

AGENCIA MONETARIA DA
AFRICA DO OESTE

WEST AFRICAN
MONETARY AGENCY



AGENCE MONETAIRE DE
L'AFRIQUE DE L'OUEST

EXCHANGE RATE DEVELOPMENTS IN ECOWAS AT END-DECEMBER 2021

Freetown, January 2022

ACRONYMS AND ABBREVIATIONS

BCRG	Central Bank of the Republic of Guinea
BCV	Banco de Cabo Verde
BoE	Bank of England
BoG	Bank of Ghana
BSL	Bank of Sierra Leone
CBG	Central Bank of The Gambia
CBL	Central Bank of Liberia
CBN	Central Bank of Nigeria
CFA	Financial Community of Africa
ECB	European Central Bank
ECOWAS	Economic Community of West African States
EMCP	ECOWAS Monetary Cooperation Program
EU	European Union
FED	US Federal Reserve
GDP	Gross Domestic Product
GNF	Guinean franc
HCPI	Harmonised Consumer Price Index
IMF	International Monetary Fund
MLF	Medium-term lending facility
RBI	Reserve Bank of India
USA	United States of America
USD	United States Dollar
WAEMU	West African Economic and Monetary Union
WAMA	West African Monetary Agency
WAMZ	West African Monetary Zone
WAUA	West African Unit of Account
WEO	World Economic Outlook

TABLE OF CONTENTS

I. INTRODUCTION	3
1.1. Executive Summary.....	4
II. GLOBAL ECONOMIC DEVELOPMENTS	5
2.1 Growth	5
2.2 Consumer Prices.....	6
2.3 Commodity Prices.....	8
2.4 Trade.....	9
III. GLOBAL EXCHANGE RATE DEVELOPMENTS	11
3.1 Exchange Rate of the WAUA Against Major Currencies.....	11
3.2 Exchange Rate of the US dollar Against Other Major Currencies.....	12
IV. REGIONAL EXCHANGE RATE DEVELOPMENTS	14
4.1 Exchange Rate of the WAUA Against other ECOWAS Currencies.....	14
4.2 Exchange Rate of the US dollar vis-à-vis ECOWAS Currencies	16
V. BILATERAL EXCHANGE RATE DEVELOPMENTS IN	18
5.1 Performance of ECOWAS Currencies Against One another.....	18 - 30
VI. CONCLUSION AND RECOMMENDATIONS	31

I. INTRODUCTION

The Exchange Rate Developments Report is prepared by the West African Monetary Agency (WAMA) based on directive of the Committee of Governors. It is a biannual publication that discusses exchange rate developments in the Economic Community of West African States (ECOWAS). This report discussed exchange rate developments in ECOWAS with emphasis on global, regional and bilateral exchange rate performances mainly using the West African Unit of Account¹ (WAUA) vis-à-vis other international currencies, the United States dollar against selected international currencies as well as the ECOWAS Member States' currencies against one another.

To the above, the analysis in this edition of the report covers the first half of 2021, in one part, and the entire 2021 in another. The analysis is derived from a periodic computation of the trends in the ECOWAS currencies vis-à-vis other peer currencies using both the end-of-period and period average exchange rates.

The report is part of publications intended for monitoring the stabilization of exchange rates of ECOWAS Member States' national currencies. The stabilization of the currencies is a main activity under the ECOWAS Roadmap for the Launch of the eco. The main objective of the report is therefore to highlight the key explanatory factors underpinning exchange rate movements in the region, with a view to providing policy recommendations in cases where excessive exchange rate movements have been pinpointed.

Chapter One of the report contains the Introduction including the Executive Summary. Chapter Two looks at trending events in the global economy relative to exchange rate developments. Chapter Three reviews global exchange rates developments. Chapters Four and Five focus on regional and bilateral exchange rate developments. Chapter Six presents conclusion and recommendations.

¹ WAUA is the West African Unit of Account. It is equivalent to the SDR

1.1 Executive Summary

WAMA computes periodically exchange rates of ECOWAS currencies against the WAUA as well as the cross-rates among the various ECOWAS currencies. The aim of computing the exchange rates is to monitor exchange rate developments with a view to highlighting excessive fluctuations in Member States' currencies, which has the potential to cause significant macroeconomic distortions. Exchange rate stability is one of the secondary convergence criteria, for the launch of the single currency. Another objective of the assessment is to avoid the implementation of exchange rate policies that may affect the competitiveness of the various economies in the region.

The mutation of the Coronavirus into different strains continues to negatively affect economies in the ECOWAS region; notably, subduing aggregate demand, increasing commodity prices, slowing down tourism, and reducing foreign capital inflows in the form of remittances to some countries. The development weakened the value of some of the currencies in the region against the USD and WAUA during the year 2021 compared to 2020.

The WAUA strengthened against the USD at end of the first half of 2021 but depreciated against the EUR and the GBP. At end-December 2021, it also weakened against the GBP. Regional analysis of the end of period exchange rate of the WAUA against the ECOWAS currencies showed that the WAUA depreciated against the GNF and the LRD, but the rate of depreciation against the LRD remained high throughout the year. However, the period average exchange rate showed that the WAUA strengthened against the GHC, the GMD, the GNF, the NGN and the SLL. Matched against the US dollar, the ECOWAS currencies underperformed during the year. At end-December 2021, all currencies, except the LRD and GNF depreciated vis-à-vis the US dollar. Nevertheless, the period average exchange rate showed that the LRD including the XOF and the CVE strengthened against the dollar.

