

WEST AFRICAN MONETARY AGENCY (WAMA)



Report on Monthly Trends in Exchange Rates of ECOWAS Currencies: September 2009

Freetown, October 2009

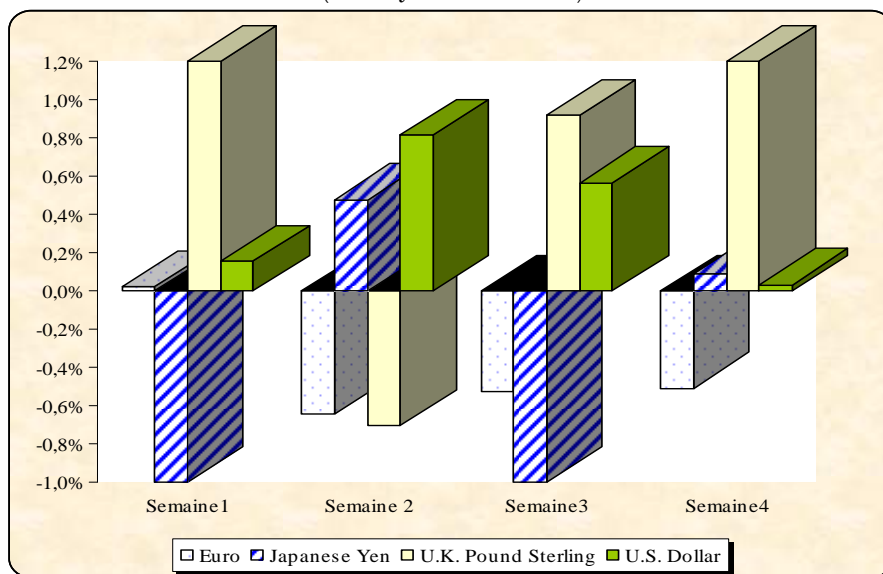
Introduction

The stabilization of exchange rates of ECOWAS currencies features prominently in the road map designed for the establishment of a sub regional single currency. This is considered as a continuous process to be finalized two years before the launch of the single currency. Hence the need for a close monitoring of trends in exchange rates of ECOWAS currencies. This monthly report which deals with trends as at end September 2009 falls under this logic. It reviews major trends on the international exchange market, examines in detail the pattern of the region's currencies in relation to the West African Unit of Account (WAUA which is equivalent to 1SDR) and provides an analysis of bilateral exchange rates.

I. Weekly trends in exchange rates of major hard currencies in relation to the WAUA at end June 2009

In the course of September 2009, the major international hard currencies recorded contrasting trends in relation to the WAUA. However the weekly fluctuations were generally contained between +/-1% band as indicated in the graph below:

Graph1.1: Trends in the WAUA rates in relation to major international hard currencies (Weekly variations in %)



Source: IMF, WAMA

On the whole, the Euro and Japanese Yen firmed up while the dollar and Pound Sterling weakened against the WAUA. .

Table 1.1: Weekly trends of the WAUA rate against major hard currencies

	Euro		US, dollar		Pound sterling		Japanese yen	
	RATES	Variation in%	RATES	Variation in %	RATES	Variation in %	RATES	Variation en %
Week 0	1.0937		1.5600		0.9433		147.96	
Week I	1.0940	0.0%	1.5625	0.2%	0.9588	1.6%	144.86	-2.1%
Week II	1.0869	-0.6%	1.5752	0.8%	0.9521	-0.7%	145.55	0.5%
Week III	1.0812	-0.5%	1.5841	0.6%	0.9608	0.9%	144.08	-1.0%
Week IV	1.0757	-0.5%	1.5847	0.0%	0.9761	1.6%	144.21	0.1%
Week V	1.0818	0.6%	1.5809	-0.2%	0.9897	1.4%	141.63	-1.8%
Average	1.0855	-0.2%	1.5746	0.3%	0.9635	1.0%	144.71	-0.9%

Compared to the previous month, the WAUA appreciated sharply against the Pound Sterling and Dollar but weakened against the Japanese Yen and Euro in terms of average monthly variations. The same patterns were observed in relation to exchange rate trends at the end of period as shown in the table below.

Table 1.2 : Monthly trends of the WAUA rate against major hard currencies

	Augus-09		Sept-09		Variation	
	End of period	Average	End of period	Average	End of period	Average
Euro	1.0973	1.0937	1.0820	1.0836	-1.4%	-0.9%
Japanese Yen	145.1740	147.9577	142.2290	144.2585	-2.0%	-2.5%
U.K. Pound Sterling	0.9580	0.9433	0.9833	0.9659	2.6%	2.4%
U.S. Dollar	1.5661	1.5600	1.5844	1.5779	1.2%	1.1%

Source : FMI. AMAO

Quarterly trends show a significant appreciation of the Japanese Yen and a sharp depreciation of the Pound Sterling. (See table 1.5).

Table 1.3: Quarterly trends in the WAUA rates in relation to major hard currencies

	June-09		Sept-09		variation	
	<i>End of Period</i>	<i>Average</i>	<i>End of period</i>	<i>Average</i>	<i>End of period</i>	<i>Average</i>
Euro	1.1023	1.1023	1.0820	1.0836	-1.8%	-1.7%
Japanese Yen	148.9360	149.1076	142.2290	144.2585	-4.5%	-3.3%
U.K. Pound Sterling	0.9445	0.9445	0.9833	0.9659	4.1%	2.3%
U.S. Dollar	1.5522	1.5449	1.5844	1.5779	2.1%	2.1%

Source : FMI. AMAO

Table 1.4 shows trends in the WAUA rates against major international currencies since the beginning of 2009. It stands out that the WAUA declined against the Pound Sterling and to a lesser extent against the Euro but firmed up against other major hard currencies.

Table 1.4: Trends in the WAUA rates in relation to major hard currencies (end 2008 –Sept 2009)

	Dec-08		Sept-09		variation	
	<i>End of period</i>	<i>Average</i>	<i>End of period</i>	<i>Average</i>	<i>End of period</i>	<i>Average</i>
Euro	1.1068	1.1317	1.0820	1.0836	-2.2%	-4.2%
Japanese Yen	140.4640	138.6835	142.2290	144.2585	1.3%	4.0%
U.K. Pound Sterling	1.0566	1.0221	0.9833	0.9659	-6.9%	-5.5%
U.S. Dollar	1.5403	1.5212	1.5844	1.5779	2.9%	3.7%

Source : IMF. WAMA

Compared to the same period the previous year (September 2008), the most significant trends were recorded in the value of the Japanese which appreciated strongly and that of the Pound Sterling which depreciated sharply as indicated in the table below.

