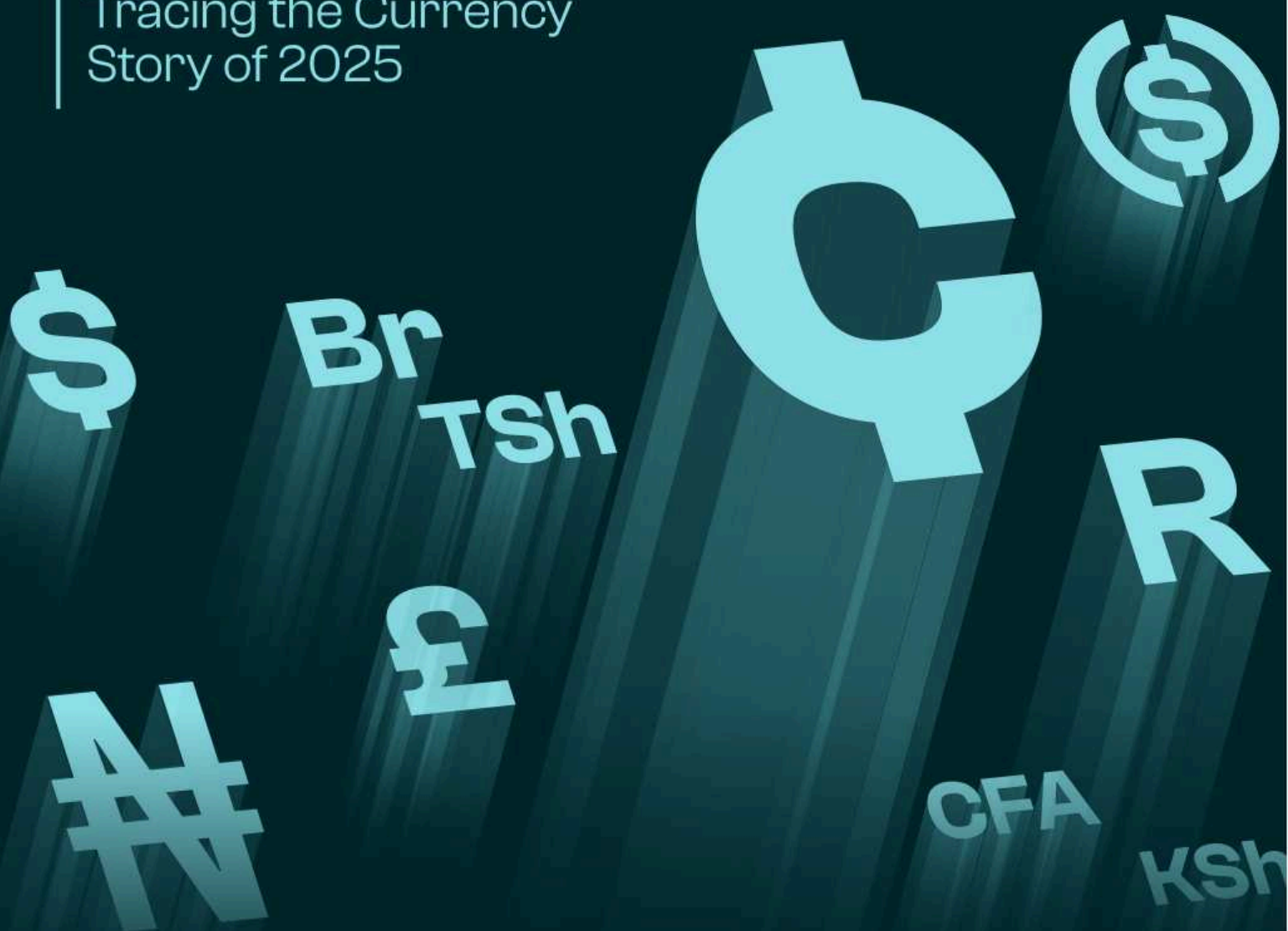


Africa Currency Report

Tracing the Currency
Story of 2025



Africa's foreign-exchange markets are entering a more consequential phase, one in which currency outcomes are no longer explained primarily by global cycles, but by the interaction of domestic policy credibility, market design, and structural resilience.

The Dollar's Fall and Africa's Rise: Tracing the Currency Story of 2025 is written against this backdrop: a year that tested long-standing assumptions about how African currencies behave, and revealed a continent increasingly defined by divergence rather than a single "Africa risk" narrative.

This report is intended as a practical, decision-oriented resource for investors, corporates, policymakers, and researchers who require a clearer framework for interpreting African FX moves in real time. It combines an Africa-wide dashboard with regional analysis, central bank intervention architecture, global spillover assessment, and deep dives into key currencies that shaped 2025. Importantly, it also examines the growing relevance of stablecoins and digital dollar rails, which are increasingly influencing FX micro-dynamics alongside traditional channels.

The core proposition is straightforward: policy and market structure are becoming the dominant differentiators. In 2025, several markets converted external tailwinds into durable gains through reform execution, disciplined intervention, and reserve-building strategies. Others, constrained by debt burdens, FX scarcity, climate vulnerability, or incomplete liberalization, experienced continued stress or only partial stabilization. This divergence is not a temporary anomaly, it is a sign that African FX is maturing into a more segmented landscape, where outcomes must be assessed country-by-country, not through broad regional generalizations.



Gino Egle

Group Head of FICC, One Africa Markets

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Executive Summary

The Dollar's Fall and Africa's Rise: Tracing the Currency Story of 2025 examines a pivotal shift in African foreign exchange dynamics during 2025.

For the first time in several years, multiple major African currencies appreciated against the U.S. dollar, led by a strong recovery in Ghana's Cedi and a new phase of relative stability for Nigeria's Naira.

While a softer U.S. dollar created a supportive external backdrop, the report finds that Africa's 2025 currency outcomes were primarily shaped by domestic reform execution, reserve strategy, and FX market architecture, resulting in a more differentiated and policy-sensitive continental FX landscape.

Continental FX performance in 2025

Currency outcomes across the continent were notably uneven, reflecting variations in reform credibility, commodity exposure, inflation trajectories, and reserve adequacy. The report's performance dashboard highlights strong appreciation among reform- and commodity-supported markets, including

Ghana GHS
+40.5%



DR Congo CDF
+27.56%



Zambia ZMW
+20.5%



South Africa ZAR
+13.78%



While other major currencies recorded more modest gains or near-flat performance, including

Nigeria NGN
+6.5%



Egypt EGP
+6.59%



Kenya KES
+0.26%



The central theme

Policy credibility became the key differentiator

A defining conclusion of the report is that 2025 marked the emergence of a policy-led FX regime in which credibility, expressed through coherent reforms, consistent monetary stance, and transparent FX market functioning, became as influential as global dollar cycles. In this environment, "Africa FX" increasingly behaved as a collection of country-specific stories rather than a single regional trade.

A new intervention model across African central banks

The report documents a broad evolution in central bank practice. Interventions increasingly shifted away from outright "rate defence" and toward rules-based liquidity provision, volatility management, and confidence-building within managed-floating regimes. This approach was most visible in economies navigating post-liberalisation conditions, where the policy objective became restoring market function and narrowing disorderly price dispersion rather than fixing a specific exchange rate level.

The dual-engine framework behind 2025 outcomes

The report documents a broad evolution in central bank practice. Interventions increasingly shifted away from outright "rate defence" and toward rules-based liquidity provision, volatility management, and confidence-building within managed-floating regimes. This approach was most visible in economies navigating post-liberalisation conditions, where the policy objective became restoring market function and narrowing disorderly price dispersion rather than fixing a specific exchange rate level.

The parallel FX layer: stablecoins and "digital dollarisation"

Beyond official markets, the report identifies the rapid rise of USD-denominated stablecoins as a meaningful structural overlay to Africa's FX ecosystem.

The report argues that stablecoins increasingly function as a secondary channel for storing value and settling cross-border payments, complicating traditional FX transmission and reinforcing the need for coherent regulatory frameworks.

approx. **\$205 Billion**

Cryptocurrency processed by
Sub-Saharan Africa

\$92.1 Billion

Cryptocurrency processed by Nigeria

2026 Outlook: Consolidation with asymmetric risks

For 2026, the report's base case anticipates consolidation rather than uninterrupted appreciation, with performance increasingly conditioned on sustained policy discipline, selective capital flows, and commodity price resilience. Forecast bands presented in the report include under the consolidation scenario

 Nigeria NGN

1,450-1,550

 Ghana GHS

10.00-10.50

 South Africa ZAR

16.50-18.50

 Egypt EGP

44-46

 Kenya KES

128-132

 Ethiopia ETB

150-165

 Rwanda RWF

1,320-1,350

Strategic implications

Investors

The opportunity set increasingly rewards policy credibility and real-yield quality, favouring disciplined reformers and liquid hedging proxies.

Corporates

Treasury strategy should transition from ad hoc crisis response to structured range-based FX planning, liquidity contingencies, and more active risk management tools.

Policymakers

Sustaining 2025 gains requires prioritising reserve adequacy, rules-based intervention, market deepening, and fit-for-purpose regulation that accounts for stablecoins and parallel rails.

Ghana's Macroeconomic Heat Map



Parallel Market

¢10.463/\$

MoM Period
▲ +7.62% Dec 2025

Official Market

¢10.5/\$

MoM Period
▲ +7.28% Dec 2025

FX Reserves

\$11.41 bn

MoM Period
▲ +0.3% Oct 2025

Gold Price

\$4,319.37

MoM As of
▲ +1.89 % Dec 2025

Foreign Direct Investment

\$535mn

QoQ Period
▲ +38.60 % Q2 2025

Total Debt Stock

\$57.79bn

MoM As of
▲ +4.89% Oct 2025

Inflation

5.39%

MoM Period
▲ +0.91% Dec 2025

GDP Growth (Real)

5.50%

QoQ Period
▲ +7.2% Q3 2025

Oil Production

60.05 kbpd

MoM Period
▼ -4.55% Oct 2025

MPR

18.00%

Period
Nov 2025

Unemployment

13.1%

Period
Q4 2024

GSE Market Cap

¢172.04bn

As of
Dec 2025

Nigeria's Macroeconomic Heat Map



GDP Growth (Real)

3.98%

QoQ Period
▲ +11.39% Q3 2025

FX Reserves

\$45.40 bn

MoM Period
▲ +1.9% Dec 2025

Inflation

14.5%

MoM Period
▲ +1.2 % Nov 2025

Capital Imports

\$5.64bn

QoQ Period
▲ +10.86 % Q1 2025

Total Debt Stock

₦152.4 trn

QoQ As of
▲ +2.02% Q2 2025

Parallel Market

₦1,444.5/\$

MoM Period
▼ -0.25% Dec 2025

Official Market

₦1,435.8/\$

MoM Period
▼ -0.76% Dec 2025

Oil Price (Brent)

\$60.85

MoM As of
▼ -3.72% Dec 2025

Oil Production

1.42 mbpd

MoM Period
▼ -0.98% Dec 2025

MPR

27.00%

Period
Oct 2025

Unemployment

4.3%

Period
Q2 2025

NGX Market Cap

₦98.38 trn

As of
Dec 2025

Africa-wide Currency Market Overview

African FX outcomes are increasingly shaped by domestic choices rather than global mood alone.

Africa's currency story in 2025 was defined by divergence, not uniformity, and the clearest headline was Ghana. The Cedi ended the year as the continent's best-performing currency, a result that signaled a wider shift.

A softer U.S. dollar and easier liquidity helped, but the decisive drivers were local: policy credibility, reform momentum, commodity exposure, and the strength (or fragility) of external buffers.



World Bank projecting Sub-Saharan Africa to grow by

3.8% in 2025

With the World Bank projecting Sub-Saharan Africa to grow by 3.8% in 2025, the region had a supportive macro backdrop. Still, countries split sharply between those that converted tailwinds into stability and those dragged down by debt stress, climate shocks, and weak external balances. For investors, the message was simple:

Africa's FX market is becoming more differentiated and more sensitive to policy execution.

Africa's FX market is becoming more differentiated and more sensitive to policy execution.

African Currency Performance in 2025

Source: OA Markets Research, Bloomberg



Currency performance across Africa was far from uniform, reflecting a spectrum of policy and commodity buffers.

A significant number of Sub-Saharan African economies have seen inflationary pressures wane in recent months, directly linked to currency appreciation against the US dollar over the course of 2025. However, the policy response has been varied, with central banks adopting looser stances in some countries while others maintained high rates to consolidate gains.

The following snapshot consolidates the performance and key fundamentals that defined 2025 for a selection of major and structurally relevant African currencies.

Continental Performance Dashboard

Country	YTD FX Performance (2025)	FX Regime	Inflation	Reserves (Months Cover)	Policy Rate (Q4 2025)
 Ghana (GHS)	40.5%	Managed Float	6.33%	\$11.4 billion	18.00%
Key Drivers IMF Programme Oversight, Gold-for-Reserves Strategy, Base-Effect Recovery					
 DR Congo (CDF)	27.56%	Managed Float	2%	\$7.4 billion	17.5%
Key Drivers Strict monetary policy, falling inflation, strong demand from high copper prices boosting mining revenues, Central Bank interventions selling USD, and government policies promoting CDF usage (like tax collection in local currency) to build confidence and reduce dollarization, supported by IMF programs aimed at fiscal discipline					
 Zambia (ZMW)	20.5%	Floating	10.9	\$5.1 billion	14.25%
Key Drivers Copper Price Support, IMF Deal Progress, Debt Restructuring Optimism					
 South Africa (ZAR)	13.78%	Floating	3.6%	\$70 billion	6.75%
Key Drivers Political Risk Post-Election, Carry Trade Appeal, Commodity Volatility, Disinflation					
CFA Zone (XOF/XAF)	11.85%	Currency Peg (EUR)			3.25%/4.5%
Key Drivers Favourable Growth, Low Inflation, Peg Stability (dollars weakness against the Euro), Political Risk in Key States					
 Egypt (EGP)	6.59%	Managed Float	12.3%	\$50.07 billion	22%
Key Drivers IMF Programme, Major Capital Inflows (e.g., UAE), External Debt Service					
 Nigeria (NGN)	6.5%	Managed Float	14.45%	\$45.4 billion	27.00%
Key Drivers FX Reform Gains, Reserves Accretion, Monetary Tightness					
 Kenya (KES)	0.26%	Floating	4.5%	\$12.29 billion	9.00%
Key Drivers Eurobond Refinancing Success, Diaspora Inflows, Central Bank Tightening					
 Botswana (BWP)	0.00%	Crawling Peg	3.8%	\$3.8 billion	3.50%
Key Drivers Diamond Sector Slump, Strong Fiscal Buffer, Monetary Discipline					



Regional Breakdown

The Resurgence of West Africa

A Reform-Driven Narrative

The Resurgence of West Africa | A Reform-Driven Narrative



West Africa produced the most compelling recovery narrative. Ghana's cedi captured the reform dividend, while Nigeria's naira strengthened as FX market changes, tighter monetary settings, and improved liquidity began to restore confidence. The CFA franc zones also benefited, appreciating alongside the euro through their peg.