On the bilateral front, the exchange rate developments showed that the LRD remained strengthened against most of the other ECOWAS currencies, but the NGN persistently weakened against the rest of the currencies. Although performance was mixed among other bilateral currencies during the review period, the GHC, GNF and SLL recorded some level of depreciations compared to the movements during the corresponding periods in 2020.

II. GLOBAL ECONOMIC DEVELOPMENTS

2.1 Growth

Although the continued resurgence of the Coronavirus keeps subduing economic activities in most economies, there is prospect for global recovery. The global economy was forecast to grow by 5.9 percent in 2021, up 9.0 percent compared to the contraction in 2020. The growth path was reflective of a continued adaptation of economic activity to the pandemic and associated restrictions in many countries mainly during the first half of the year (WEO October 2021).

Similarly, the forecast for 2022 showed that global growth will increase, but at a declining rate of 4.9 percent, from 5.9 percent in 2021 driven by the possibility that Covid-19 vaccines will be accessible to most emerging market and low-income developing countries and that the pandemic will be contained. The forecast assumes that some emerging market economies will gain more access to the vaccine in 2022.

Table 2.1: Summary of Global Growth (in percent)

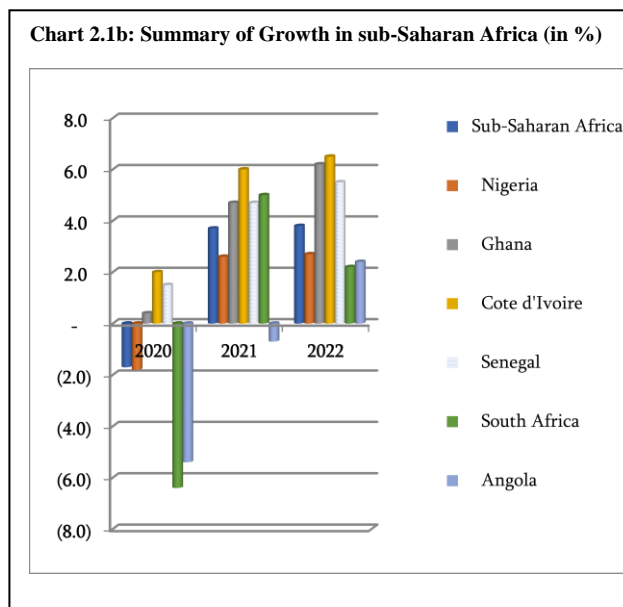
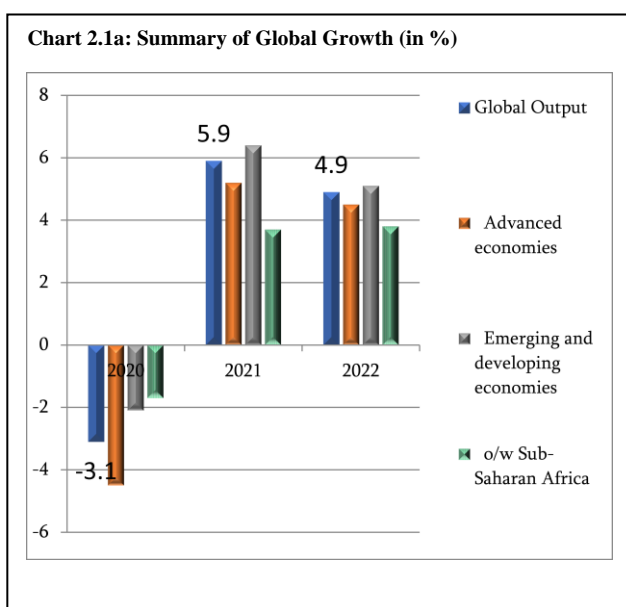
World Economy Grouping	Actual		Prel*.	Proj ⁺ .
	2019	2020	2021	2022
Global Output	2.8	-3.1	5.9	4.9
Advanced economies	1.6	-4.5	5.2	4.5
United States	2.2	-3.4	6.0	5.2
Euro area	1.3	-6.3	5.0	4.3
Germany	0.6	-4.6	3.1	4.6
France	1.5	-8.0	6.3	3.9
Italy	0.3	-8.9	5.8	4.2
Spain	2.0	-10.8	5.7	6.4
Japan	0.3	-4.6	2.4	3.2
United Kingdom	1.4	-9.8	6.8	5.0
Canada	1.9	-5.3	5.7	4.9
Other advanced economies	1.8	-1.9	4.6	3.7
Emerging and developing economies	3.6	-2.1	6.4	5.1
Emerging and developing Asia	5.3	-0.8	7.2	6.3
China	5.8	2.3	8.0	5.6
India	4.0	-7.3	9.5	8.5
ASEAN-5	4.8	-3.4	2.9	5.8
Emerging and developing Europe	2.4	-2.0	6.0	3.6
Russia	2.0	-3.0	4.7	2.9
Latin America and the Caribbean	0.2	-7.0	6.3	3.0
Brazil	1.4	-4.1	5.2	1.5

Mexico	-0.1	-8.3	6.2	4.0
Middle East and Central Asia	1.4	-2.8	4.1	4.1
Saudi Arabia	0.3	-4.1	2.8	4.8
Sub-Saharan Africa	3.1	-1.7	3.7	3.8
Nigeria	2.2	-1.8	2.6	2.7
Ghana	6.5	0.4	4.7	6.2
Cote d'Ivoire	6.2	2.0	6.0	6.5
Senegal	4.4	1.5	4.7	5.5
South Africa	0.2	-6.4	5.0	2.2
Angola	-0.5	-5.4	-0.7	2.4

Source: IMF WEO_Oct 2021 Edition; *IMF staff projection

* Preliminary

+ Projection



2.2 Consumer Prices

In 2021, global growth was estimated to rebound mainly on account of increase in private spending and other productive activities; influenced, in part by the rapid rise in commodity prices, especially the prices of petroleum, food and metal. Amid these rises, cost of imports rose for mainly import-dependent economies due to export constraints, currency depreciation and lockdowns in most exporting countries. Consequently, the effect of the increase in global commodity prices passed through to consumer prices.