Tableau 1.5.: Annual trends in the WAUA rate in relation to major hard currencies

	Sept-08		Sept-09		variation	
	<i>End of period</i>	<i>Average</i>	<i>End of period</i>	<i>Average</i>	<i>End of period</i>	<i>Average</i>
Euro	1.08874	1.0833	1.0820	1.0836	-0.6%	0.0%
Japanese Yen	162.418	165.7514	142.2290	144.2585	-12.4%	-13.0%
U.K. Pound Sterling	0.865217	0.8658	0.9833	0.9659	13.6%	11.6%
U.S. Dollar	1.55722	1.5552	1.5844	1.5779	1.7%	1.5%

Source : IMF WAMA

II. Trends in nominal exchange rates of ECOWAS currencies against the WAUA

Trends in the exchange rate of ECOWAS currencies will be largely assessed through weekly, monthly and quarterly and annual pattern of rates in relation to the WAUA.

II.1 Weekly trends for each reference hard currency

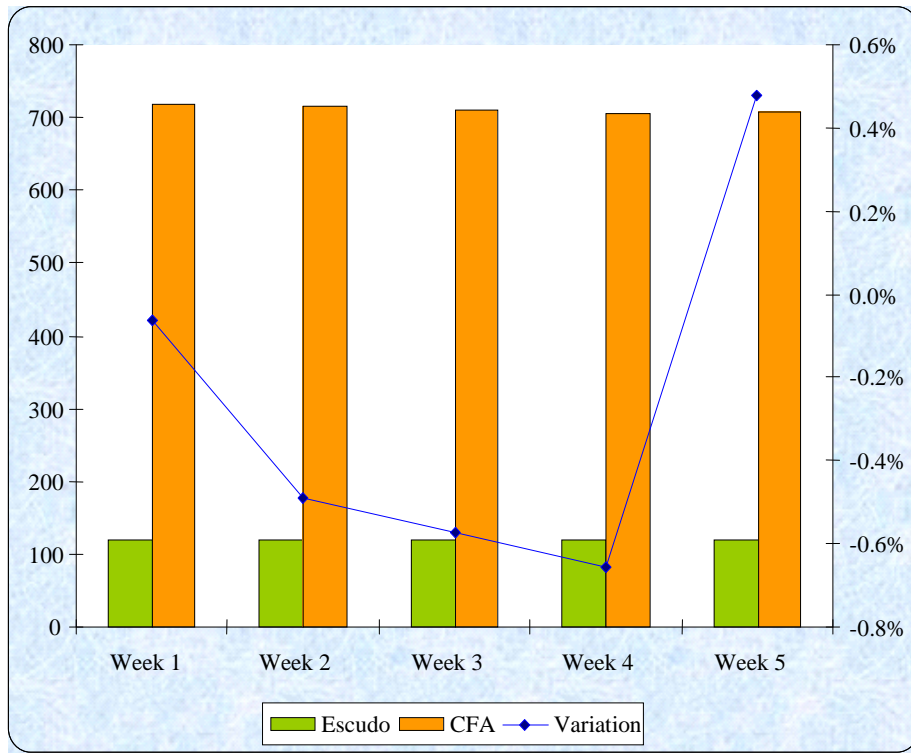
For a better assessment of the impact of movements in exchange rates of major international hard currencies on the region's currencies, weekly trends will be analyzed based on the reference zones

a) Currencies pegged to the Euro (CFAF and ESCUDO)

The CFA Franc and ESCUDO which are pegged to the Euro through a fixed parity vary in the same proportions against the WAUA. As indicated in graph 2.1, the WAUA depreciated against these two currencies especially between the 2nd and 4th week before recovering slightly towards the end of the month.

¹ 1 Euro = 655,9070 F CFA or 110,27 Escudos

Graph 2.1: Trends in the WAUA rate against the CFA F and (weekly variations in %)



Source: IMF Central Bank, ECOWAS, WAMA

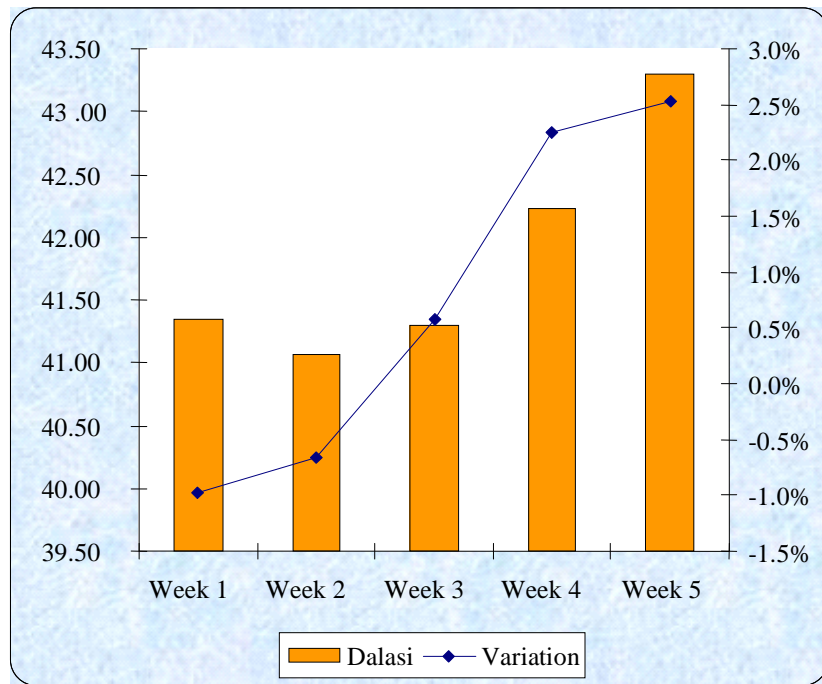
The highest rates of the WAUA against the CFA F were observed at the beginning of the year (1WAUA = 719.7816 CFA or 120.9993 Escudos) while the lowest rates were observed on 24th September (1 WAUA = 704.4322 CFA or 118.4190 Escudos).

b°)Currency quoted against the Pound Sterling (DALASI)

Compared to the CFA F, the margins of weekly fluctuations were more pronounced.