Across the region, the common thread was adjustment: tighter policy, more credible frameworks, and reform pathways often reinforced by IMF anchors.

Ghana Cedi (GHS): The World's Best Currency Comeback

The Ghanaian Cedi's journey in 2025 was a story of dramatic policy-led recovery, transforming it from one of the world's worst-performing currencies in 2022 to the strongest-performing globally in 2025. This remarkable turnaround was driven by a coordinated fiscal and monetary response, supported by favourable external factors.



Currency Performance (2025)

40.5% appreciation against the US Dollar

Early 2025 (Peak)

GHc15.00 – GHc15.50 per USD



Late 2025 (Latest)

Just above GHc11.00 per USD

This appreciation sharply reduced the local currency cost of imports and provided significant relief on the inflation front.

GHS' 2025 Recovery

Source: Bloomberg



FX Regime: Managed Float Under IMF Oversight

Ghana operates a Managed Float exchange rate regime. However, in 2025, this regime was strictly overseen by the IMF's Extended Credit Facility (ECF) program, which enforced fiscal discipline and transparent FX operations. The Bank of Ghana (BoG) reinforced its forex regulations and shifted towards spot-market FX auctions to enhance dollar liquidity and curb speculative activity.

3. Macro Fundamentals

Disinflation and Policy Rate Easing

8.0% → 6.3%

Oct 2025

Nov 2025

11 Month Consecutive Decline

This success allowed the BoG to execute a decisive shift in its monetary policy.

Ghana's Inflation Rate

Source: Bloomberg



Cumulative Policy Rate Cut
1,000 basis points

Policy Rate Cut in November 2025
18.0%

Gross Reserves

~US\$6.0bn

Early 2024

~US\$11.41bn

Oct 2025

~4.7 months of import cover

Cocoa Receipts

US\$2.56bn

September 2025

Gold Prices

> US\$4,000/oz

September 2025

Nigerian Naira (NGN): Consolidation of Reform Gains

Nigeria's Naira in 2025 reflected a difficult but ultimately successful attempt to consolidate the radical FX market reforms initiated in 2024. The CBN's decisive pivot to a tight monetary policy, combined with a gradual increase in FX supply, stabilized the currency and restored a degree of market transparency.



The regime change was decisive. Nigeria moved into a unified, managed float through the Nigerian Foreign Exchange Market (NFEM), removing caps and stepping back from quasi-fiscal distortions. The tightening of the gap between official and street pricing signaled that unification was working.

Currency Performance (2025)

6.5%
appreciation against US Dollar

Inflation

14.45%
Nov 2025

Policy Rate Level

~27.00%
- 50 bps

Reserves

▲ US\$44.56bn

Primary Surplus Target

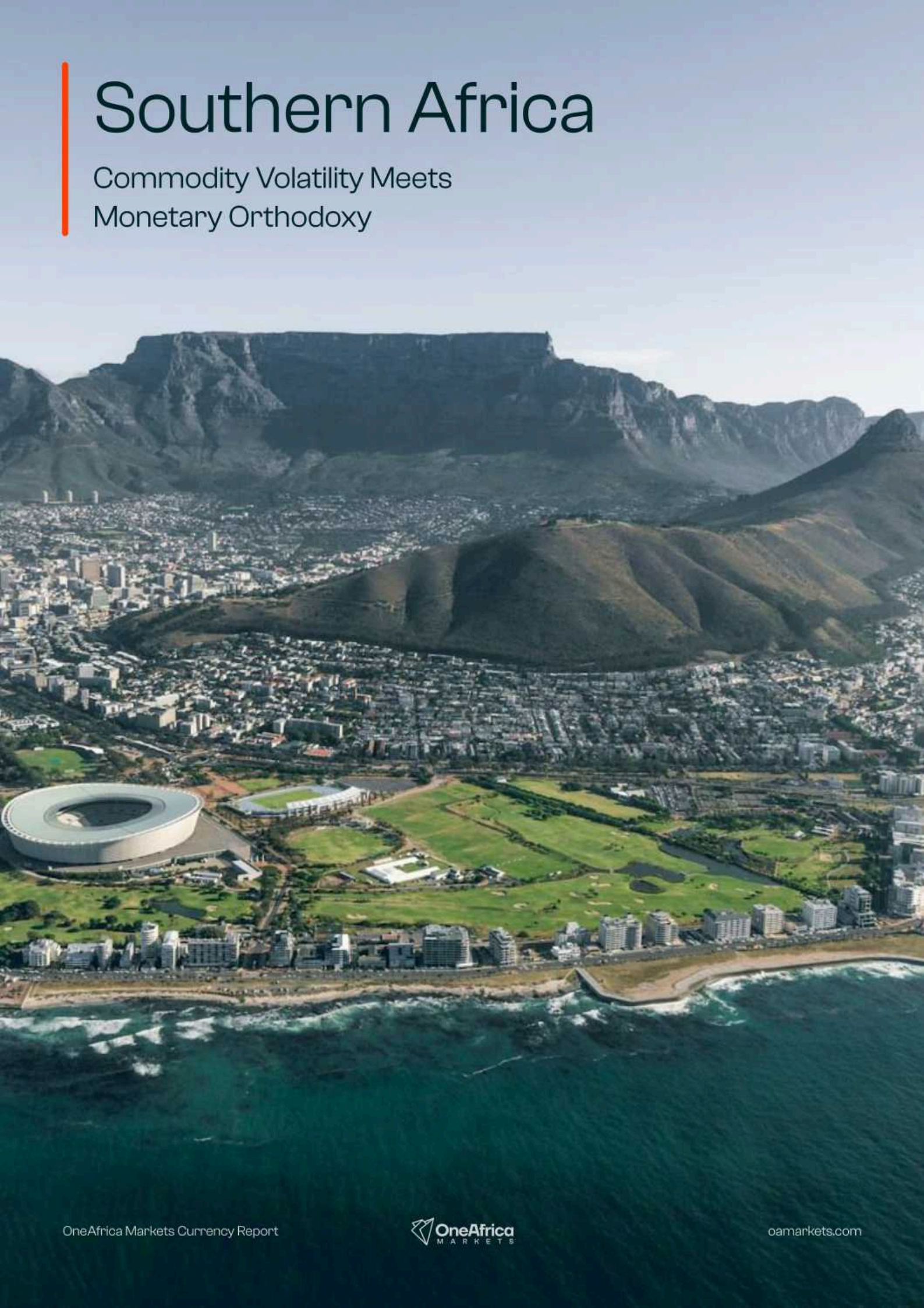
▲ 4.23%
Q2 2025

NFEM Rate

₦1,435.76
As of Dec 2025

Parallel-Market Rate

₦1,475
As of Dec 2025



Southern Africa

Commodity Volatility Meets
Monetary Orthodoxy



Southern Africa's currencies moved with commodities, but discipline shaped the amplitude. The rand gained from a softer dollar and carry appeal under high real rates. Zambia's kwacha stood out as copper prices improved sentiment and debt restructuring optimism strengthened the story.

Botswana's pula remained steady, though the diamond cycle exposed the limits of stability when a key export weakens. In this region, orthodoxy helped, but growth constraints and commodity volatility still set the rhythm.

ZAR, BWP, and ZMW performance in 2025

USDZAR BGN USDZMW REGN USDBWP BGN

Source: Bloomberg



The region's shared driver remains commodity exposure (copper for ZMW, diamonds for BWP, gold/platinum for ZAR) and a relatively high degree of monetary policy orthodoxy.



Gold Price Surge in 2025

Source: Bloomberg



Copper's Impressive Performance

Source: Bloomberg



Diamond Weak Performance in 2025

Source: Bloomberg



The Zambian Kwacha (ZMW) stood out as a strong performer, reflecting investor optimism around debt restructuring and the rebound in copper prices. The main challenge remains tepid domestic growth and the structural risk posed by the slowdown in the global diamond market, which affected the resilient Botswana Pula (BWP).

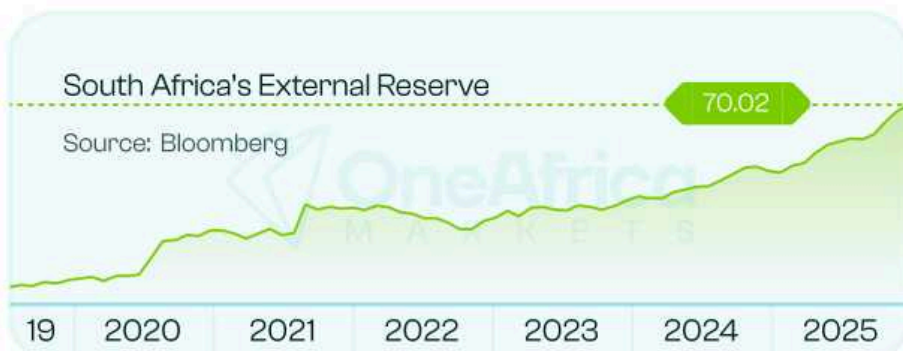
South African Rand (ZAR)

The High-Carry Commodity Proxy

The rand remains Africa's most liquid currency and the continent's preferred proxy for global risk, but in 2025 it also carried a more structural story: policy credibility and fiscal discipline began compressing the long-term risk premium.



Even with cuts, real rates stayed among the highest in the G20, keeping carry demand strong.



The two engines of ZAR performance were therefore technical and fundamental: carry-driven foreign inflows into local bonds, and ongoing correlation with commodity prices via exports like gold, platinum, and coal.

Currency Performance

~13.78%

appreciation against US Dollar

Trading At

R16.78/\$

mid-December 2025

Inflation Target Framework

3.0%

±1% band

Inflation

3.6%

Oct 2025

Repo Rate

6.75%

-100 bps

Gross FX Reserves

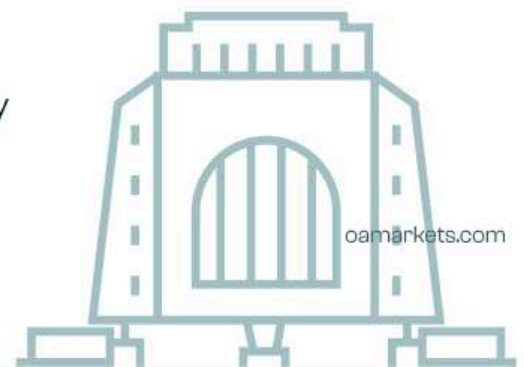
US\$72.07bn

Nov 2025

Primary Surplus Target

1.5% of GDP

for FY2026



North Africa

Anchoring on Capital Inflows and
Devaluation Fallout





North Africa was defined by the aftermath of major FX realignments. Egypt's Pound stabilized after a large devaluation, supported by capital inflows and an IMF-backed framework.

Morocco and Tunisia maintained relative strength through disciplined policy and deep European linkages. But the region's constraint remained constant: controlling inflation while servicing heavy external debt, especially where parallel markets and confidence gaps continue to distort price discovery

EGP's, MAD's, and TND's 2024 Performance

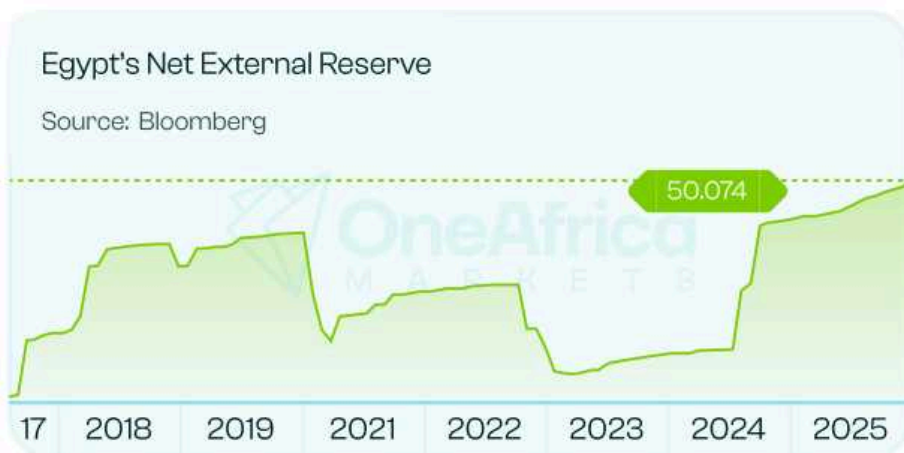
USDEGP REGN USDMAD BGN USDTND BGN

Source: Bloomberg



Egyptian Pound (EGP): The Stabilization Post-Shock

Egypt's 2025 FX narrative was about finding a floor after a brutal reset. Following the market-clearing devaluation of early 2024, the pound spent 2025 in stabilization mode. The core objective was not a triumphant rally; it was credibility, keeping the official market unified and preventing a return of the parallel premium.



Egypt formally operates a managed float, but the credibility test in 2025 was microstructural: the near-elimination of the parallel spread and the clearing of backlogs. The Central Bank of Egypt leaned more on interest rates than on heavy spot intervention, maintaining high nominal levels even after cutting through 2025.

Sentiment is cautiously optimistic: many investors see the adjustment as largely completed, with Egypt now priced more like a high-carry stabilization trade than a crisis currency.