Consumer prices, based on the index, rose slightly over 30.0 percent during the first half of 2021 compared to the second half of 2020 and about 47.0 percent over the corresponding period of 2020. The increase was more severe in advanced and emerging market and developing economies, compared to low-income countries. Concentrating on sub-Saharan Africa, the pass-through of the rise in petroleum prices to transport and self-run electricity costs as well as the increase in food prices affected most parts of the region. With the depreciation of most of the currencies in the ECOWAS region vis-à-vis the US dollar, the rise in petroleum prices was a gain to petroleum exporters (say Nigeria) and the rise in food prices was a shock to economies that are net importers of food and agricultural related products.

Looking ahead, consumer prices were forecast to peak in the second half of 2021 due to worsening pandemic dynamics. However, it is expected that inflation will return to pre-pandemic levels by mid-2022 for both advanced economies and emerging market country groups, even though risk of Covid-19 and supply disruptions persist.

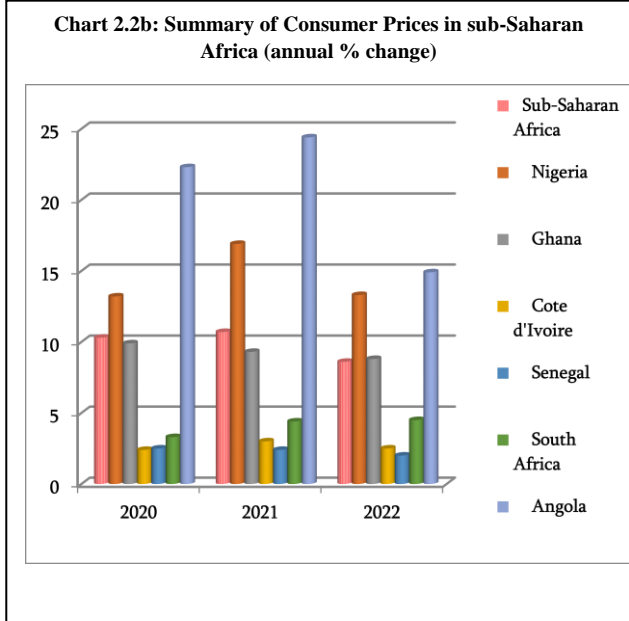
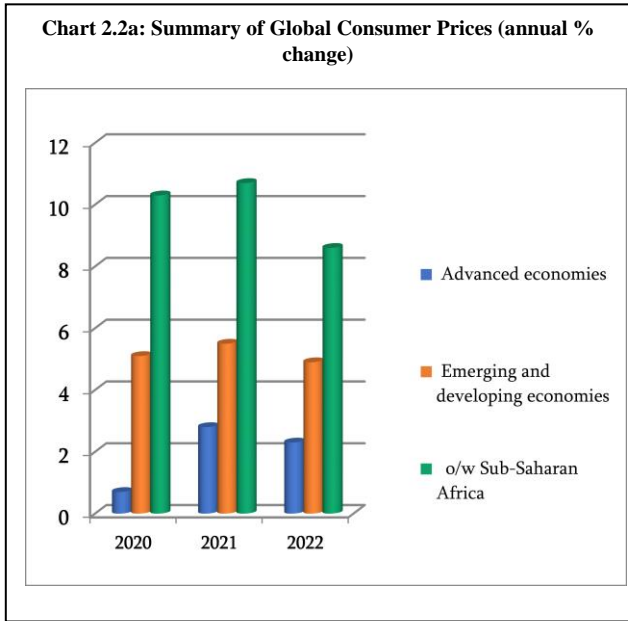
Table 2.2: Summary of Global Consumer Prices (in percent)

World Economy Grouping	Actual		Prel*.	Proj ⁺ .
	2019	2020	2021	2022
Global Consumer Prices				
Advanced economies	1.4	0.7	2.8	2.3
United States	1.8	1.2	4.3	3.5
Euro area	1.2	0.3	2.2	1.7
Japan	0.5	0.0	-0.2	0.5
Other Advanced Economies	1.4	0.6	2.2	2.0
Emerging and Developing Economies	5.1	5.1	5.5	4.9
Emerging and Developing Europe	6.6	5.4	8.4	7.1
Emerging and Developing Asia	3.3	3.1	2.3	2.7
Latin America and the Caribbean	7.7	6.4	9.3	7.8
Middle East and Central Asia	7.3	10.1	11.7	8.5
Sub-Saharan Africa	8.2	10.3	10.7	8.6
Nigeria	11.4	13.2	16.9	13.3
Ghana	9.1	9.9	9.3	8.8
Cote d'Ivoire	0.8	2.4	3.0	2.5
Senegal	1.0	2.5	2.4	2.0
South Africa	4.1	3.3	4.4	4.5
Angola	17.1	22.3	24.4	14.9

Source: IMF WEO_Oct 2021 Edition; *WAMA

* Preliminary

+ Projection



2.3 Commodity Prices

During the first half of 2021, the increase in commodity prices resulted to a rise in private spending that was a major driver of rebound in global growth. The rise in commodity prices during the period was mainly triggered by the rapid rise in the prices of mainly petroleum, food, metal and most agricultural products.