In September 2009, the maximum rate of the WAUA in relation to the DALASI was the one recorded on 29th (1WAUA = 43.5655 dalasi) while the minimum value was recorded on the 14th (1 WAUA = 40.8713 dalasi).

Graph 2.2: Trends in the WAUA rates in relation to the Dalasi and (weekly variations in %)



Source: IMF. ECOWAS Central Banks, WAMA

In September 2009, the Dalasi followed the same trend as the Pound Sterling, reflecting a relative stability of the Gambian currency against the British currency.

c°) Currencies quoted against the US Dollar

Five currencies of ECOWAS Member States are pegged to the Dollar through a flexible parity. These are the Cedi, Guinean Franc, Liberian Dollar, Naira and Leone.

Aside a significant depreciation of the Leone during the first week, there has been a remarkable firming of the cedi towards the end of the month. All these currencies recorded moderate weekly fluctuations as shown in table 2.1.

Table 2.1: Weekly trends in the exchange rate of the WAUA against the CEDI, GNF,L\$, NAIRA and LEONE

		Week 1	Week 2	Week 3	Week 4	Week 5
CEDI	RATES	2.29	2.30	2.31	2.31	2.21
	Variation in %	-0.17%	0.39%	0.76%	-0.01%	-4.57%
GNF	COURS	7 448.97	7 448.53	7 507.36	7 514.48	7 490.49
	Variation in %	0.57%	-0.01%	0.79%	0.09%	-0.32%
LIB DOLLARS	RATES	113.34	113.90	114.84	114.95	114.59
	Variation IN%	0.74%	0.49%	0.83%	0.09%	-0.32%
NAIRA	RATES	235.67	237.77	239.59	239.85	236.83
	Variation in%	0.65%	0.89%	0.76%	0.11%	-1.26%
LEONE	RATES	5 567.38	5 633.27	5 715.45	5 718.17	5 704.71
	Variation in %	5.90%	1.18%	1.46%	0.05%	-0.24%

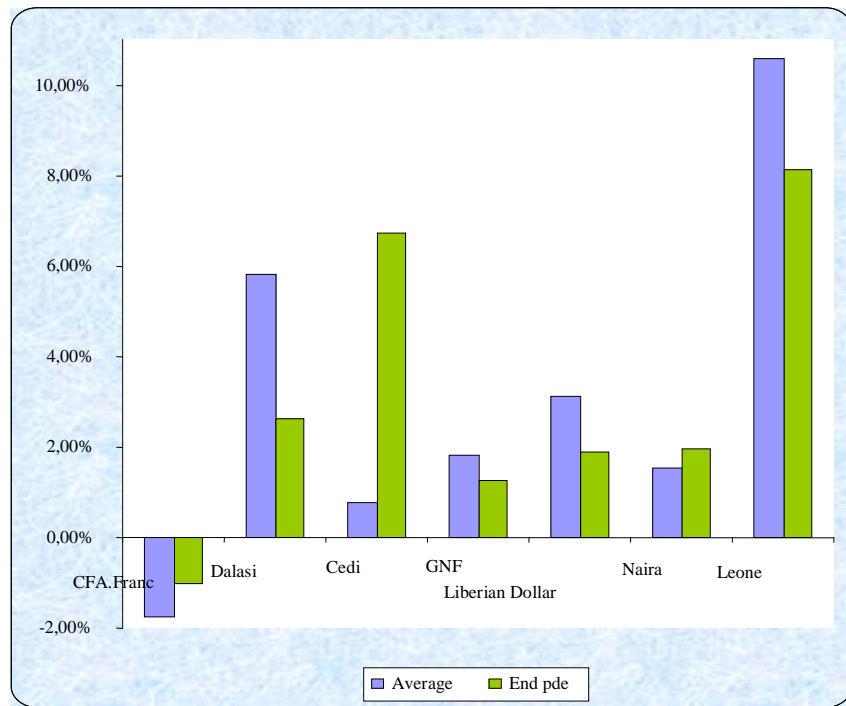
Sources: WAMA, Central Banks and IMF

II.2 Monthly, half-yearly and annual trends

a) Trends compared to August 2009

Compared to the previous month, the WAUA firmed up against all ECOWAS currencies with the exception of the CFAF which recorded a modest recovery in relation to the ECOWAS unit of account. The most significant depreciations were in respect of the Leone, Cedi, and Dalasi, as shown in the graph below.

Graph 2.5: Monthly trends in the WAUA rates in relation against ECOWAS currencies (Variations Sept 09/August 2009 in %)

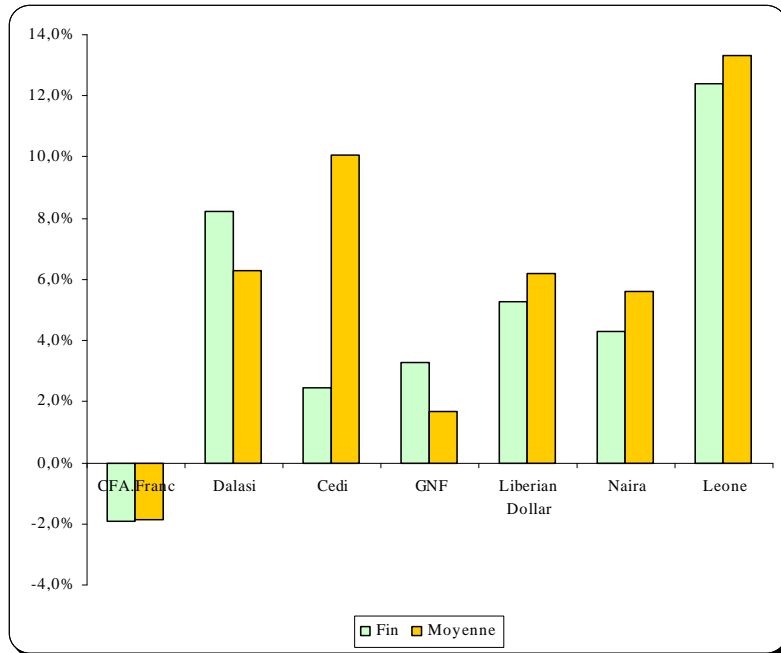


Source : IMF, ECOWAS Central Banks, , WAMA

b) Trends compared to June 2009

Besides a modest weakening against the CFA F, the WAUA firmed up against all the other currencies of the region. The Leone, Cedi, and Dalasi recorded the most significant decline.