Currency Performance

Inflation

12.3%

Nov 2025

Deposit Rate

21%

Nov 2025

Lending Rate

22%

Nov 2025

East Africa

Navigating Debt, Diaspora, and
Geopolitical Tensions





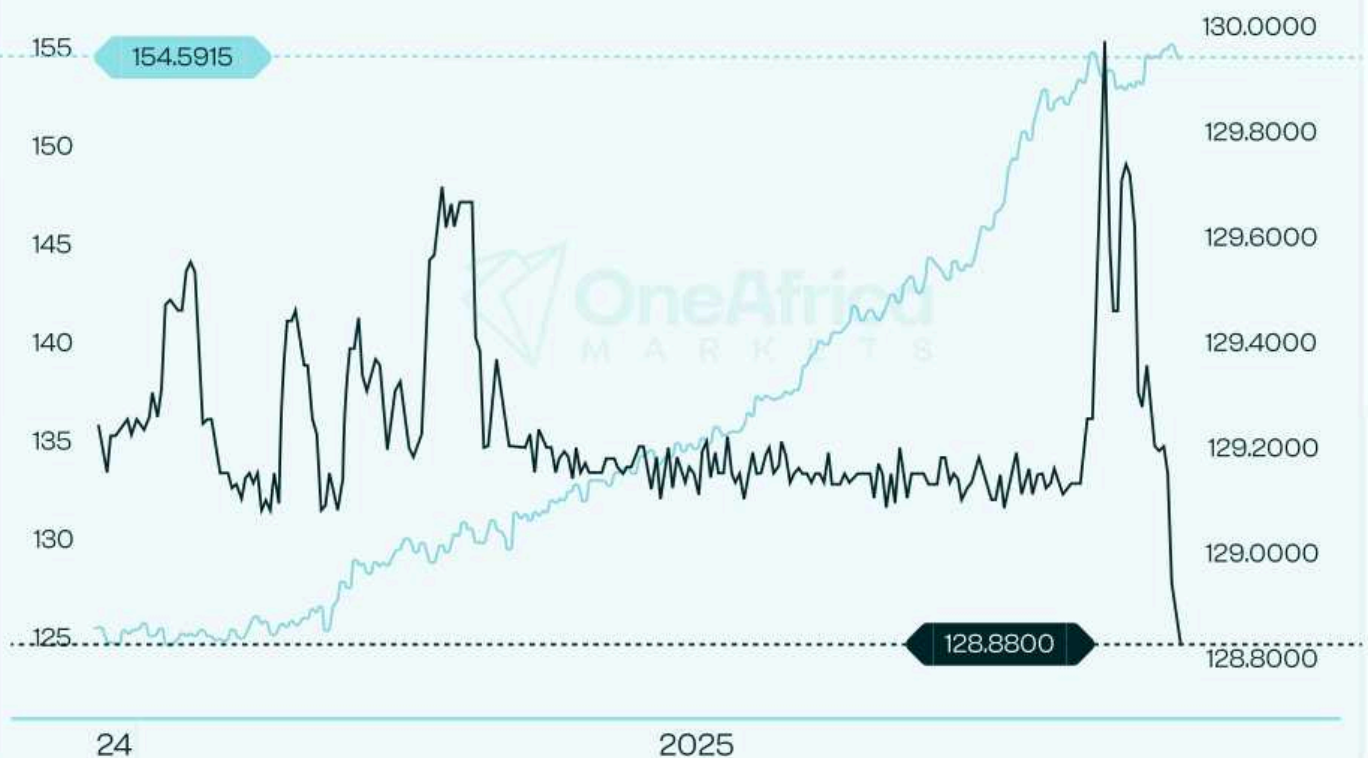
East Africa delivered mixed outcomes. Kenya's shilling held steadier on refinancing progress and durable remittance inflows. Ethiopia's birr stayed under pressure, reflecting the ongoing strain of liberalization and limited FX depth.

Across the region, the same vulnerabilities kept resurfacing, debt burdens, climate-sensitive agriculture, and FX earnings that can turn quickly when tourism, services, or exports weaken.

KES' and ETB's 2025 Performance

● USDKES ● USDETB

Source: Bloomberg



Kenyan Shilling (KES): Stability Through Financial Discipline

Kenya's 2025 story was not a rally; it was calm earned through credibility.

After the 2024 debt-cliff anxiety forced aggressive tightening, 2025 became a year of normalization.

The shilling held a tight range, reflecting the removal of refinancing fear and a market no longer dependent on extreme yields to stay stable.

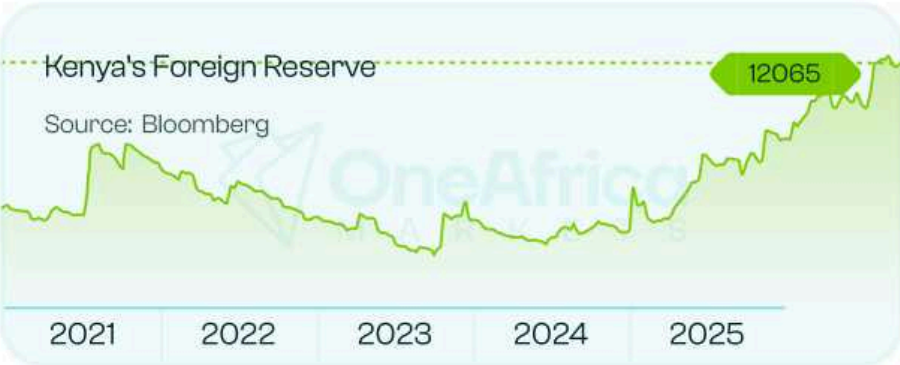
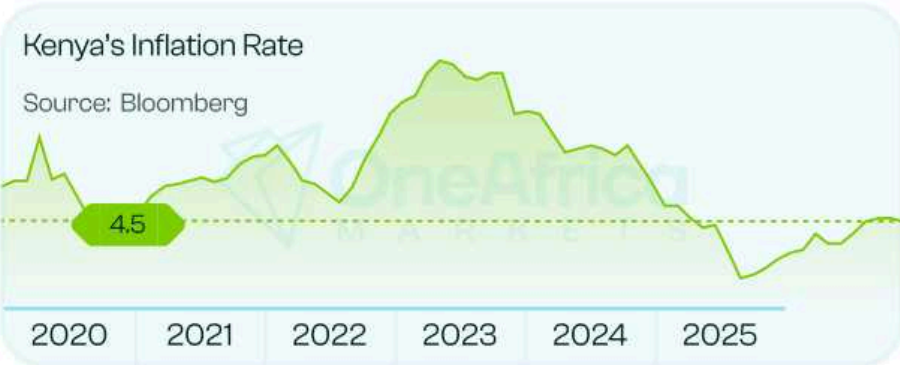
Currency Performance

KSh128/\$
Dec 2025

Kenya retained a managed float, but the policy stance changed decisively.

Buffers strengthened as external financing improved.

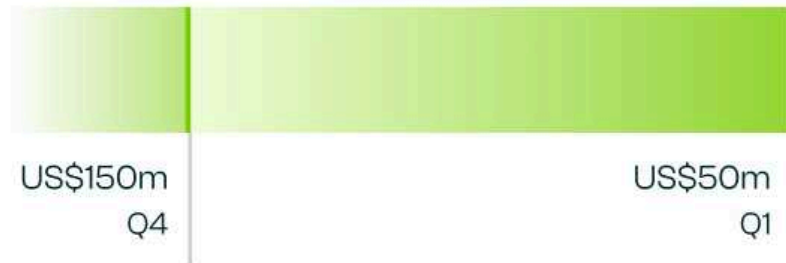
Two structural supports mattered most: the successful management of external debt refinancing, which compressed risk premia, and record diaspora remittances of about US\$5.08bn in the twelve months to October 2025, providing reliable FX flow.



Ethiopia Birr (ETB): The Challenge of Partial Liberalization



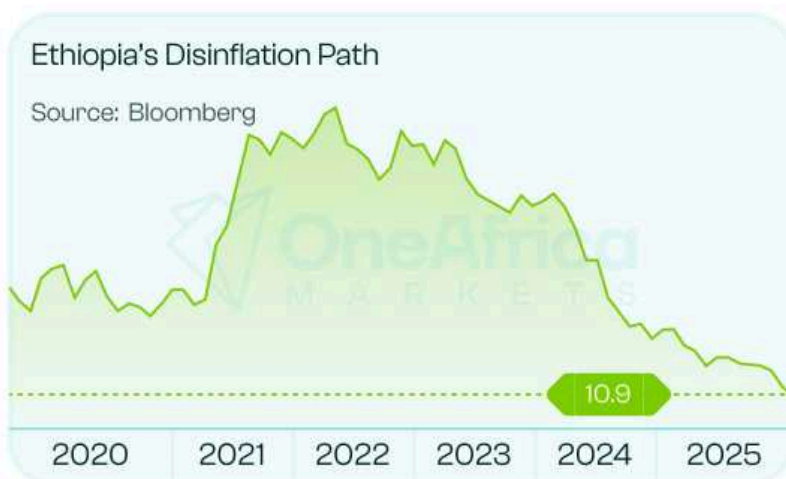
Ethiopia's birr was the continent's
weakest performer in 2025



The liberalization path ran through auctions. The National Bank of Ethiopia expanded bi-weekly FX auctions through 2025,

The year was defined by transition: moving away from a tightly managed system toward partial liberalization, while still operating under severe FX shortages and a persistent gap between official and parallel pricing.

▼ 18%
against the US Dollar



US\$420m
sold in FY25

These auctions improved access at the margin and nudged more flows into formal channels, but they did not fully meet demand, which is why the parallel premium re-widened—reaching about 17% by early May 2025 after initially narrowing.



Fitch reported sharp external rebalancing, with the current account deficit narrowing

US\$4.6bn

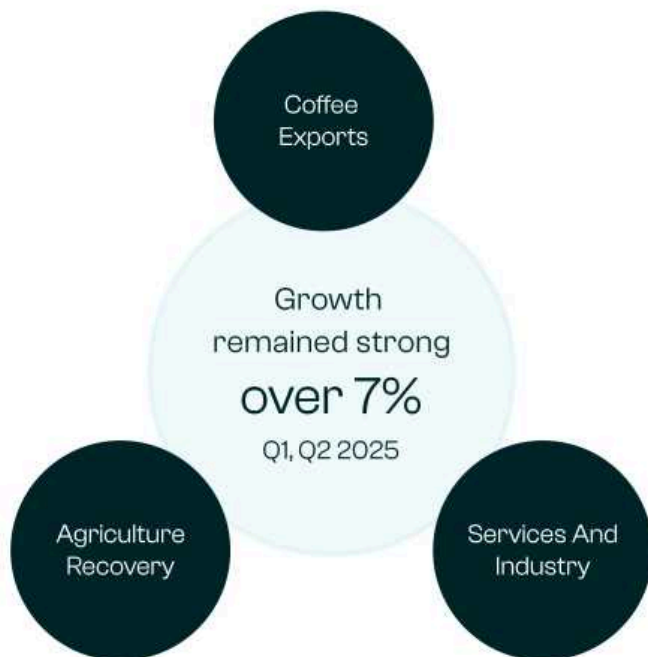
Reserves also rose, about two months of import cover, though net reserves remain constrained once liabilities are considered.

Rwanda Franc (RWF): Stability Amid Structural Depreciation



Rwanda's franc in 2025
did not strengthen;
it matured.

5% depreciation against
the US Dollar



Rwanda's Franc Poor Performance

Source: Bloomberg



Rwanda's Growing Reserve Balance

Source: Bloomberg



Rwanda's key risk lies in financing large infrastructure projects, particularly the New Kigali International Airport. S&P notes potential borrowing of up to US\$1.2bn between 2025–2028 to support RwandAir and fund the US\$2.6bn airport, linking sovereign financing directly to currency pressure.

To mitigate this, Rwanda has shifted toward grants, concessional financing, and FDI, reducing near-term debt risks despite higher refinancing costs over time.

Central Africa

CFA Stability Amid Oil Dependence





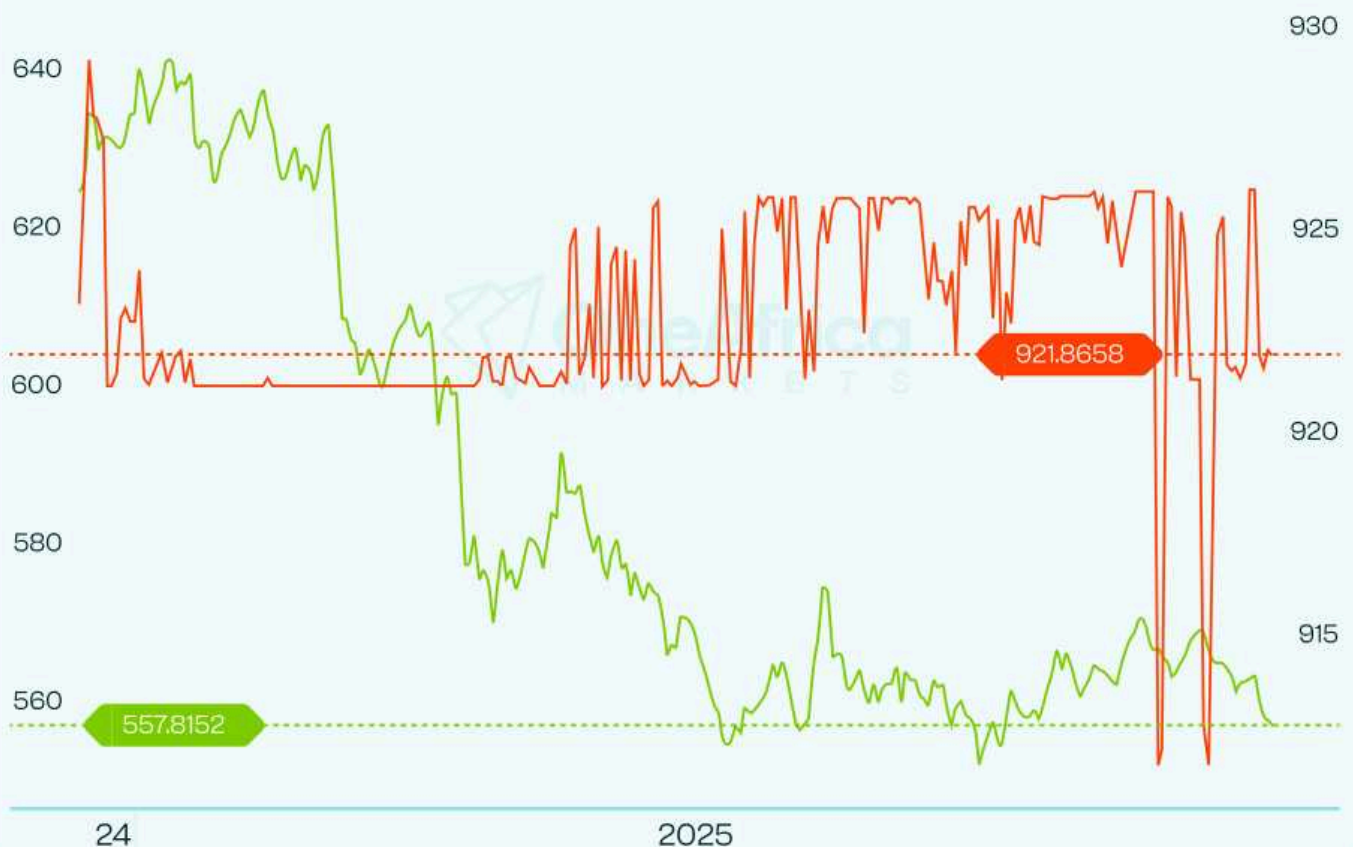
Central Africa's CFA peg kept XAF stability intact and gave policymakers room to ease as inflation softened. But the region's calm remains conditional: deep reliance on oil exports means external balances can deteriorate quickly when prices fall.