The price of petroleum increased during the review period by 59.2 percent to US\$63.2 per metric ton above the price reported for the corresponding period in 2020. Towards the end of 2021, the price of petroleum was forecast to rise above the price in the first half of 2021 due basically to low supply of the commodity from OPEC+.

The price of metals (mainly iron ore) rose by 46.6 percent during the first half of 2021, compared to the corresponding period of 2020, due mainly to the steady recovery of manufacturing industry following the outbreak of the first round of the Covid-19 pandemic. The prices of food and most agricultural products increased during the period, thus raising the cost of imported food and other products in the region which has low food security.

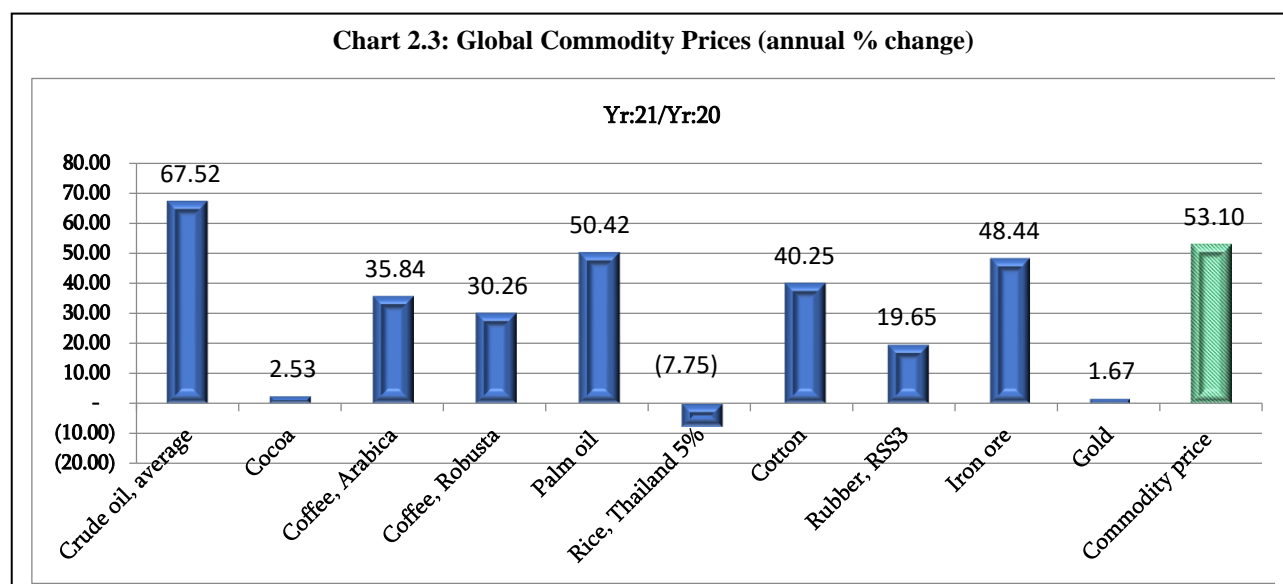
Table 2.3: Summary of Global Commodity Price (in unit as may be specified)

Commodity	Unit	Actual			Prel*		H1:2021 / H1:2020	Yr:21 / Yr:20
		Jun. 20	Dec. 20	Jun. 21	Dec. 21			
Crude oil (petroleum)	USD/BBL	39.70	41.25	63.20	69.10	59.19	67.52	
Cocoa	USD/KG	2.41	2.37	2.40	2.43	(0.41)	2.53	
Coffee, Arabica	USD/KG	3.21	3.32	3.83	4.51	19.31	35.84	
Coffee, Robusta	USD/KG	1.47	1.52	1.68	1.98	14.29	30.26	
Palm oil	USD/MT	669.50	751.75	1,043.50	1,130.75	55.86	50.42	
Rice, Thailand 5%	USD/MT	498.15	496.73	513.50	458.25	3.08	(7.75)	
Cotton	USD/KG	1.55	1.59	2.01	2.23	29.68	40.25	
Rubber, RSS3	USD/KG	1.48	1.73	2.27	2.07	53.38	19.65	
Iron ore	USD/MT	92.35	108.93	183.95	161.70	99.19	48.44	
Gold	USD/Toz	1,646.50	1,770.00	1,806.50	1,799.50	9.72	1.67	
Commodity price	Index	99.90	105.87	146.94	162.09	47.09	53.10	

Source: CMO-Pink-Sheet-July-2021.pdf (worldbank.org); CMO-Pink-Sheet-January-2022.pdf (worldbank.org)

* Preliminary

Chart 2.3: Global Commodity Prices (annual % change)



2.4 Trade

The Covid-19 pandemic posed significant constraint on movement, mainly in person. Despite the frequent lockdowns, trade in goods whether electronically or physically, was going on. In 2021, world trade (in goods and services) volume was estimated to increase by 9.7 percent indicative of the projected expansion in global growth.