Graph 2.5: Quarterly trends in the WAUA rate against ECOWAS currencies (variations Sept 09/June 2009 in %)

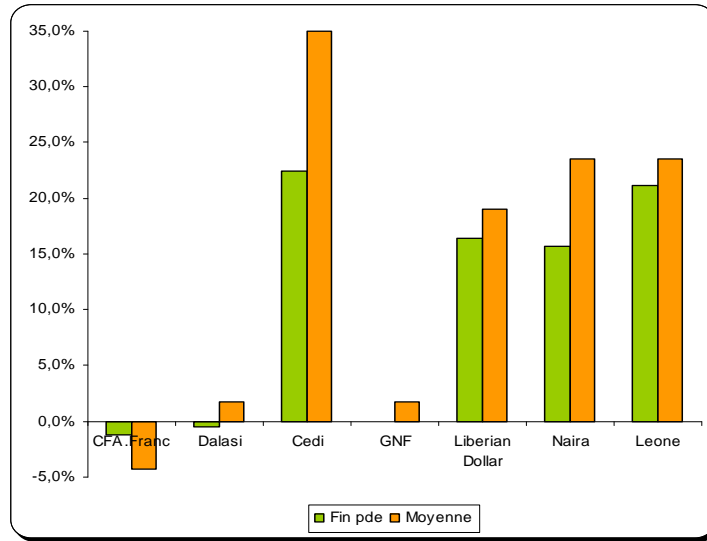


Source: IMF, ECOWAS Central Banks, WAMA

c/ Trends in relation to December 2008

Compared to end 2008, the WAUA firmed up sharply against the Ghanaian Cedi, Liberian Dollar, Nigerian Naira and the Sierra Leonean currency. Over the period, these currencies experienced significant depreciation against the Dollar which somewhat weakened against the WAUA.

Graph 2.6: Trends in the WAUA rate against ECOWAS currencies (Variations Sept 09/Dec-08 in %)

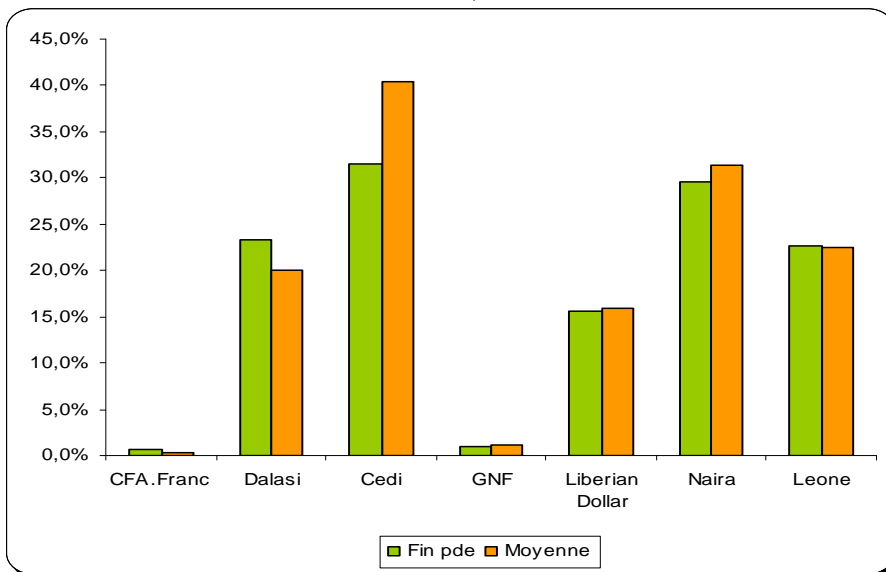


Source : IMF, ECOWAS Central Banks, WAMA

d/ Trends compared to September 2009 2008

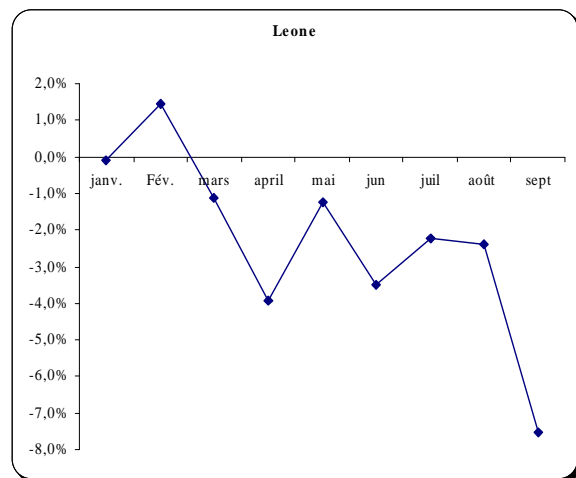
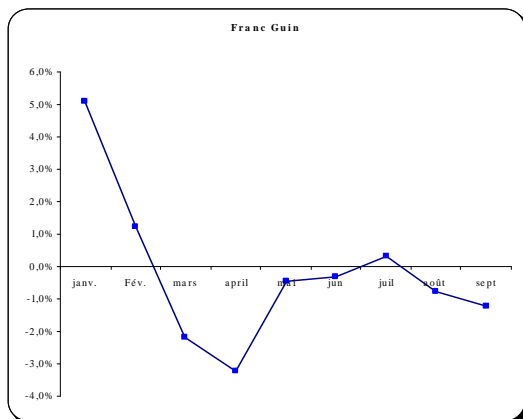
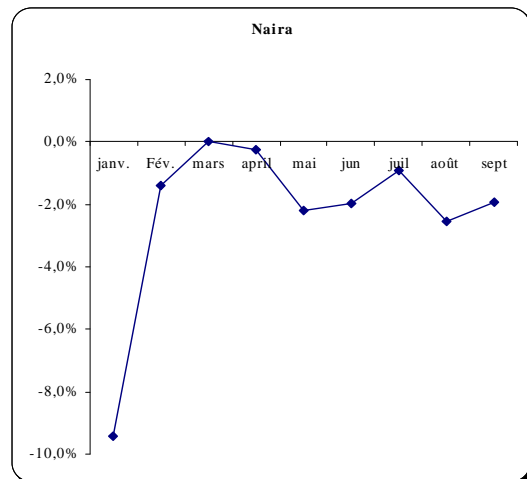
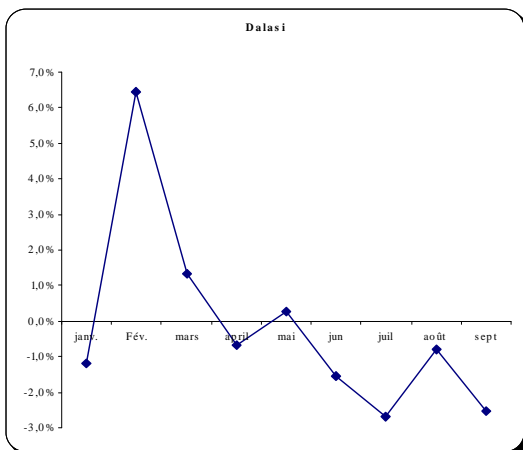
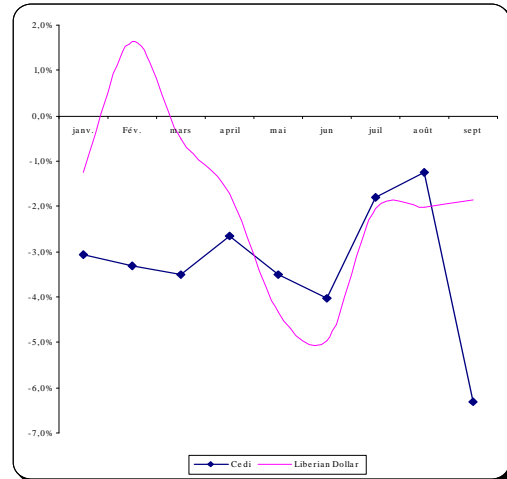
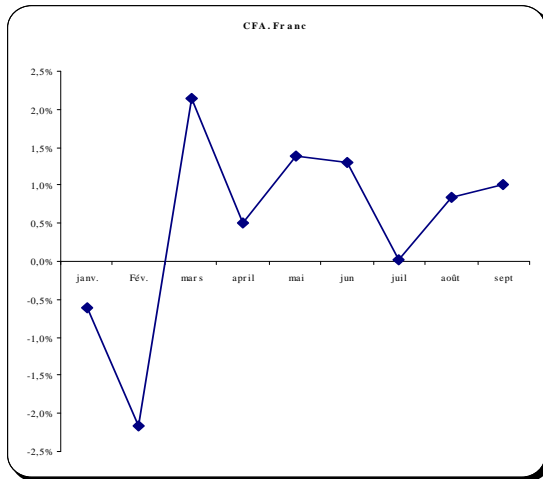
Over the same period in 2008, the WAUA appreciated against the Dalasi, Cedi, Liberian Dollar, Naira and the Leone. The CFA franc and the Guinean Franc were the only currencies that remained almost stable.