Angola's kwanza held firm on oil and tight policy, yet the underlying story is the same, without diversification, stability is often more cyclical than structural.

XAF and AOA Performance in 2025

● XAF ● USDAOA

Source: Bloomberg



Continental FX Themes Shaping 2025

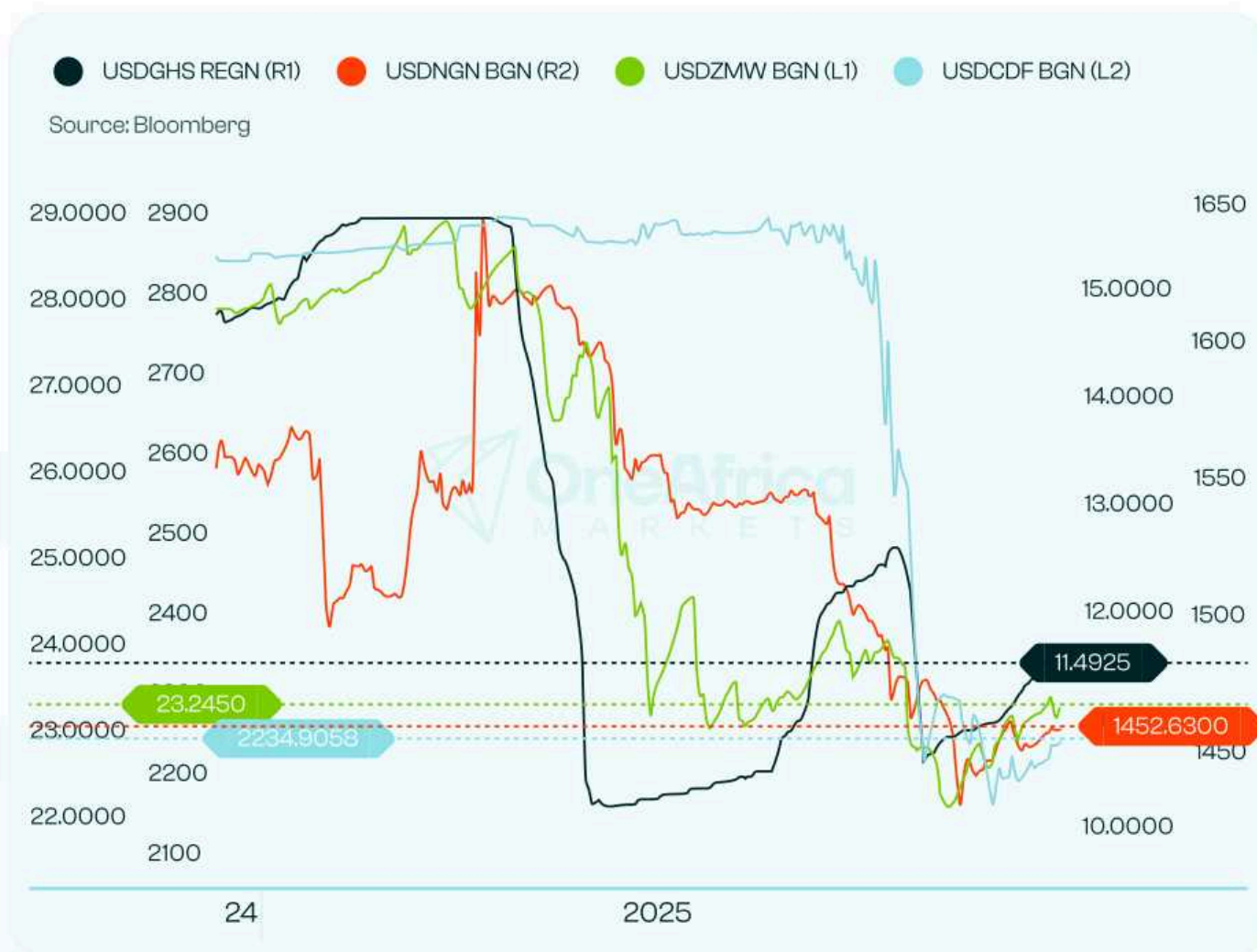


Continental FX Themes Shaping 2025

Five themes explained the year's price action more clearly than any single global factor.

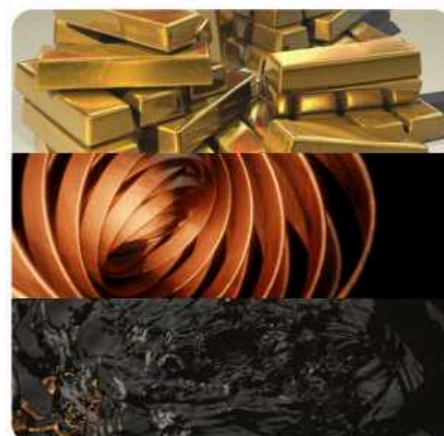
The Power of Policy Credibility: The Reform Out-performers

Policy credibility was the most valuable asset. Markets rewarded visible reform in Ghana, Nigeria, Zambia, and others by compressing risk and lifting currencies out of crisis pricing, proof that decisive adjustment can restore confidence faster than expected.



Commodity Divergence: Gold, Copper, and the Oil Lag

Commodity divergence sharpened winners and laggards. Gold and copper exporters enjoyed stronger external positions, while oil exporters saw less FX upside amid weaker pricing and limited diversification, reinforcing how concentrated export structures cap resilience.





IMF Influence: The External Anchor for FX Stability

IMF frameworks continued to function as credibility anchors. Beyond financing, the Fund's role was signalling discipline, reform commitment, and a clearer route to market access and refinancing, which reduced volatility for program countries.

Digital FX Evolution: Stablecoins Reshaping Micro-Dynamics

Digital FX quietly reshaped demand at the margins. Stablecoins expanded as practical tools for cross-border settlement and dollar liquidity but raised an increasingly important risk: digital dollarization that weakens local currency demand and complicates monetary control.



Climate & Agricultural Shock Sensitivity: Pressure on East Africa

Climate shocks became an FX variable, not a background risk. Where agriculture is rain-fed and export-linked, climate disruption quickly translates into weaker FX earnings, higher food import bills, and inflation that forces central banks into painful trade-offs.

FX Market Balance of Power (2025)

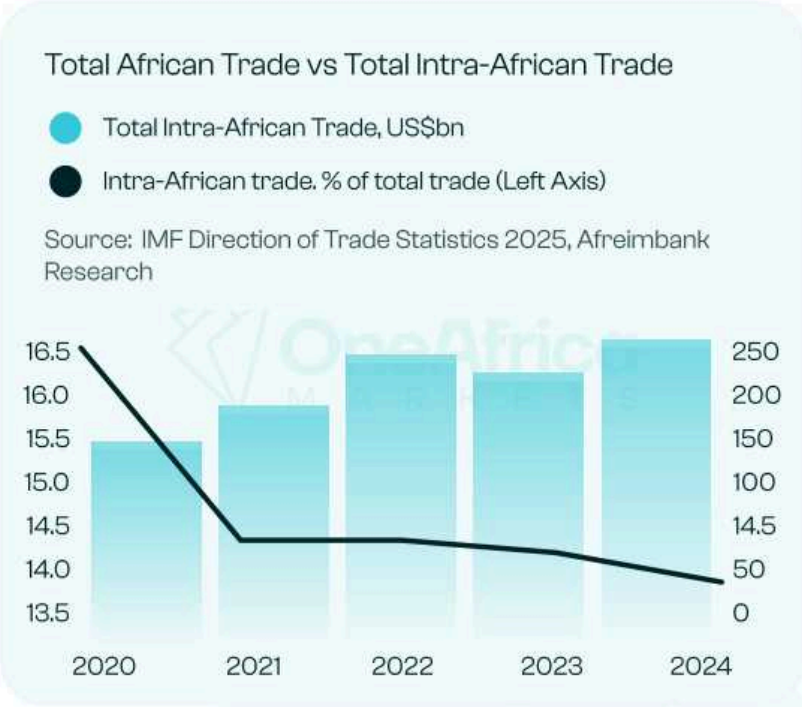
By the end of 2025, outcomes clustered into three camps.

The winners were countries that built buffers, stronger reserves or inflows, clearer FX rules, and reforms that turned tailwinds into durability.

In between sat the stabilizers: countries managing currencies within disciplined ranges to preserve predictability and rebuild buffers, less dramatic, but often more investable in a volatile environment.

The losers remained trapped by debt service, deficits, and policy drift, often forced into reserve depletion or monetary financing that rekindled currency pressure.

Intra-Africa Trade & Currency Flows



AfCFTA's goal of boosting intra-African trade depends on greater local-currency use, supported by Pan-African Payments and Settlement System (PAPSS), launched in 2022 as the continent's cross-border payments infrastructure.

In practice, uptake has been slow because entrenched concerns about devaluation risk and limited convertibility keep institutions reliant on dollar settlement for regional trade

	2022 (in US\$ billion)	2023 (in US\$ billion)	2024 (in US\$ billion)
Total Intra-African Exports	126.37	108.06	126.69
Total Intra-African Imports	81.96	87.98	93.63
Total Intra-African Trade	208.33	196.04	220.32

The Afreximbank and AfCFTA Secretariat have continued deployment efforts. However, until this crisis of trust and convertibility is addressed through policy harmonization and greater stability, digital trade scaling will remain constrained. This struggle contrasts sharply with the massive scale of domestic digital payments.

Mobile Money Sector



US\$1.68 trillion
processed in 2024

108 billion
transactions

The infrastructure for digital value transfer exists; the constraint on regional currency trade is purely regulatory and confidence based.

The lesson of 2025 is that devaluation is only the opening act. The premium closes sustainably only when follow-through is strong: real yields that reward holding local assets, restrictions that do not recreate bottlenecks, and reserves or inflows sufficient to meet legitimate demand without rationing. Where those conditions are missing, the parallel market remains the shadow price of policy credibility.



Gino Egle

Group Head of FICC, One Africa Markets

Cross-Africa FX Themes For 2025

Africa's FX market is no longer readable through year-to-date charts alone. The continent's pricing is maturing, and with that maturity comes a demand for sharper lenses: momentum, volatility, correlation, and the parallel-market premium, which remains the most honest referee of credibility and liquidity.

Momentum & Volatility Analysis

In 2025, the traditional relationship between African currency regimes and market performance was upended. Momentum was no longer dictated solely by commodity prices but by the speed and credibility of monetary policy normalization.

Momentum: The Recovery Arc

The highest positive momentum in 2025 was observed in a "dual-track" recovery:



Ghana

Cedi remained a global outlier, extending a multi-quarter rally anchored on debt restructuring, disinflation, and restored confidence



South Africa

Late-year re-rating, with the rand emerging as a momentum leader on stronger policy signalling, record reserves (~US\$72.07bn), and exit from the FATF grey list, lowering the long-term risk premium



Nigeria

A stabilisation story rather than a breakout—the naira shifted from rapid depreciation to a steadier recovery as reforms matured, supported by a 27.00% policy rate that sustained its role as the continent's leading carry trade

Volatility: The Trade-off Between Pegs and Floats

Lowest Volatility

Pegs and tightly managed regimes

CFA franc zones stayed structurally low-vol due to an external anchor

Morocco and Botswana suppressed swings through disciplined management and buffers

Middle Category

"Managed volatility" regimes that avoided episodic collapse.

Kenya and Egypt reduced step-devaluations by clearing backlogs and improving market matching, allowing smaller, continuous adjustments

Highest Volatility

Concentrated in fragmented systems, not genuine floats

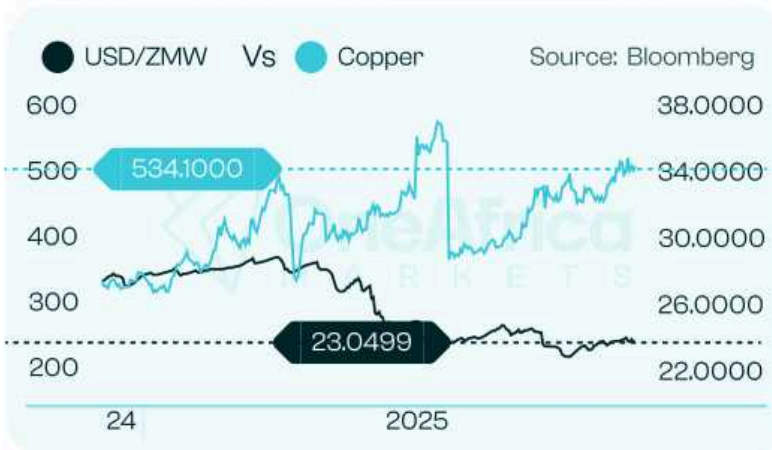
Ethiopia and Angola saw swings driven by FX scarcity and dual pricing, reflecting unfinished unification of official and parallel markets

Correlation Matrix: Identifying Structural Linkages

Correlation in 2025 offered a practical guide to hedging because it revealed what still behaves like a proxy and what has become its own story.

Commodity links remained powerful for the classic exporters. The rand tracked gold and industrial metals closely, while Zambia's kwacha stayed tied to copper and Ghana's cedi retained a clear link to gold; relationships that still make these currencies tradable expressions of global resource allocation.

Nigeria's correlation with oil weakened compared with prior cycles, not because oil stopped mattering, but because domestic reform, liquidity clearing, and tight monetary policy dominated price formation.



Correlation with USD and Global Risk

The weakening of DXY through 2025 created a broad tailwind, but its impact varied sharply.

DXY's Strong Correlation with the ZAR

● DXY ● ZAR

Source: Bloomberg



The rand and cedi remained strongly negatively correlated with the dollar, meaning a softer USD amplified the gains from domestic reform and commodity support.

South Africa's rand also kept its special status as Africa's global risk barometer, swinging with risk-on/risk-off shifts and retaining a high relationship with global risk sentiment.