The expected growth in trade during the year assumed that both import and export volume will rise, but the increase in the volume of imports for both advanced and emerging market and

developing economies will exceed the surge in the volume of exports compared to 2020; thus leading to a global trade deficit. In advanced economies, import volume was expected to rise by 9.0 percent from negative 9.0 percent in 2020. Similarly, export volume was forecast to increase by 8.0 percent. For emerging market and developing economies, import volume was expected to rise by 12.1 percent from negative 8.0 percent in 2020, while export volume was forecast to increase by 11.6 percent.

The outlook for global trade is positive, but with similar dynamics as 2021. World import volume is projected to exceed exports and result to a trade deficit in 2022.

III. GLOBAL EXCHANGE RATE DEVELOPMENTS

Review of global exchange rate developments focuses on the performances of the WAUA against major international currencies (the US dollar, the Euro and the British pound). It also focuses on the performances of the USD against other international currencies (the Euro, the Japanese yen, and the Chinese yuan).

During the review period, the behavior of exchange rates in the region was characterized significantly by the effect of the Covid-19 pandemic on transport and travels of persons, flows of inbound remittances and a slow pace of trade among ECOWAS Member States.

The section discusses exchange rate developments in the context of global, regional, and bilateral performances of one international currency against the others.

3.1 Performance of the WAUA vis-à-vis the Other International Currencies

At end of the first half of 2021, the WAUA strengthened against the USD by 3.4 percent, but depreciated against the EUR and GBP by 1.9 percent and 7.9 percent, respectively compared to the end-of-period exchange rate in the first half of 2020. However, at end-December 2021, the USD and GBP appreciated against the WAUA by 2.8 percent and 2.9 percent, respectively, while the EUR depreciated by 4.5 percent.

On the other hand, the average exchange rate showed that the WAUA appreciated against the USD by 4.7 percent and 2.3 percent, respectively but depreciated vis-à-vis the EUR and GBP by 4.3 percent and 5.0 percent, respectively compared to the first half of 2020.

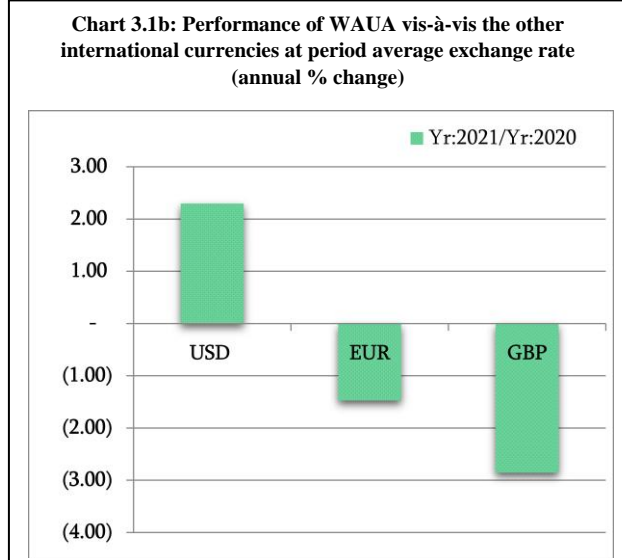
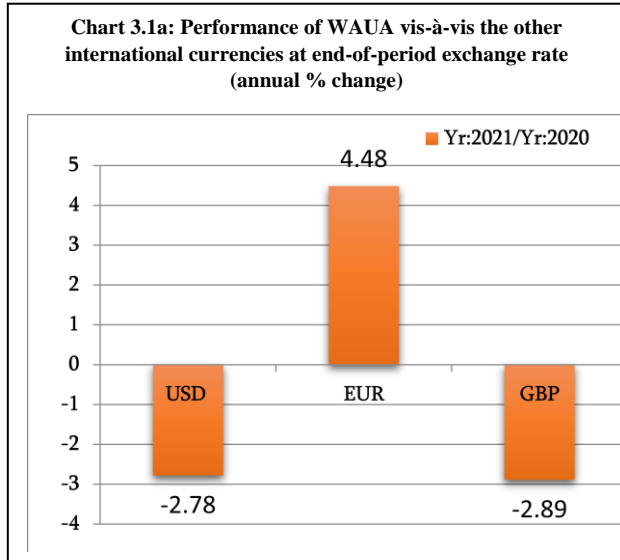
In summary, based on the end-of-period and average exchange rates, the GBP remained strong against the WAUA, but the values of the USD and EUR fluctuated against the WAUA during the year.

Table 3.1: Performance of WAUA vis-à-vis the other international currencies

Currency Description	Actual			Preliminary	Appr (+) / Depr (-) of the reference currency (WAUA)	
	Jun 20	Dec 20	Jun 21	Dec 21	H1:2021/H1:2020	Yr:2021/Yr:2020
	End-of-Period Exchange Rate					
USD	1.380	1.440	1.427	1.400	3.41	(2.78)
EUR	1.223	1.184	1.200	1.237	(1.88)	4.48
GBP	1.120	1.073	1.031	1.042	(7.95)	(2.89)
	Period Average Exchange Rate					
USD	1.371	1.393	1.436	1.425	4.74	2.30

EUR	1.245	1.222	1.191	1.204	(4.34)	(1.47)
GBP	1.088	1.086	1.034	1.055	(4.96)	(2.85)

Source: <https://www.imf.org/external/np/fin/data>



3.2 Performance of the USD vis-à-vis Other International Currencies

The USD performed well against most of its counterpart currencies. Based on the end-of-period exchange rate, during the first half of 2021, the USD strengthened against the GBP, the EUR and the JPY by 13.0 percent, 6.1 percent, and 2.6 percent, respectively, but depreciated against the CNY by 8.6 percent compared with the first half of 2020. However, at end December 2021, the EUR rebounded and appreciated against the USD by 7.1 percent and the CNY, by 2.5 percent compared to December 2020.