Graph 2.6: Annual trends in the WAUA rate against ECOWAS currencies (variations Sept 09/Sept-08 in %)



Source : IMF, ECOWAS Central Banks, WAMA

Graph 2.7: Monthly trends in ECOWAS currencies in relation to the WAUA in 2009 (fluctuation of monthly averages in %)



Source : IMF, Central Banks, ECOWAS, WAMA

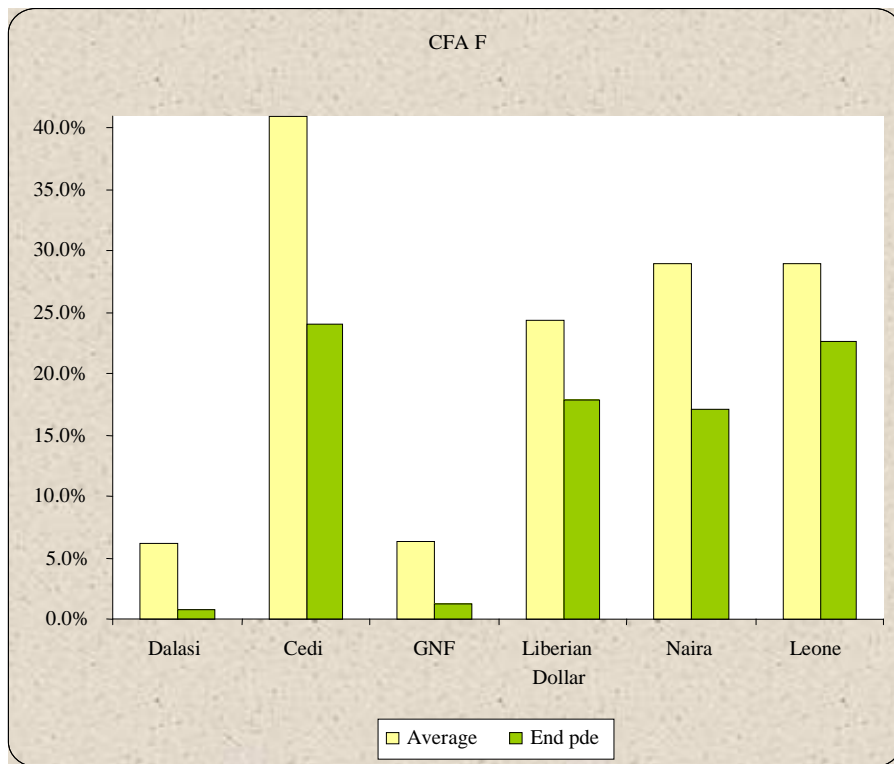
III. Trends in bilateral exchange rates of ECOWAS currencies

Trends in bilateral exchange rates are assessed based on the pattern of monthly averages and end of period rates between December 2008 and September 2009.

CFA Franc and Escudo

Compared to prevailing rates at the end of 2008, the CFA and Escudo experienced on the average an appreciation against all other ECOWAS currencies. The most significant appreciations were recorded against the Cedi, Leone, Naira and the Liberian Dollar.