DXY's Strong Correlation with the GHS

● DXY ● GHS

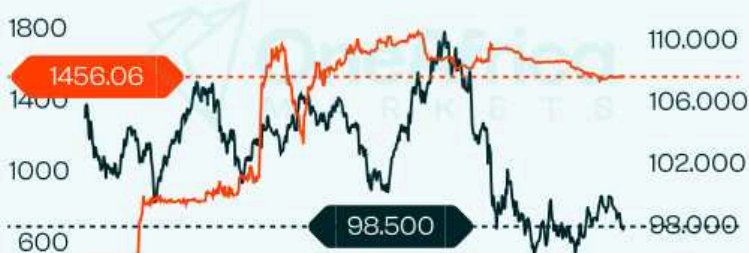
Source: Bloomberg



DXY's Weak Correlation with the NGN

● DXY ● NGN

Source: Bloomberg



The naira, by contrast, showed far less sensitivity to DXY even when viewed since liberalization, because its valuation was being driven primarily by internal reform credibility and yield differentials rather than global dollar cycles.

Regional linkages continued to transmit risk mechanically within blocs. In the Common Monetary Area, currencies like the LSL and NAD essentially inherit the rand's profile through their peg. In WAEMU and CEMAC, the CFA zones remain synchronized with euro dynamics, meaning their currency story is written more in Frankfurt than in intra-African shocks.

One Africa Markets' Africa FX Strength Index (ACSI)

Source: One Africa Markets' Research



Jan–May 2024

Broad sell-off amid strong USD and major FX repricing; Egypt devalued on Mar 6, Ghana faced Feb–Mar FX pressure, and Nigeria's naira weakened during reform.

Mar/Apr–Jul/Aug 2025

Sharp rebound driven by ~10% H1 2025 USD decline, stronger FX buffers (incl. Ghana's >US\$3.6bn gold inflows), improved financing access, and renewed portfolio inflows.

Dec 2025–Jan 2026

Renewed advance as global financial conditions eased following multiple Fed rate cuts in 2025.

Late-2024–Feb 2025

Extended weakness as strong USD conditions persisted; Ghana debt uncertainty and Suez-related FX shocks weighed on sentiment.

Sep–Oct 2025

Temporary pullback consistent with risk-on/risk-off rotation.

One Africa Markets' African Currency Volatility Index (AFXVX)

Source: One Africa Markets' Research



Early 2024

Volatility spike peaking around ~2.6–2.7%, driven by major FX repricing — Egypt's Mar 2024 move to a floating regime, Nigeria's highly volatile naira repricing through H1 2024, and Kenya's Q1 2024 funding-related FX stress.

Spring 2025

Event-driven uptick following early-April 2025 tariff announcements, triggering a global risk-off shock and tighter financial conditions.

Late 2024

Volatility compressed toward ~1.0–1.3% as post-adjustment stabilization set in, supported by improving fundamentals and credibility, notably Ghana's IMF-backed progress on inflation and debt restructuring.

Mid-Late 2025

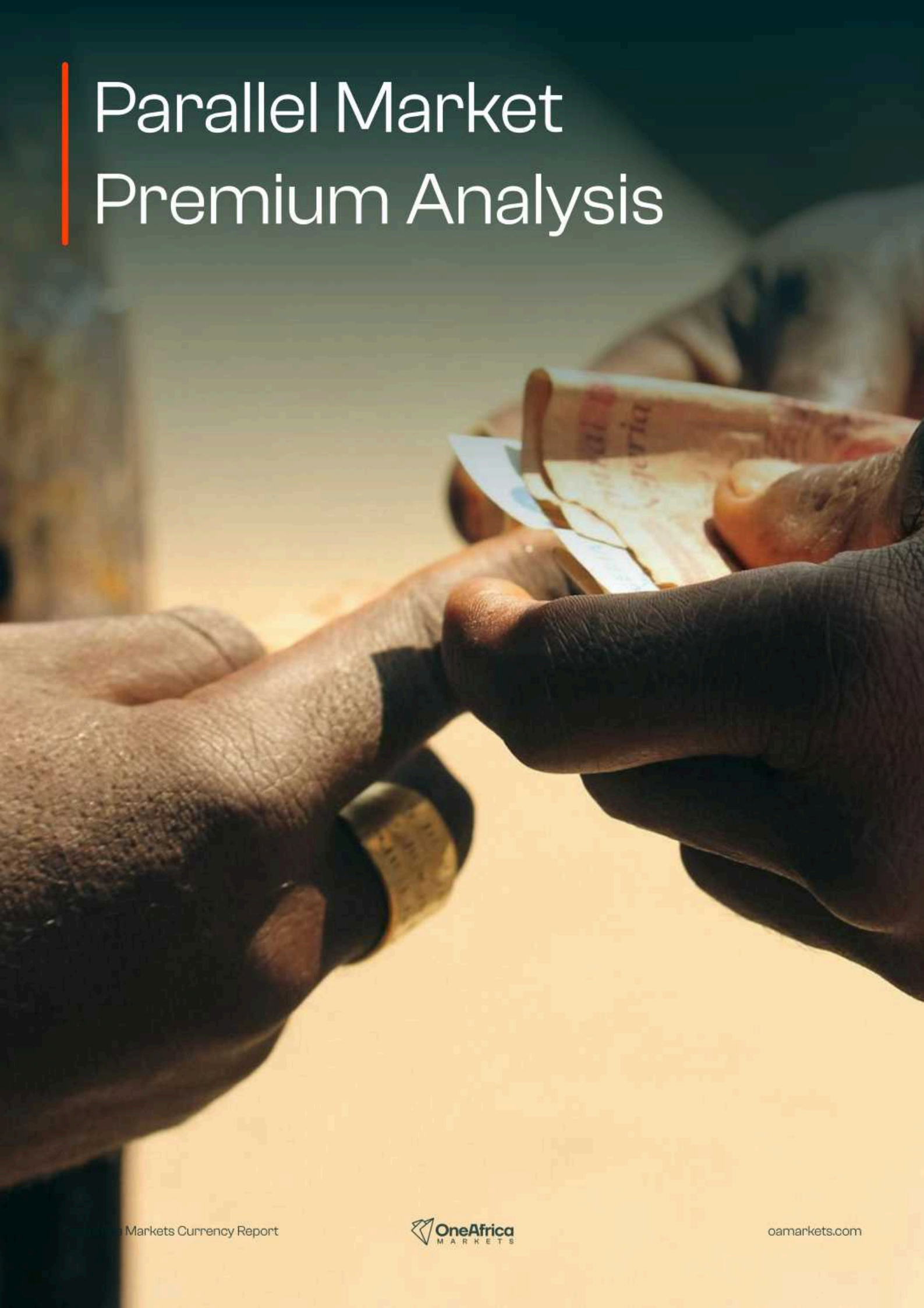
Renewed and persistent volatility linked to May 2025 regional FX weakness (per Afreximbank), South Africa's fiscal/political uncertainty (incl. Feb 2025 budget disruption), ongoing macro shocks (e.g., Zambia's drought-related stress), and higher refinancing sensitivity extending into 2026.

The lesson of 2025 is that devaluation is only the opening act. The premium closes sustainably only when follow-through is strong: real yields that reward holding local assets, restrictions that do not recreate bottlenecks, and reserves or inflows sufficient to meet legitimate demand without rationing. Where those conditions are missing, the parallel market remains the shadow price of policy credibility.



Gino Egle

Group Head of FICC, One Africa Markets



Parallel Market Premium Analysis

Parallel Market Premium Analysis

Where floats were paired with tight money, credible rules, and adequate reserves, premiums collapsed. Where structural scarcity persisted, the premium remained the market's way of saying, "official pricing is not the true price."



Egypt (EGP)

Premium Status (Post-Reform)

Effectively Closed (< 1%)

Key Driver of Premium Trend

Unified Market

Major, decisive devaluation coupled with immediate, large-scale capital inflows (FDI), formal interbank trading is now the dominant channel.

Implications

Sustained stabilization and restored official market functionality.



Ghana (GHS)

Premium Status (Post-Stabilization)

Moderate but Narrowing (~5%–10%)

Key Driver of Premium Trend

Managed Stabilization

In mid-2025, the Cedi strengthened significantly due to tighter monetary policy, increased FX inflows from gold exports and IMF support, and stronger reserves. While this eased major market distortions, ongoing FX demand and informal market segmentation sustained a small parallel market premium.

Implications

Premium now reflects episodic liquidity tightness rather than structural mispricing. Market functioning largely restored, though full convergence depends on sustained FX supply and policy credibility.



Nigeria (NGN)

Premium Status (Post-Reform)

Significantly Reduced (c. 2.5% - 5%)

Key Driver of Premium Trend

Stability Anchored

Unification efforts and the Electronic Foreign Exchange Matching System (EFEMS) integrated formal pricing, high interest rates (27.00%), and successful clearing of FX backlogs.

Implications

Policy credibility restored; premium now residual, reflecting relatively lower supply/demand frictions.



Ethiopia (ETB)

Premium Status (Post-Reform)

Moderating but Persistent (13.5% – 16%)

Key Driver of Premium Trend

Transitional Strain

Premium fell from 18.4% in July to ~13.7% in September; record auctions of US\$150M briefly steady the market, but structural scarcity remains.

Implications

Protracted adjustment process similar to Angola's transition, indicating the need for broader structural reform.

The lesson of 2025 is that devaluation is only the opening act. The premium closes sustainably only when follow-through is strong: real yields that reward holding local assets, restrictions that do not recreate bottlenecks, and reserves or inflows sufficient to meet legitimate demand without rationing. Where those conditions are missing, the parallel market remains the shadow price of policy credibility.



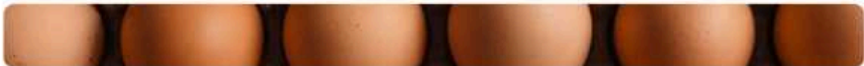
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The PPP (Purchasing Power Parity) Reality Check

This PPP-based check allows us to contrast headline exchange-rate performance with the price reality facing households in local retail markets.

Category Food

Period	US Price (\$)	Nigeria Price (₦)	Item Implied-PPP Exchange Rate (₦)	Ghana Price (¢)	Item Implied-PPP Exchange Rate (¢)
Rice (per pound)					
Jan-25	1.08	726.00	673.47	2.95	2.74
Sep-25	1.06	920.00	867.92	4.79	4.52
Change			-28.87%		-65.13%
Chicken Breast (per pound)					
Jan-25	4.18	1,134.00	271.29	15.33	3.67
Sep-25	4.17	1,220.00	292.57	15.86	3.80
Change			-7.84%		-3.71%
Beef (per pound)					
Jan-25	5.67	2,790.00	492.06	46.09	8.13
Sep-25	6.32	3,112.00	492.41	46.09	7.29
Change			-0.07%		10.28%
Egg (per dozen)					
Jan-25	4.95	3,000.00	606.06	42.00	8.48
Sep-25	3.49	3,250.00	931.23	22.00	6.30
Change			-53.65%		25.71%

The PPP Reality Check

Category Energy

Period	US Price (\$)	Nigeria Price (₦)	Item Implied-PPP Exchange Rate (₦)	Ghana Price (¢)	Item Implied-PPP Exchange Rate (¢)
 Gasoline/PMS (per US gallon)					
Jan-25	3.08	4,763.00	1,546.43	59.58	19.34
Sep-25	3.17	3,274.00	1,032.81	51.75	16.32
Change			33.21%		15.61%
 Electricity (per kWh)					
Jan-25	0.16	209.50	1,314.30	0.80	4.99
Sep-25	0.14	160.00	1,124.39	0.80	5.65
Change			14.45%		-13.34%

PPP-implied signals

The cedi and naira looked stronger in FX markets than retail food and energy prices would justify.

Household reality

The FX turnaround did not translate proportionately into lower living costs; food and fuel prices absorbed much of the gain.

Transmission gap

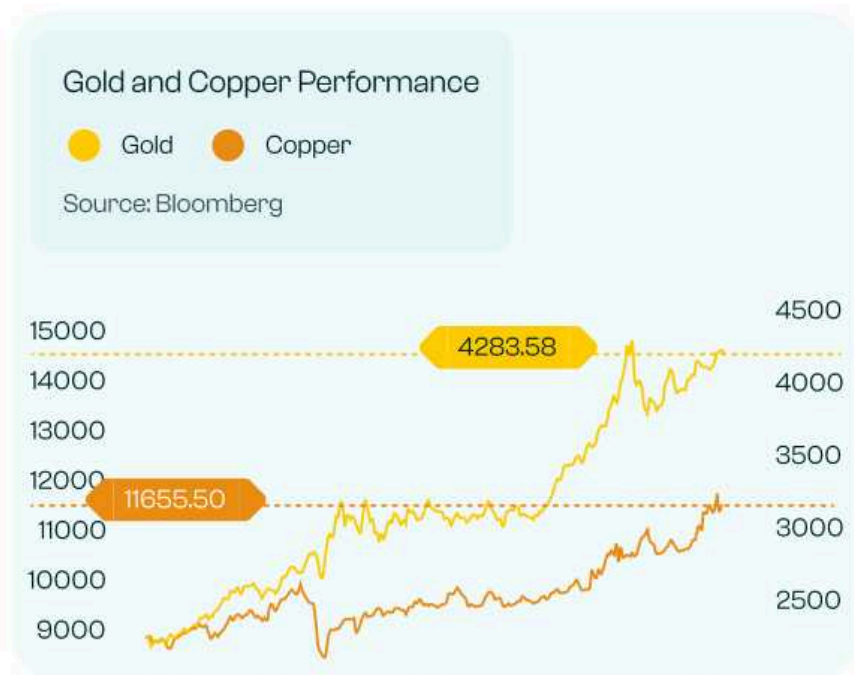
FX improvements filtered through slowly and unevenly, constrained by market concentration, supply bottlenecks, taxes, logistics costs, and sticky legacy inflation.

The PPP exercise is deliberately simple and not predictive, but it captures the gap that defined much of 2025: currencies can stabilize faster than living standards, and FX credibility can return long before households feel relief.

Commodity Markets & Africa FX Stratification of Returns

Commodities did what they often do in Africa: they sorted currencies into categories.