Based on the average exchange rate, the USD performed against both the EUR and GBP by 9.3 percent and 10.1 percent respectively, but depreciated against the CNY and the JPY by 8.0 percent compared with the first half of 2020. During the year end-December 2021, the USD appreciated against three currencies except the CNY that strengthened by 6.6 percent compared to December 2020.

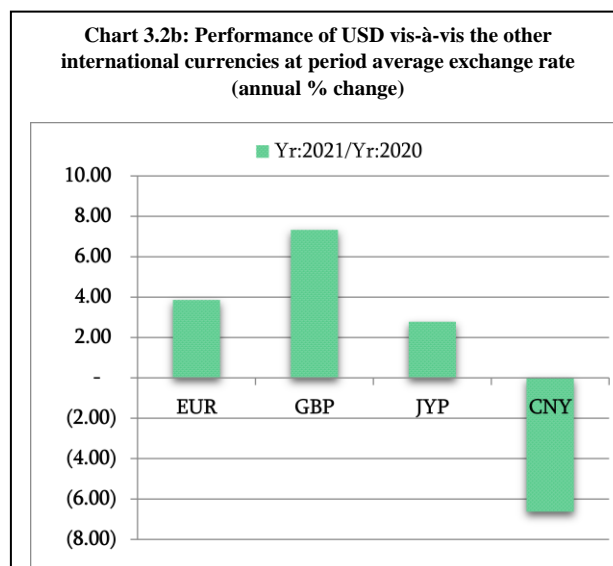
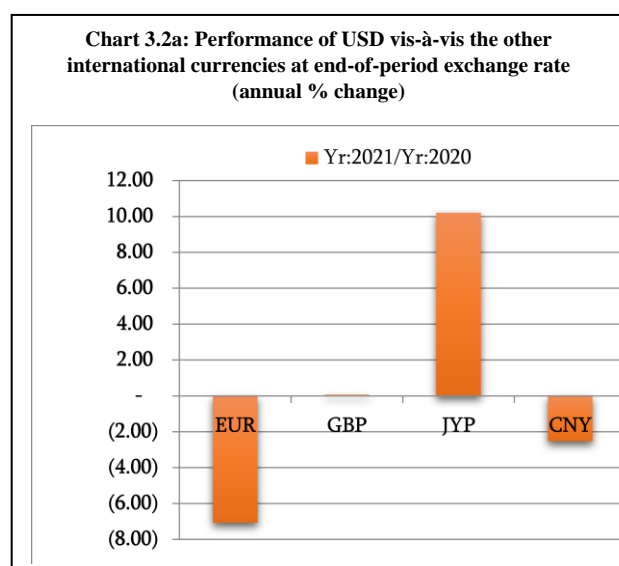
On the overall, both the end-of-period and average exchange rates showed that the US dollar persistently appreciated against the GBP largely due to the containment measures executed by the USA occasioned by the emergence of the Coronavirus pandemic in the face of increasing

inflation in the United Kingdom during the review period. On the other hand, the USD weakened against the CNY due to the speedy recovery in economic activities in China following the first round of the pandemic. For the most part, there were fluctuations in the rates of the USD against the EUR and the JPY.

Table 3.2: Performance of the USD vis-à-vis other international currencies

Currency Description	Actual			Preliminary	Appr (+) / Depr (-)	
	Jun 20	Dec 20	Jun 21	Dec 21	H1:2021/H1:2020	Yr:21/Yr:20
	End-of-Period Exchange Rate					
EUR	1.120	1.217	1.188	1.131	6.07	(7.07)
GBP	1.227	1.342	1.386	1.343	12.96	0.07
JYP	107.720	103.630	110.500	114.210	2.58	10.21
CNY	7.068	6.535	6.459	6.370	(8.62)	(2.52)
	Period Average Exchange Rate					
EUR	1.102	1.140	1.205	1.184	9.35	3.86
GBP	1.261	1.282	1.388	1.376	10.07	7.33
JYP	108.169	106.801	107.835	109.765	(0.31)	2.78
CNY	7.038	6.910	6.472	6.452	(8.04)	(6.63)

Source: <https://www.imf.org/external/np/fin/data>



IV. REGIONAL EXCHANGE RATE DEVELOPMENTS

Review of regional exchange rates focused on the performance of the WAUA against each of the currencies of ECOWAS; namely, (the franc CFA [XOF], the Cape Verdean escudo [CVE], the Ghanaian cedi [GHC], the Gambian dalasi [GMD], the Guinean franc [GNF], the Liberian dollar [LRD], the Nigerian naira [NGN], and the Sierra Leonean leone [SLL]). On the other hand, it focuses on the performance of the USD vis-à-vis the currencies of the ECOWAS.