Graph 3.1: Trends in the CFA franc rate against other ECOWAS currencies (variations Sept 09/Dec 08 in %)

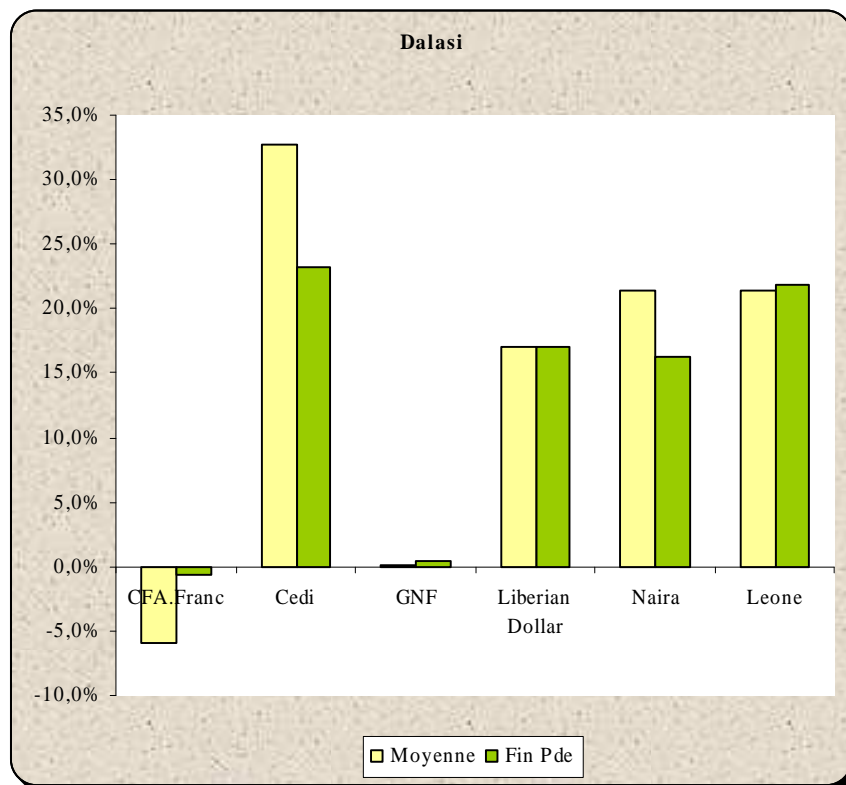


Source: IMF, ECOWAS Central Banks, WAMA

Dalasi

The Gambian Dalasi declined marginally against the CFA franc while remaining almost stable in relation to the Guinean franc but firmed up sharply against the other currencies of the sub region.

Graph 3.2: Trends in the Dalasi rate against other ECOWAS currencies (Variation Sept 09/Dec.08 in %)

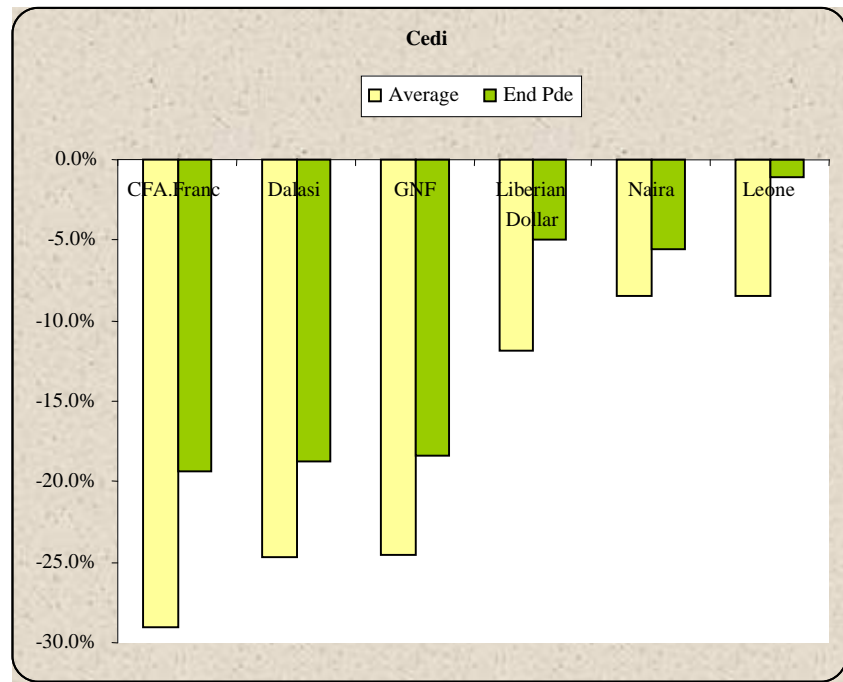


Source: IMF, ECOWAS Central Banks, WAMA

Cedi

The Ghanaian currency declined against all the other ECOWAS currencies during the first nine months of 2009. The most significant depreciations were in respect of the CFA franc, the Dalasi and Guinean franc.

Graph 3.3 Trends in the cedi rate against other ECOWAS currencies (variations Sept 09/Dec 08 en %)

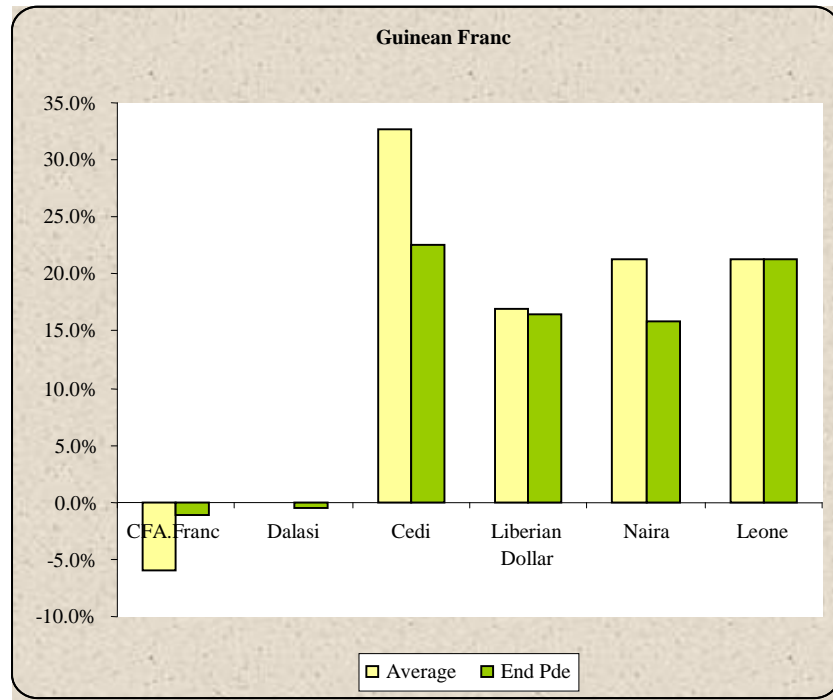


Source IMF, Central Banks, ECOWAS, WAMA

Guinean Franc

Besides a modest depreciation of the average exchange rate against the CFA franc and a relative stability in relation to the Dalasi, the Guinean franc experienced a sharp appreciation against the other currencies of ECOWAS.