Gold and Copper: The FX Windfall



Copper

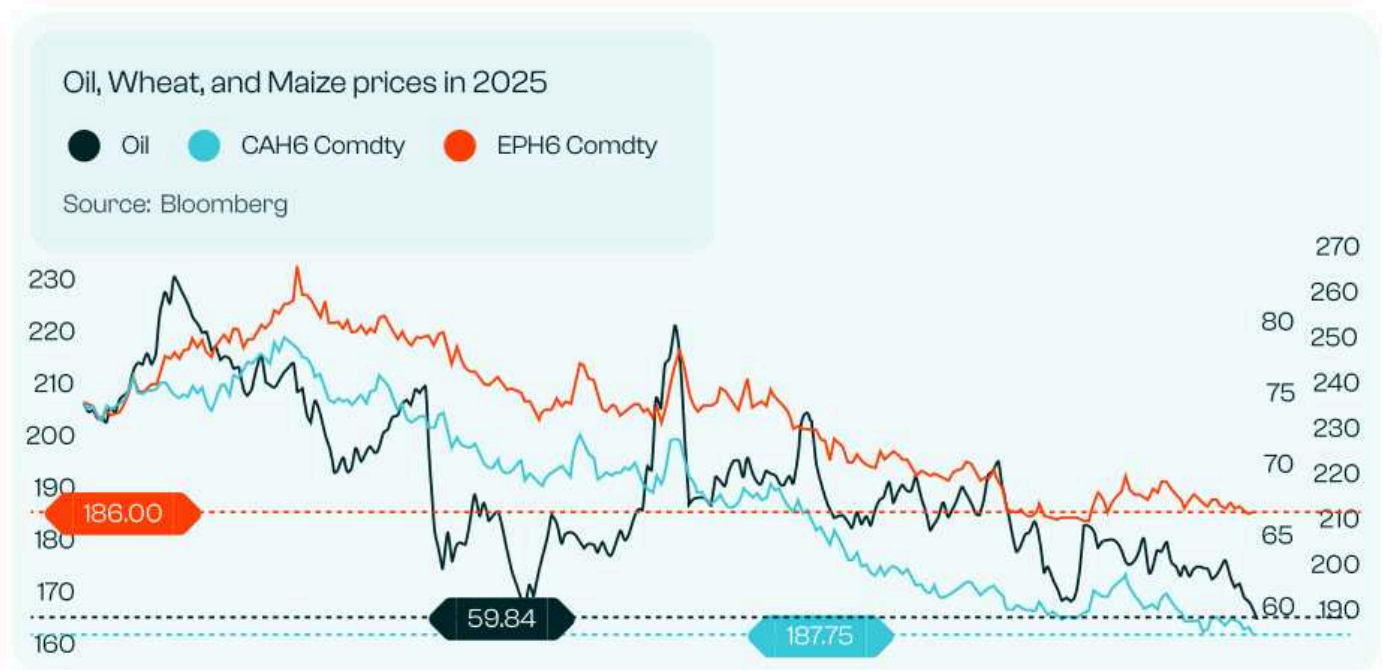
Strong prices, tight global supply-demand, supported Zambia and Southern African FX stability, boosting reserves.



Gold

Elevated prices strengthened reserves for West African producers like Ghana, reinforcing intervention capacity and macro fundamentals.

Oil and Soft Commodities: Price Volatility



Oil

Modest price softening limited FX gains for oil exporters despite higher output.



Food staples

Easing prices (wheat, maize) reduced import inflation, supporting currencies in North and East Africa.



Cocoa & coffee

Added volatility; FX outcomes depended on export diversification versus concentration and exposure.



Stablecoin Adoption In Africa

The New Money Economy(Digital Dollar) And Its
Effects On The Parallel FX Market



Sub-Saharan Africa ranks as the **third most active crypto region** while representing only ~2% of global crypto flows.

Dollar-denominated stablecoins continued expanding in 2025, functioning as store of value, payment rail, and cross-border settlement. Sub-Saharan Africa remains small in global crypto share, but ranks among the fastest-growing regions by adoption pace.

Transaction Volume

US\$205b

Jul 2024 – Jun 2025

Growth Rate

▲ ~52%

vs the prior 12-month period.

Total Monthly Value Received by Sub-Saharan Africa
(Jul 2022-Jun 2025)

Source: Chainalysis



Nigeria | Stablecoin Superpower in a Scarce FX Environment

Total Crypto Transaction Value

US\$92.1bn

Jul 2024–Jun 2025

Stablecoin Transactions

US\$22bn

Jul 2023–Jun 2024

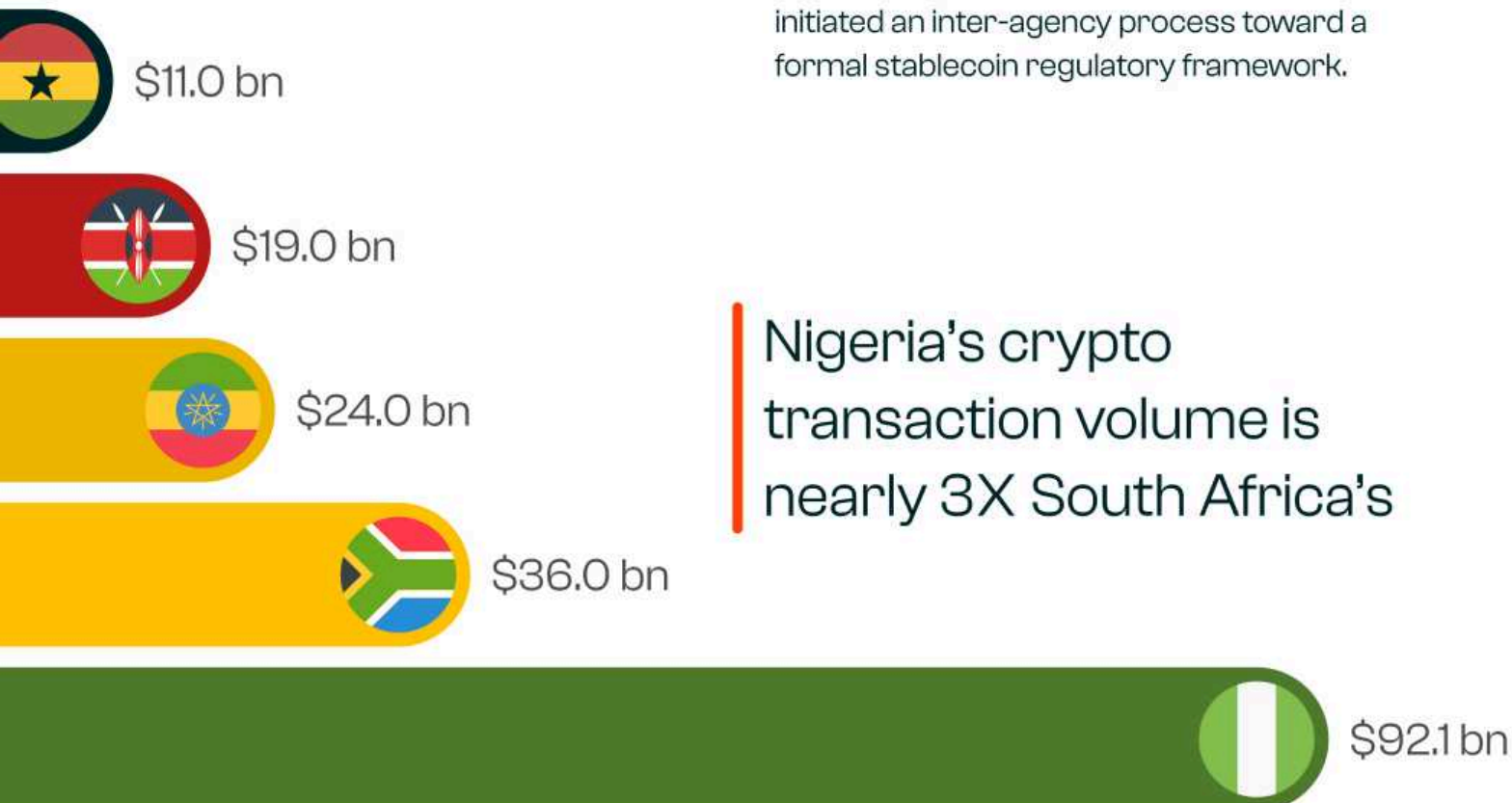
Stablecoins allow Nigerians to hedge Naira volatility, work around chronic dollar shortages in the banking system, and settle trade with partners in the Middle East and Asia.

For importers, SMEs, and households, they provide access to synthetic dollars when official markets are illiquid or constrained.

The macro rationale is straightforward: persistent inflation, sharp FX swings, and intermittent access to formal dollars raise the cost of staying fully exposed to Naira risk.

Stablecoins lower that cost by offering near-instant settlement and cheaper transfer rails than many traditional channels. As more savings and trade settlement shift on-chain, transactional demand for Naira is partially displaced, and in the acute shortage period of 2023–2024 that displacement likely added to depreciation pressure.

Regulators also began moving from improvisation to structure: under Governor Olayemi Cardoso, the Central Bank of Nigeria, working with the Securities and Exchange Commission and the Ministry of Finance, initiated an inter-agency process toward a formal stablecoin regulatory framework.



Nigeria's crypto transaction volume is nearly 3X South Africa's

Top 5 African countries by crypto transaction volume in 2025

Source: Mexc



Adoption has risen among freelancers, digital-economy workers, and trading SMEs using stablecoins to cut remittance costs, manage exposure to Cedi volatility, and pay for cross-border procurement where dollar settlement is preferred.

What sets Ghana apart is the push for a comprehensive regulatory blueprint. In 2025, the Bank of Ghana, alongside the Securities and Exchange Commission and the Financial Intelligence Centre, announced a framework for Virtual Asset Service Providers anchored on a forthcoming VASP Bill.

The intent is to move the sector from informal retail activity into supervised finance through licensing and oversight, stronger AML/CFT controls, cybersecurity safeguards, and legal certainty for firms providing virtual asset services.

For the cedi, the near-term FX impact is still modest compared with the dominant supports of IMF-anchored consolidation, reserve accumulation, and elevated interest rates.

Over time, however, wider use of USD-pegged stablecoins in trade settlement could marginally reduce onshore demand for cedis in tradable sectors, especially if regulatory clarity enables more institutional participation.

Jul
2025

The Bank of Ghana directed all virtual asset service providers to register with the central bank by mid-August to map the market and collect baseline data for the forthcoming framework.

Aug
2025

Internal work progressed toward establishing a specialized supervisory function, later crystallizing into the Virtual Assets Regulatory Office, mandated to coordinate oversight and liaise with domestic and international regulators.

Oct
2025

The Bank of Ghana announced it had completed drafting the VASP Bill and was advancing it toward parliamentary consideration.

Nov
2025

The central bank published "Ghana's Policy Position on Virtual Assets and Service Providers," confirming a risk-based approach aligned with FATF guidance, mandating registration and licensing, maintaining that virtual assets do not constitute legal tender, and disclosing that the July registration exercise identified and registered more than 100 firms offering exchange, wallet, brokerage, and advisory services to several million Ghanaian users.



South Africa | From Speculation to Financial Infrastructure

South Africa illustrates a different pathway: regulation first, then institutional uptake. With hundreds of crypto-asset service providers already licensed, the country has one of the continent's most developed regulatory frameworks.

That clarity has given banks, corporates, and large financial players the confidence to test stablecoins for treasury operations and cross-border payments.

Because South Africa's currency and financial system are more stable and deeper, stablecoins there act less as a crisis hedge and more as infrastructure, an efficiency upgrade in payments and liquidity management with more limited direct pressure on the rand.

Shadow Dollarisation and the Policy Trade-Off

The macro-FX implications are now too large to treat as marginal

Stablecoins introduce shadow dollarisation at scale, allowing residents and firms to hold and transact in synthetic dollars outside the banking system and sometimes beyond immediate central bank visibility.

They can dilute the traditional intermediation role of domestic banks in cross-border flows, compress spreads, and shift volumes away from official windows toward on-chain markets.

They also create an additional channel through which global dollar liquidity conditions can transmit into local currency demand. In risk-off periods, rising appetite for dollar assets can show up locally as rising stablecoin demand, adding incremental pressure on currencies such as the naira and the cedi.

At the same time, regulation changes the trade-off. Frameworks emerging in Ghana and already established in South Africa show how oversight can reduce financial stability risks while allowing formal systems to capture some efficiency gains from digital settlement rather than surrendering the entire flow to the shadows.



On-Chain Rails and the Next Phase of FX Transmission

International Stablecoin Flows

~6.7% of GDP

across Africa and the Middle East in 2024

This points to an emerging second layer in the region's monetary and payments architecture

For now, the gains in Ghana's and Nigeria's official FX regimes mean domestic policy remains the primary driver of the Cedi and the Naira.

But as on-chain dollar rails deepen, the interaction between official markets and this parallel system will matter more, shaping how currencies behave, how capital moves, and how effectively monetary policy transmits in the years ahead.

The lesson of 2025 is that devaluation is only the opening act. The premium closes sustainably only when follow-through is strong: real yields that reward holding local assets, restrictions that do not recreate bottlenecks, and reserves or inflows sufficient to meet legitimate demand without rationing. Where those conditions are missing, the parallel market remains the shadow price of policy credibility.



Gino Egle

Group Head of FICC, One Africa Markets

Central Bank Interventions: Africa's New FX Architecture



In 2025, African central banks rewrote the logic of intervention. The old playbook, spending reserves to “defend” a level, lost ground to a more modern purpose: dampening disorderly swings, rebuilding credibility, and making liberalized markets work without pretending volatility can be eliminated. Across the continent, intervention became less theatrical and more architectural, designed to support managed floats, convert one-off inflows into durable liquidity, and signal that policy regimes had changed for good.

Overview: Africa's Intervention Landscape

Why Interventions Increased and Evolved in 2025

- Liberalization in markets like Nigeria and Egypt created an initial vacuum, prices had to re-form, backlogs had to clear, and confidence had to be re-earned.
- Second, large but episodic inflows, including IMF disbursements and major investment deals, needed to be translated into steady market liquidity rather than short-lived relief.
- Policy objective: Intervention aimed to limit destabilizing overshoots, not fix exchange rates, reducing risks of renewed inflation, panic, and parallel-market re-emergence.

The Credibility Triad: Inflation, Reserves, and Policy

- Core triad: Inflation dynamics, reserve adequacy, and policy credibility determined intervention effectiveness.
- Inflation control: Lower inflation or meaningfully positive real rates gave authorities room to smooth volatility without undermining confidence.
- Reserve constraint: Import-cover strength set a hard ceiling on credibility; only countries improving buffers (e.g., Nigeria, Kenya) could intervene without signaling stress.

The Intervention-Regime Interaction

By 2025, intervention and the managed float had effectively merged. Central banks increasingly avoided steering the long-term direction of their currencies, focusing instead on short-term balance—smoothing supply-demand mismatches while encouraging deeper interbank liquidity. The message was: the market sets the trend; the central bank prevents the market from breaking.



Ghana

FX Intervention & Framework

BoG adopted a new FX Operations Framework under the IMF program, prioritizing volatility dampening and reserve accumulation over explicit rate targeting.

Structural FX demand

Ongoing intervention driven by USD obligations to IPPs and fuel suppliers, creating persistent reserve drains.