4.1 Performance of the WAUA vis-a-vis the Currencies of ECOWAS

Of the eight regional currencies, the WAUA strengthened against five, but depreciated against three during the first half of 2021. Compared with the first half of 2020, the end-of-period exchange rate showed that the WAUA appreciated against the NGN, the SLL, the GNF, the GHC, and the GMD during the first half of 2021 by 38.2 percent, 9.0 percent, 5.3 percent, 5.1 percent, and 1.2 percent, respectively. On a year-on-year basis, the end-of-period exchange rate showed that the WAUA appreciated against six regional currencies, except the LRD and the GNF.

Similarly, based on the period average exchange rate, during the first half of 2021, the WAUA strengthened against the same currencies (the NGN, the SLL, the GNF, the GHC, and the GMD) by 32.0 percent, 9.8 percent, 10.6 percent, 9.5 percent, and 2.8 percent, respectively, but depreciated against the LRD, XOF and the CVE. Similarly, year-on-year comparison showed that the WAUA depreciated against the LRD, the XOF and the CVE, but appreciated vis-à-vis the NGN, the SLL, the GNF, the GHC, and the GMD by lower percentage changes compared to the half year performance.

In summary, based on the end-of-period and period average exchange rates, the WAUA strengthened against five of the regional currencies (the NGN, the SLL, the GNF, the GHC, and the GMD), but depreciated against the LRD, XOF, and the CVE at end June 2021 compared to the corresponding period in 2020. However, on a year-on-year basis, the end-of-period rate showed appreciation of the WAUA against most of the regional currencies. The strengthening of the WAUA against the other regional currencies was in part a result of a pass-through effect of high petroleum and food prices on the regional economies.

Table 4.1: Performance of the WAUA vis-à-vis the ECOWAS Currencies

Currency	Actual			Preliminary	Appr (+) / Depr (-) of the referenced currencies (WAUA)	
	Jun 20	Dec 20	Jun 21	Dec 21	H1:21/H1:20	Yr:21/Yr:20
	End-of-Period Exchange Rate					
XOF	802.085	776.555	787.273	811.734	(1.85)	4.53
CVE	134.835	130.543	132.345	136.457	(1.85)	4.53
GHC	7.820	8.259	8.220	8.392	5.12	1.61
GMD	72.010	72.454	72.889	72.563	1.22	0.15
GNF	13,236.246	14,377.058	13,932.871	12,795.149	5.26	(11.00)
LRD	275.074	236.230	244.572	203.253	(11.09)	(13.96)
NGN	422.900	546.582	584.499	576.911	38.21	5.55
SLL	13,440.960	14,594.774	14,649.495	15,753.393	8.99	7.94
	Period Average Exchange Rate					
XOF	816.785	801.579	781.328	789.837	(4.34)	(1.46)
CVE	137.306	134.750	131.345	132.776	(4.34)	(1.46)
GHC	7.534	7.797	8.249	8.270	9.49	6.07
GMD	70.064	70.900	72.018	73.775	2.79	4.06
GNF	12,906.778	13,327.996	14,274.221	13,919.028	10.59	4.43
LRD	270.151	266.640	246.509	237.012	(8.75)	(11.11)
NGN	420.310	468.866	554.668	567.283	31.97	20.99
SLL	13,364.297	13,694.563	14,675.205	14,868.773	9.81	8.57

Source: www.amao-wama.org; WAMA staff computations

Chart 4.1a: Performance of WAUA vis-à-vis the other ECOWAS currencies at end-of-period exchange rate (annual % change)

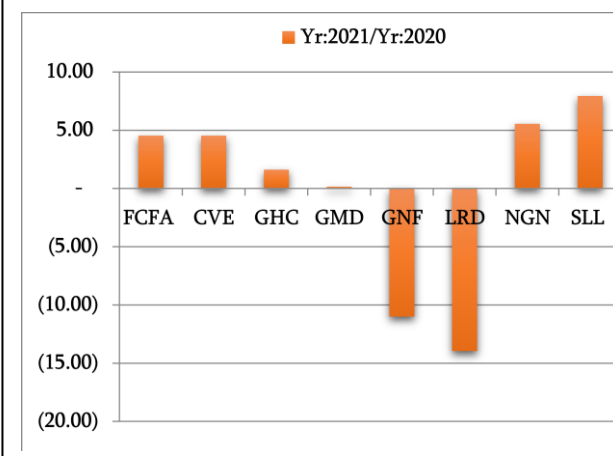
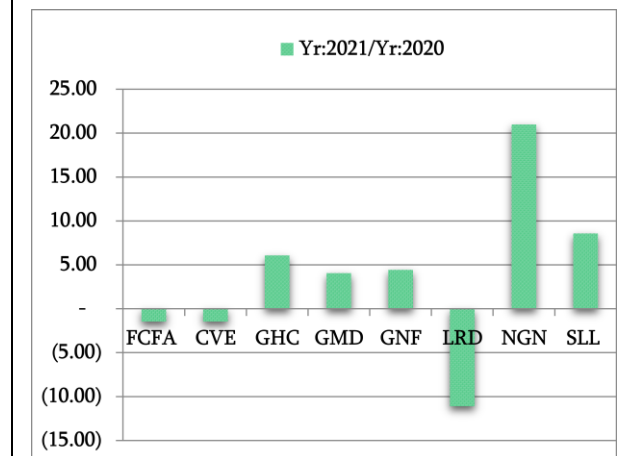


Chart 4.1b: Performance of WAUA vis-à-vis the other ECOWAS currencies at period average exchange rate (annual % change)



4.2 Performance of the USD vis-à-vis the Currencies of ECOWAS

The performances of the currencies in the ECOWAS region against the USD was mixed during the first half of 2021 compared to the corresponding period in 2020. Based on both the end-of-period and period average exchange rates, the USD appreciated against four of the regional currencies (the GHC, the GNF, the NGN, and the SLL) and depreciated against four other currencies (the XOF, the CVE, the GMD, and the LRD). Annual comparison, however, showed that, based on the end-of-period exchange rate, the USD outperformed over most of the regional currencies, except that it depreciated against the LRD by 11.5 percent. Additionally, based on the period average exchange rate, the USD depreciated against the LRD by 12.9 percent, but moderately against the XOF and the CVE by 3.7 percent.

