury

Ebury is a fintech company offering financial solutions aimed mainly at SMEs and midcaps. It specialises in international payments and collections, offers foreign exchange activity in over 130 currencies for both major and emerging markets, as well as cash management strategies, trade finance, and foreign exchange risk management.

Founded in London in 2009 by Spanish entrepreneurs Juan Lobato and Salvador García, the company has grown its global market presence to a network of 32 offices in 21 countries and more than 1,300 employees. The volume of transactions executed by Ebury amounts to $21 billion annually.

Throughout its history, the company has received more than 25 international awards, including the Financial Times 1000 Europe's fastest-growing companies 2020 and The Sunday Times Tech Track 100. All these recognitions place Ebury as one of the leading European fintech companies.