Graph 3.4: Trends in the Guinean Franc rate against the other ECOWAS currencies (Variations Sept 09/Dec08 in %)

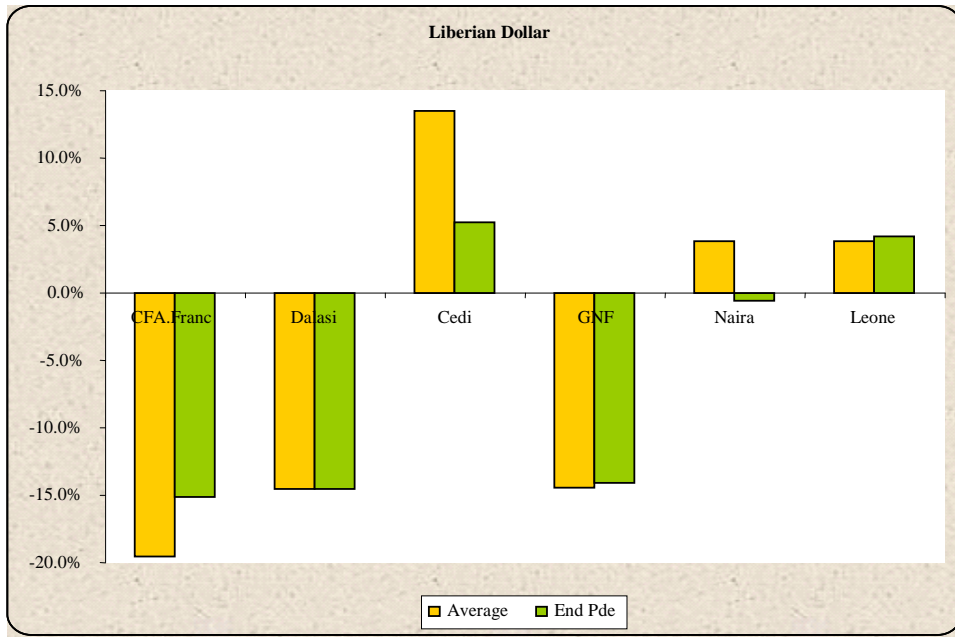


Source : IMF, ECOWAS Central Banks, , WAMA

Liberian Dollar

The Liberian Dollar recorded mixed trends in relation to the other currencies of the sub region. The Liberian currency, somewhat, firmed up against the Cedi, Naira and Leone but declined sharply against the other currencies of the sub region as shown the graph below.

Graph 3.5: Trends in the Liberian Dollar rate against other ECOWAS currencies (Variations Sept 09/Dec 08 in %)

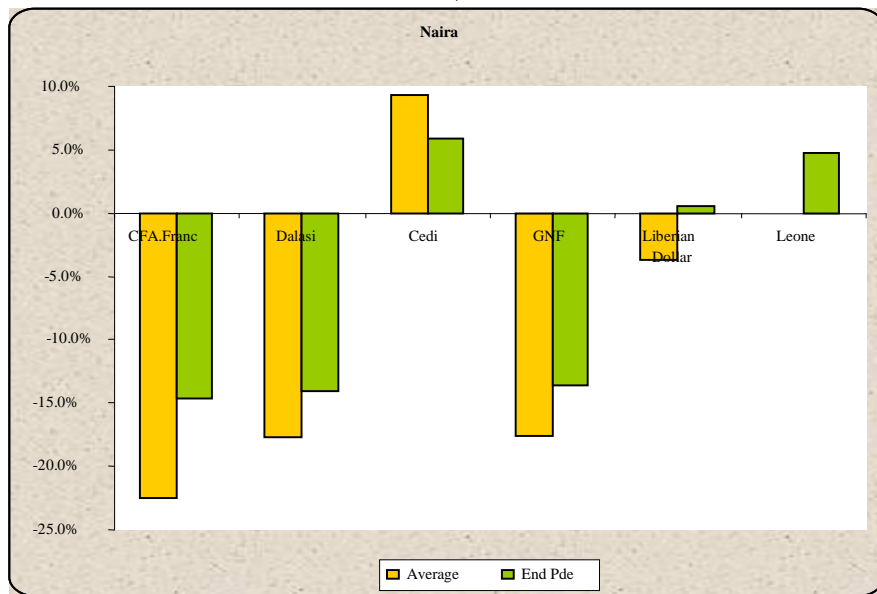


Source: IMF, ECOWAS Central Banks, WAMA

Naira

A part from an appreciation against the cedi and to a lesser extent the Leone, the Naira depreciated against all the other ECOWAS currencies.

Graph 3.6: Trends in the Naira in relation to the other ECOWAS currencies (variations S 09/Dec 08 in %)



Source : IMF, ECOWAS Central Banks, WAMA

Leone

Aside the appreciation of its value against the Cedi, the Leone declined against all the other ECOWAS currencies.

Graph 3.7: Trends in the value of the Leone against the other ECOWAS currencies (variations Sept 09/Dec 08 en %)



Source : IMF, ECOWAS Central Banks, , WAMA

Conclusion

In September 2009, the region's currencies on the whole followed the same trend as the major reference hard currencies. The CFA Franc and Escudo which have a fixed parity with the Euro recorded very low weekly fluctuations. The **margins** of weekly variations for the Guinean Franc, Naira, and Liberian Dollar were similar. On the other hand, the Dalasi, Cedi and Leone recorded more pronounced fluctuations.

Compared to August 2009, all the ECOWAS currencies depreciated against the WAUA, with the exception of the CFA Franc and Dalasi. In all, the same trends were observed as compared to the previous quarter and at the end of 2008.

With regard to trends over the same period of the previous year, the CFA franc and Guinean Franc remained almost stable against the WAUA which experienced significant appreciation against all the ECOWAS currencies.

Concerning trends in bilateral exchange rates, the CFA Franc and the Escudo benefited from the good performance of the Euro and firmed up against all other ECOWAS currencies in terms of monthly variations. On the contrary, the cedi depreciated against all the other currencies of the sub region. The other currencies which firmed up the most were the Guinean Franc and the Gambian Dalasi.

On the whole, weekly and monthly variations recorded by ECOWAS currencies in relation to the WAUA were modest. However, quarterly and annual variations were pronounced, especially for the Leone, Dalasi and Cedi and to a lesser extent the Naira. Fluctuations in bilateral exchange rates often exceeded 30% for the first 9 months of 2009.

This reflected in contrasting trends in the rates of currencies of the sub region during the period under review.

Recommendations

In view of trends observed, the following measures are necessary in order to guarantee the stability of exchange rates of currencies of the sub region.