Early-2025 intervention

Reports indicate ~US\$1.4bn injected in Q1 2025 alone, exceeding total intervention for all of 2023.

Q4 2025 Program

October launch of an FX Intermediation Program, with plans to sell >US\$2bn in the final quarter.

Policy Objective

Stabilize the cedi and restore investor confidence following the debt crisis.

Ghana also advanced a deeper innovation: building reserves through domestically sourced gold. The Domestic Gold Purchase Programme strengthened the reserve base without relying solely on external borrowing or volatile capital flows, improving the fundamental credibility of intervention when it was needed.

Macro Fundamentals and Investor Sentiment

Global support: Softer USD cycle and reform momentum across key markets improved sentiment.

Political impact: Government transition post-2024 elections restored confidence and reinforced expectations of fiscal discipline and reform continuity.

Macro outcomes: Boosted credibility supported a stronger cedi, contributed to lower inflation, and allowed a more orderly policy-rate path as disinflation gained traction.

Navigating the Debt Cliff

External debt service: ~US\$1.41bn scheduled for 2026 following restructuring.

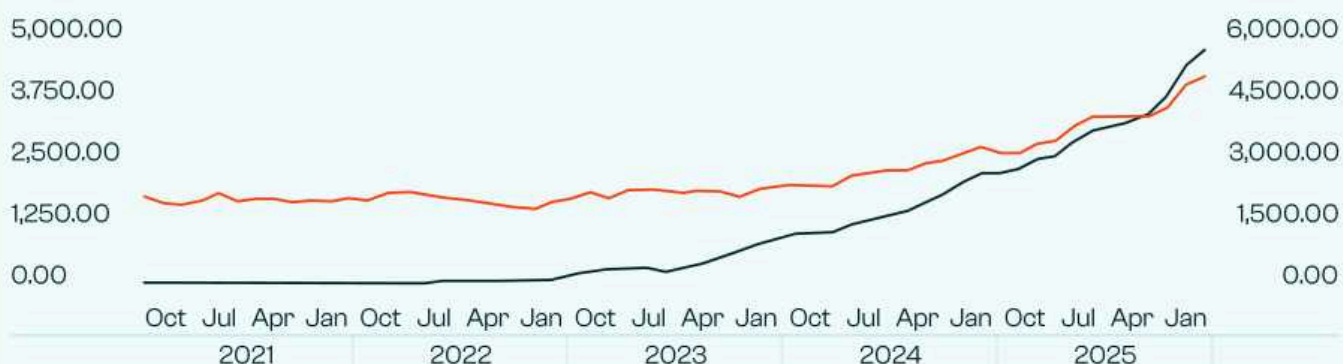
Policy constraint: Looming "debt cliff" limits aggressive reserve use, as excessive intervention could threaten reserve targets and program credibility.

Implication: Reserve management becomes the binding constraint on FX policy.

Increasing Gold Prices Impacts Ghana's Gold Reserve

● Ghana's Gold Reserve (\$ Million) ● Gold Price (\$)

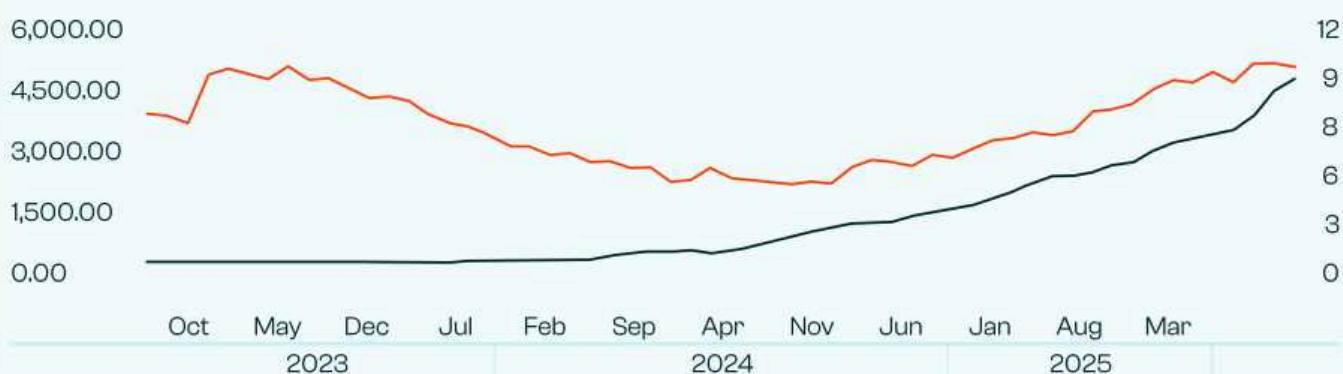
Source: OA Markets Research



Ghana's Gold Reserve Remains on Upward Trajectory Despite Broad Foreign Reserve Volatility

● Ghana's Gold Reserve (\$ Million) ● Foreign Reserve (\$ Billion)

Source: OA Markets Research



Factors Responsible for Cedis' 2025 Appreciation Goes Beyond Reserve Accretion

● Foreign Reserve (\$' Billion) ● USDGHS

Source: OA Markets Research





Nigeria

Intervention Architecture

The CBN moved away from defending an artificial Naira level and toward rules-based liquidity provision inside a "willing buyer-willing seller" framework.

Reform credibility was reinforced through platforms such as the Electronic Foreign Exchange Matching System (EFEMS), which helped reduce opacity and dampen day-to-day volatility.

Daily Supply of Premium Motor Spirits

Domestic Refineries Supply OMCs Import Total Daily Supply

Source: Nigeria Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)



The start of operations at the Dangote Refinery reduced Nigeria's dependence on imported refined fuel, delivering meaningful FX savings and easing a long-standing drain on the balance of payments.

Daily Supply of Automotive Gas Oil (AGO)

Domestic Refineries Supply OMCs Import Total Daily Supply

Source: Nigeria Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)



Average Daily Consumption of PMS

Source: Nigeria Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)





Egypt | Post-Devaluation Credibility

March 2024

+600 bps
policy rate hike following shift to flexible FX regime under IMF-augmented EFF.

2025

-625 bps
Cumulative rate cuts signaling restraint on direct FX intervention.

Outcomes Official-parallel spread collapsed, backlogs eased, inflows rose (remittances & FDI), stabilizing the FX floor.



Ethiopia | FX Auctions for Liberalization

Auction Size

~US\$50m → >US\$150m
per auction by Q4 2025

Parallel Premium

~17%
Narrowed briefly, then widened by early May 2025

Measures Capped FX-related fees, raised allocation limits, improved transparency — eased friction but structural imbalances persisted.



Kenya | Policy Easing Anchored by Stability

Policy rate

9.00%
Dec 2025

Reserve buffers

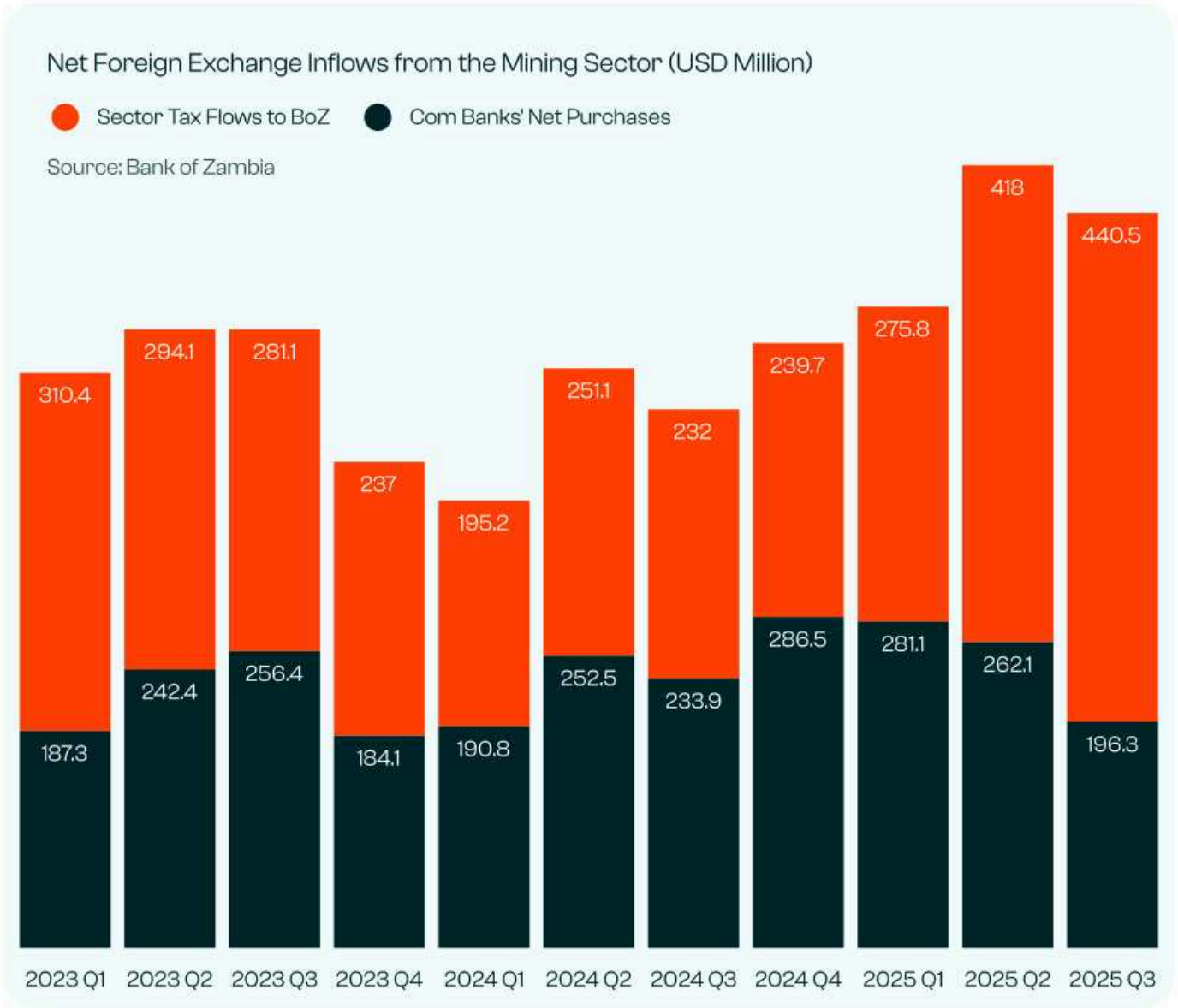
~5.3 months
Nov 2025

Remittances

~US\$5.08bn
Oct 2025

Approach Stability through fundamentals reduced need for active FX market defense.

Zambia | Commodity-Linked Intervention



Net FX sales

~US\$393.5m
by early June 2025, ~1/3
less than 2024

Reserves

>US\$5.067bn
Aug 2025

Policy Rate

14.25%
Nov 2025

Approach

Interest rates anchor inflation; FX intervention used selectively to smooth volatility.

The effectiveness of 2025 interventions can be assessed by distinguishing between sustainable and unsustainable strategies.

Sustainable Interventions
(e.g., Nigeria, Ghana, Kenya)

Unsustainable Interventions
(e.g., Ethiopia)

Strategy

Rules-based, allowing directional change; primary tool is high interest rates/fiscal reform

Attempting to meet structural demand with inadequate, episodic supply (e.g., small auctions)

Result

Volatility reduction, spread narrowing to near-zero, sustained reserves adequacy

Parallel market premium persists and widens, backlogs re-emerge, only delayed needed reforms

Key Enabler

Large external anchor (IMF/FDI/Debt resolution) or major structural FX earnings (Dangote/Gold)

Policy inconsistencies, capital controls, and low nominal yields encouraging capital flight.

Structural Drivers Unique To Africa



The Political Risk Premium: Governing the Aftermath

In 2025, political risk was priced less through election-day uncertainty and more through the market's judgement on delivery. FX markets spent the year testing whether the political outcomes of 2024 had created real reform momentum or merely bought time.

South Africa: stability as an asset



- Rand rallied >10% in 2025
- Gains driven by policy continuity under the Government of National Unity and reduced political friction
- In a float, absence of disruption functioned as implicit FX support

Kenya: resilience through constraint management



- Post-Finance Bill 2024 protests shifted strategy from tax hikes to debt management
- Key move: US\$5bn restructuring with China and pivot toward infrastructure securitization
- Shilling stability reflected the state's ability to absorb domestic pressure while engaging creditors

Guinea: political transition risk priced directly



- December 2025 transition to civilian rule made the Guinean franc a focal point
- In a float, uncertainty translated into higher dollar demand, tighter liquidity, and interbank rate pressure

WAEMU & CEMAC: peg absorbs price risk, not liquidity risk

- CFA franc peg muted FX volatility despite political friction
- Stress appeared instead as reduced capital inflows and FX access constraints
- In pegged regimes, volatility shifted from prices to availability

IMF Programs & Debt Restructuring: The Price of the Anchor

IMF programs as the core FX anchor (2025)

- Most important external stabilizer for currencies
- Value derived from framework discipline, not just funding
- Enforced revenue reforms, debt management, and policy consistency
- Helped strengthen external buffers

Stronger FX outcomes in program countries

- Program economies generally outperformed non-program peers on FX stability
- Supported by large-scale balance-of-payments financing

Credibility comes with constraints

- IMF-linked adjustment limited flexibility on subsidies and public spending
- Especially binding for Egypt, Kenya, and Angola
- Deviations from program conditions quickly raised market scrutiny, borrowing costs, and FX pressure

Climate-linked financing adds a new layer

- Expansion of the Resilience and Sustainability Facility (RSF)
- Integrates climate resilience into macro support
- Aims to reduce medium-term balance-of-payments vulnerability in climate-exposed economies





Remittances & Diaspora Flows: Africa's Largest FX Stabilize

over US\$ 9bn

In remittances (2024)

The scale of these flows has become central to currency stability—especially because remittances are typically counter-cyclical and provide a cushion when commodity earnings or portfolio inflows weaken.

That stabilizer faces a new headwind in 2026: the introduction of a U.S. remittance tax enacted as part of the "One Big Beautiful Bill" signed on July 4, 2025. The law imposes a 1% tax effective January 1, 2026 on certain international transfers funded by physical instruments such as cash, money orders, or cashier's checks, while transfers funded through U.S.-issued bank withdrawals, debit cards, or credit cards are exempt.

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Remittances remained Africa's largest and most stable source of external finance in 2025, often exceeding both official aid and foreign direct investment.