1. In the short term

There is the need to:

- i. Take measures to enforce laws on export revenue repatriation through the **localisation** of operations in the banking system ;
- ii. Strengthen the liberalization of the current account by prohibiting transactions in foreign currencies especially those involving goods and services ;
- iii. Reduce **absorption** by controlling government recurrent expenditure ;
- iv. Implement effective monetary policies to curb inflation;
- v. Take measures to encourage remittances from migrant workers ;
- vi. Take useful measures to encourage the use of banking facilities for import and export operations in order to reduce cash payments;
- vii. – Strengthen transparency in exchange markets in order to unify official and parallel exchange rates.

2. In the medium term

- i. Promote the diversification of export by developing new agricultural sub sectors ;
- ii. Modernize payment systems and develop banking products to meet the needs of operators in the external sub sector ;
- iii. Promote foreign direct investment in sectors that generate foreign exchange ;
- iv. Identify and implement targeted policies that will strengthen the competitiveness of the external sector ;
- v. Guarantee foods security in order to reduce the import bill;
- vi. Put in mechanisms that will enable citizens resident abroad to acquire immovable properties.

APPENDICES

Table1 :Trends in the exchange rate of the WAUA against ECOWAS currencies

2 009	sept.-08	08Dec	Average 2008	09-.Jan.	09feb.	09March	09-.Apr	09 May	09June	09 jul.	09-Aug.	09-.sept	september Jan. 2009
Currency													
CFA.Franc	706.78	741.30	706.31	745.90	762.42	746.35	742.53	732.45	723.04	722.85	716.84	709.65	733.56
Dalasi	35.01	41.30	35.39	41.80	39.27	38.75	39.02	38.91	39.52	40.61	40.93	42.00	40.09
Cedi	1.74	1.81	1.66	1.87	1.94	2.01	2.06	2.14	2.23	2.27	2.30	2.45	2.14
GNF	7408.48	7357.70	7157.73	7000.89	6915.82	7070.43	7306.28	7341.02	7365.58	7340.84	7397.42	7489.62	7247.54
Liberian Dollar	98.87	96.28	99.97	97.51	95.93	96.41	98.09	102.53	107.89	110.15	112.44	114.56	103.95
Naira	181.52	193.06	185.50	213.11	216.12	216.04	216.60	221.47	225.89	227.93	233.92	238.50	223.29
Leone	4644.41	4608.55	4716.04	4612.59	4546.57	4598.97	4787.50	4847.84	5024.27	5139.32	5264.96	5692.52	4946.06

Source : IMF, Central Banks, WAMA

Table 2: Daily trends in the WAUA exchange rate against ECOWAS currencies

		1	2	3	4	Week 1	7	8	9	10	11	Week 2
sept-09	CFA	719.7816	715.6360	719.6701	716.2919	717.8449	718.8108	717.0004	713.6156	711.0311	711.2345	714.3385
	Escudo	120.9993	120.3024	120.9805	120.4126	120.6737	120.8361	120.5317	119.9627	119.5283	119.5625	120.0843
	Dalasi	41.2703	41.5097	41.4187	41.1591	41.3394	41.1363	41.0552	40.9751	41.0916	41.0814	41.0679
	Cedi	2.2935	2.2851	2.2829	2.2906	2.2880	2.2850	2.2902	2.3021	2.3015	2.3058	2.2969
	GNF	7 577.8832	7 402.4697	7 395.3593	7 420.1508	7 448.9658	7 411.7949	7 428.3936	7 467.1397	7 460.7025	7 474.6368	7 448.5335
	Lib	113.5394	113.2175	113.1087	113.4879	113.3383	113.3066	113.5604	114.1527	114.1244	114.3376	113.8963
	Naira	235.5511	235.6016	235.3753	236.1644	235.6731	236.4748	237.0044	238.2406	238.3390	238.7842	237.7686
	Leone	5 564.0233	5 548.2485	5 569.2852	5 587.9551	5 567.3780	5 579.0307	5 591.5249	5 620.6900	5 682.2473	5 692.8600	5 633.2706

		14	15	16	17	18	Week 3	21	22	23	24	25	Week 4	Average
sept-09	CFA	711.9626	711.9823	710.0997	709.3257	707.8432	710.2427	707.8432	706.4854	704.4978	704.4322	704.7143	705.5946	723.0408
	Escudo	119.6849	119.6882	119.3717	119.2416	118.9924	119.3957	118.9924	118.7641	118.4300	118.4190	118.4664	118.6144	121.5472
	Dalasi	40.8713	41.1871	41.3265	41.3821	41.7387	41.3011	41.7387	42.3873	42.2415	41.9946	42.7823	42.2289	39.5207
	Cedi	2.3146	2.3094	2.3112	2.3183	2.3187	2.3144	2.3187	2.3051	2.3177	2.3156	2.3137	2.3142	2.2257
	GNF	7 507.1708	7 490.3935	7 496.2229	7 518.9718	7 524.0429	7 507.3604	524.0429 ⁷	482.0523 ⁷	523.0476 ⁷	523.9481 ⁷	519.3035 ⁷	7 514.4789	7 365.5755
	Lib	114.8407	114.5841	114.6733	115.0213	115.0988	114.8436	115.0988	114.4565	115.0836	115.0974	115.0263	114.9525	107.8897
	Naira	239.8350	239.1409	239.3270	239.7360	239.8977	239.5873	239.8977	238.5589	239.8660	240.5297	240.3812	239.8467	225.8857
	Leone	5 717.9118	5 705.1332	5 709.5732	5 720.3875	5 724.2456	5 715.4503	724.2456 ⁵	692.2994 ⁵	723.4884 ⁵	724.1735 ⁵	726.6530 ⁵	5 718.1720	5 024.2692

Source: FMI, Central Banks, WAMA

	End June 2009	End Aug. 2009	End sept 2009	End sept 2008	End dec. 08
Currency					
CFA.Franc	725.09	723.99	711.26	706.78	720.17
Dalasi	39.88	40.78	43.15	35.01	43.38
Cedi	2.24	2.28	2.30	1.74	1.87
GNF	7240.65	7341.90	7476.60	7408.48	7480.59
Liberian Dollar	108.64	110.90	114.37	98.87	98.29
Naira	225.38	231.50	235.07	181.52	203.15
Leone	5066.59	5149.80	5694.13	4644.41	4698.15

Source: FMI. FMI, Central Banks, WAMA