Even at 1% (reduced from earlier proposals of 3.5% and 5%) the risk is amplified by the U.S. role as a major remittance source for economies such as Nigeria and Kenya. With high remittance price sensitivity, the levy could reduce formal inflows (estimated at roughly \$168.2 million annually for Nigeria and \$38.11 million for Kenya) while also incentivizing a shift toward informal channels.

This risk is most acute for smaller, remittance-dependent countries where inflows exceed 20% of GDP, such as Lesotho and the Comoros. In these cases, even modest declines can ripple through consumption, reserves, and external stability. The practical policy message is that formalization now matters more than ever: by steering remittances into tax-exempt, formal channels such as bank wires and digital transfers, African central banks can protect FX supply, preserve transparency, and potentially channel diaspora flows into longer-term development finance instruments like diaspora bonds.

2026 Outlook For African Currencies: Consolidation and New Risks

The 2026 outlook for African currencies is one of consolidation, where the gains from 2025's painful reforms will be tested by a maturing global cycle and new domestic pressures. The market narrative will shift from "crisis management" to "sustainability of stability".



Expected DXY Path: A Favourable External Context

The path of the US Dollar Index (DXY) is projected to remain largely benign for African currencies through 2026.

The prevailing forecast assumes continued moderate easing by the US Federal Reserve (Fed), resulting in a sustained decline in the DXY of 2%–3% year-on-year.

Implication for Africa

- ➔ Sustained external tailwind
- ➔ Reduced pressure on central banks
- ➔ Greater policy space to focus on domestic liquidity management and disinflation

Commodity Price Projections: The Divergence Persists



Gold and Copper are projected to remain relatively robust, supported by geopolitical risk and the global energy transition, respectively. This benefits exporters like Ghana and Zambia, providing a continuous structural FX inflow.



Oil Prices are expected to remain volatile but contained by modest global demand growth and increased supply. This means oil exporters will need to rely heavily on non-oil export growth and domestic reforms to stabilize their currencies.

Global funding conditions are anticipated to be favourable, but capital will be highly selective. Investors will increasingly prioritize quality, meaning currencies with deep, high real interest rates and strong policy credibility. Countries that can demonstrably maintain fiscal discipline post-IMF program (e.g., Ghana, Kenya) are positioned to attract significant portfolio flows.

Risk Scenarios

Best-Case (Global Resilience)

Global Trigger	US economy avoids recession; China growth surprises to the upside, driving copper demand.
African Policy Response	African CBs use policy space to cut rates slightly while maintaining high real returns (e.g., Nigeria, Egypt).
FX Implication (2026)	Broad Appreciation GHS, ZMW, and NGN see further gains. ZAR breaks R16/\$.

Base-Case (Consolidation)

Global Trigger	Fed proceeds with moderate easing; commodity prices remain range-bound; US remittance tax impact is limited to informal channels.
African Policy Response	CBs prioritize inflation and FX reserve buildup; focus on debt servicing and structural reforms.
FX Implication (2026)	Stability Currencies maintain 2025 gains with modest, controlled depreciation reflecting long-term trade deficits (e.g., RWF, KES).

Worst-Case (Policy Backsliding)

Global Trigger	US inflation persists, forcing the Fed to re-hike rates; Trump's remittance tax pushes significant flows into informal channels.
African Policy Response	Governments relax fiscal discipline ahead of elections; CBs intervene to defend rates, depleting reserves.
FX Implication (2026)	Widespread Weakening NGN, EGP, and GHS lose a large portion of 2025 gains. Political instability leads to ZAR sell-off.

Country-by-Country Forecast Ranges

The following forecast ranges represent the projected performance band for key African currencies in 2026, based on the assumption of a Base-Case global economic scenario and continued policy implementation by African authorities.

Country	Bull (Best-Case)	Base (Consolidation)	Bear (Worst-Case)
 Nigeria (NGN)	₦1,300	₦1,450 - ₦1,550	₦1,700
Key Risks (2026 Focus)	Remittance Tax Impact, sustained high food inflation, political pressure to lower rates prematurely.		
 Ghana (GHS)	¢9.00	¢10.00 - ¢15.00	¢12.50
Key Risks (2026 Focus)	2026 Debt Cliff pressures, political appetite for fiscal restraint post-IMF, gold price slump.		
 South Africa (ZAR)	R15.50	R16.50 - R18.50	R19.50
Key Risks (2026 Focus)	Coalition Stability, sustained load-shedding risks, failure to execute structural reforms.		
 Egypt (EGP)	40.00	44.00 - 46.00	50.00
Key Risks (2026 Focus)	Suez Canal/Red Sea Risk, high external debt service needs, sustainability of capital inflows.		
 Kenya (KES)	126	128 - 132	137
Key Risks (2026 Focus)	Domestic Debt Refinancing, climate-related agricultural shocks, political cycle pressure.		
 Ethiopia (ETB)	130	150 - 165	180
Key Risks (2026 Focus)	Failure to Secure IMF, slow pace of FX liberalization, continued parallel market premium.		
 Rwanda (RWF)	1,280	1,320 - 1,350	1,380
Key Risks (2026 Focus)	Trade Deficit Widening, decline in concessional financing, regional political instability.		

Strategy & Implications: Translating Forecasts into Action

Returns are expected to be driven by high yields anchored by policy credibility, rather than by reform momentum alone.

Elevated real rates combined with a benign U.S. dollar outlook support carry strategies, particularly in frontier markets where stabilization has reduced depreciation risk.



Primary carry markets

Nigeria and Egypt remain central. Policy rates above 20% sustain high yields, while post-reform stability supports positive carry rather than yield erosion through currency losses. Key risks are political and institutional, not mechanical.

Liquidity anchor

The South African rand continues to play a stabilizing role. Despite lower yields, its deep liquidity and strong correlation with global risk sentiment make it the preferred hedge and proxy for broader African and emerging-market exposure.

Secondary opportunities

Additional return potential exists in smaller high-yield markets such as Uganda and in the recovering Zambian kwacha, where reform progress and commodity support provide differentiated exposure.

Eurobond implications

The same theme extends to hard-currency debt. African Eurobonds retain a risk premium, but stabilization and refinancing progress in countries such as Kenya, Ghana, and Zambia suggest scope for further spread compression, particularly in short-duration, high-yield paper.

For Corporates: FX Risk Management and Operational Resilience

For multinational treasurers, 2026 demands a shift from “hedging FX” to building resilience against the operational reality of African FX markets, where volatility and convertibility constraints can disrupt procurement, inventory cycles, and production timelines as much as they distort financial statements.

Structured protection tools

Corporates need to move beyond spot execution toward forwards and options to lock in input costs and protect margins. Options are particularly valuable where downside protection is required without surrendering upside, with premiums treated as the cost of certainty.

Natural hedging as first line of defence

The most effective hedge is often internal. Matching foreign-currency revenues with foreign-currency liabilities, using export proceeds to service external debt, and increasing local sourcing to reduce import dependence convert FX risk from a market exposure into a business-design decision.



Technology and visibility

Treasury Management Systems and stronger risk analytics are no longer “nice to have” in markets where trapped cash and episodic convertibility are recurring features. Centralized exposure visibility, inter-company netting, and scenario analysis become the difference between controlled balance-sheet management and reactive firefighting.

Operational FX risk in liquidity-stressed markets

In countries such as Ethiopia, FX risk is primarily operational. Chronic shortages can delay imports, disrupt supply chains, and slow production, requiring counterparty due diligence to include FX access and settlement capability, not just credit risk.

Pricing and contracting implications

More resilient strategies rely on flexible, multi-tier pricing that acknowledges residual parallel-market risk. Rigid pricing models anchored to official rates increase vulnerability when FX access becomes constrained.

The durability of 2025's FX gains will be decided less by speeches and more by buffers. Central banks enter 2026 with a simple mandate: build resilience so that volatility can be smoothed without credibility being spent.



Reserve adequacy

The first non-negotiable for FX stability is rebuilding buffers to at least five months of import cover. Adequate reserves signal that stability is defensible without desperation. Intervention should remain rules-based, focusing on volatility dampening rather than defending symbolic levels that deplete reserves and invite speculation.

Credibility and inflation

Reserves alone are insufficient; policy credibility is equally critical. Inflation targeting functions as "reputation capital," with adherence to the stated band providing market confidence and time to absorb external shocks.

Fiscal-monetary coordination

The primary structural risk is fiscal dominance. When monetary policy is used to finance unsustainable public debt, institutional resilience collapses. The central bank must maintain monetary dominance, backed by credible fiscal commitments.

In 2026, the line between disciplined coordination and fiscal capture will be one of the clearest determinants of which currencies remain stable and which relapse into fragility.

Glossary

- A ACSI (Africa Currency Strength Index)**
A One Africa Markets' composite index developed by OneAfrica Markets to track the overall strength and performance trajectory of selected African currencies over time.
- AFXVX (African Currency Volatility Index)**
A One Africa Markets' index measuring aggregate volatility across African currencies, highlighting stress periods, stabilization phases, and regime shifts.
- Appreciation**
An increase in the value of a currency relative to another currency (e.g., GHS strengthening against USD).
- Afreximbank (African Export–Import Bank)**
A pan-African multilateral financial institution supporting trade finance and intra-African commerce.
- AfCFTA (African Continental Free Trade Area)**
A continent-wide trade agreement aimed at increasing intra-African trade through tariff reduction and economic integration.
- B Basis Points (bps)**
A unit of measurement equal to one-hundredth of a percentage point (100 bps = 1%).
- Black Market (Parallel Market)**
An unofficial foreign exchange market where currencies trade outside official central bank channels, often reflecting the true supply-demand balance.
- BoG (Bank of Ghana)**
Ghana's central bank, responsible for monetary policy and FX operations.
- C Carry Trade**
An investment strategy where investors borrow in low-interest currencies and invest in higher-yielding currencies to capture interest differentials.
- Central Bank Intervention**
The act of a central bank buying or selling foreign currency to influence exchange rate stability or volatility.
- CFA Franc (XOF/XAF)**
Currencies used in West and Central African monetary unions, pegged to the Euro.
- Commodity-Linked Currency**
A currency whose performance is strongly correlated with key export commodities (e.g., copper for Zambia, gold for Ghana).
- Convertibility**
The ability to freely exchange a currency for another currency without restrictions.
- D Debt Restructuring**
The renegotiation of sovereign debt terms to improve repayment sustainability.
- Depreciation**
A decline in a currency's value relative to another currency.
- Digital Dollarisation**
The process whereby residents increasingly hold USD-denominated digital assets (e.g., stablecoins), reducing demand for local currency.
- DXY (US Dollar Index)**
An index measuring the value of the US dollar against a basket of major global currencies.
- E ECF (Extended Credit Facility)**
An IMF program providing financial support to low-income countries undertaking economic reforms.
- EFEMS (Electronic Foreign Exchange Matching System)**
Nigeria's electronic FX trading platform designed to improve transparency and price discovery.
- Exchange Rate Regime**
The system a country uses to manage its currency (e.g., floating, managed float, crawling peg, currency peg).
- F FATF (Financial Action Task Force)**
An international body that sets standards to combat money laundering and terrorist financing.
- FDI (Foreign Direct Investment)**
Cross-border investment where a foreign entity establishes lasting interest in a domestic enterprise.
- FX (Foreign Exchange)**
The global marketplace for trading currencies.
- FX Reserves (Foreign Reserves)**
Foreign currency assets held by a central bank to stabilize the currency and meet external obligations.
- G GDP (Gross Domestic Product)**
The total value of goods and services produced within a country.
- Grey List (FATF)**
A designation for countries under increased monitoring for deficiencies in AML/CFT frameworks.
- H High-Carry Currency**
A currency offering relatively high interest rates, attracting yield-seeking investors.

I IMF (International Monetary Fund) A global financial institution that provides financial assistance and policy guidance to member countries. Import Cover The number of months a country's reserves can finance imports. Inflation Target Framework A monetary policy regime where the central bank commits to maintaining inflation within a specified range. Interbank Market A market where banks trade currencies among themselves.	Q QoQ (Quarter-on-Quarter) A comparison of data between consecutive quarters R Real Yield The return on investment after adjusting for inflation. Refinancing Risk The risk that a country may struggle to roll over maturing debt. Reserve Accretion The accumulation of foreign exchange reserves. Risk Premium Additional return demanded by investors for holding risky assets.
L Liberalisation (FX Liberalisation) The removal of exchange controls to allow market-based currency pricing. Liquidity The ease with which currency can be bought or sold without significantly affecting its price. M Managed Float An exchange rate regime where the currency floats but the central bank intervenes to reduce volatility. Market Unification The process of eliminating multiple exchange rates (official and parallel) into a single market rate. Monetary Policy Rate (MPR) The benchmark interest rate set by a central bank. Momentum (FX Momentum) The rate and direction of currency movement over time.	S Shadow Dollarisation Unofficial substitution of local currency with USD-denominated assets, including stablecoins. Stablecoin A cryptocurrency pegged to a stable asset (typically the US dollar). Spot Market The market where currencies are traded for immediate delivery. Structural Scarcity (FX Scarcity) Persistent shortage of foreign currency due to weak external balances. T Transmission Mechanism The process through which monetary policy affects the broader economy.
N NFEM (Nigerian Foreign Exchange Market) Nigeria's unified FX market framework introduced to improve transparency and liquidity. Nominal Exchange Rate The market price of one currency in terms of another. P Parallel Market Premium The percentage difference between official exchange rates and parallel market rates. Peg (Currency Peg) A fixed exchange rate where a currency is tied to another currency (e.g., Euro peg). Policy Credibility Market confidence that authorities will maintain disciplined fiscal and monetary policies. PPP (Purchasing Power Parity) An economic theory comparing currency values based on the relative prices of goods. Primary Surplus A fiscal surplus before interest payments on debt.	V VASP (Virtual Asset Service Provider) A regulated entity offering cryptocurrency-related services such as exchange or custody. Volatility The degree of variation in currency prices over time. W Willing Buyer–Willing Seller Model An FX framework where exchange rates are determined by open market transactions rather than administrative pricing.



About OneAfrica Markets

Over the past 12 years, One Africa Markets has grown into a leading force in the financial services industry, marked by consistent innovation, strategic execution, and measurable impact.

We have surpassed key milestones including over \$14 billion transaction volumes across the diverse markets we operate in, from Accra and Lagos to London and beyond. Today, One Africa Markets stands as a global leader in payments, fixed income, commodities, data, technology, and financial talent.

We serve as a vital bridge connecting the world to Africa and Africa to the world by creating seamless pathways for trade, investment, and sustainable economic growth across the continent.



\$18B+

Total trading volume
processed to date



400+

teams across our
global offices



1000+

global client
coverage



100+

global banking
partnerships