In summary, on average, except the LRD that strengthened consistently against the USD, the regional currencies underperformed against the USD based on the end-of-period and period average exchange rates. Most of the currencies fluctuated from appreciation during the first half to depreciation at end of the year 2021 compared to 2020. The GHC, the GMD, the NGN, and the SLL depreciated throughout the period against the USD due to global supply constraint that caused increased in commodity and food prices coupled with low capital flows to some of the economies.

Table 4.2: Performance of the USD vis-à-vis the currencies of ECOWAS

Currency	Actual			Preliminary	Appr (+) / Depr (-) of the referenced currencies (USD)	
	Jun 20	Dec 20	Jun 21	Dec 21	H1:21/H1:20	Yr:21/Yr:20
	End-of-Period Exchange Rate					
XOF	581.318	539.173	551.779	579.980	(5.08)	7.57
CVE	97.723	90.638	92.757	97.500	(5.08)	7.57
GHC	5.667	5.734	5.761	6.000	1.66	4.64
GMD	52.190	50.306	51.086	51.850	(2.12)	3.07
GNF	9,593.081	9,982.197	9,765.187	9,142.070	1.79	(8.42)
LRD	199.362	164.018	171.414	145.220	(14.02)	(11.46)
NGN	306.500	379.500	409.660	412.200	33.66	8.62
SLL	9,741.450	10,133.360	10,267.450	11,255.720	5.40	11.08
	Period Average Exchange Rate					
XOF	595.651	575.863	544.077	554.470	(8.66)	(3.71)
CVE	100.132	96.806	91.462	93.210	(8.66)	(3.71)
GHC	5.494	5.609	5.744	5.800	4.55	3.41
GMD	51.093	50.906	50.143	51.800	(1.86)	1.76
GNF	9,411.392	9,565.474	9,939.257	9,766.890	5.61	2.11

LRD	196.998	190.788	171.651	166.260	(12.87)	(12.86)
NGN	306.485	358.811	386.208	398.230	26.01	10.99
SLL	9,745.107	9,829.761	10,218.501	10,438.420	4.86	6.19

Source: www.amao-wama.org; WAMA staff computations

Chart 4.2a: Performance of the USD vis-à-vis the ECOWAS currencies at end-of-period exchange rate (annual % change)

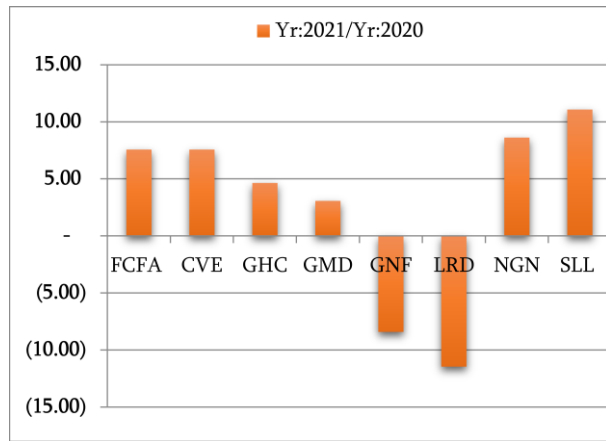
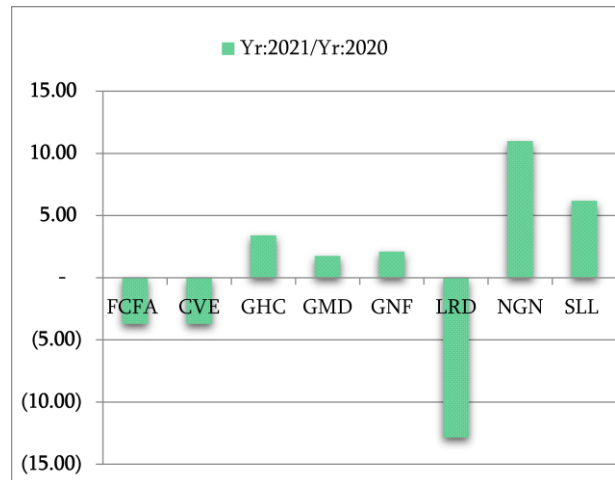


Chart 4.2b: Performance of the USD vis-à-vis the ECOWAS currencies at period average exchange rate (annual % change)



V. BILATERAL EXCHANGE RATE DEVELOPMENTS

Review of the bilateral exchange rate focuses on the performances of the currencies of ECOWAS; namely, the XOF, the CVE, the GHC, the GMD, the GNF, the LRD, the NGN, and the SLL) against one another.

5.1 Performance of the XOF vis-à-vis the other Currencies of ECOWAS

The end-June 2021 exchange rate showed that the XOF was stable against the CVE and GHC. However, it appreciated against four of its counterpart currencies (GMD, GNF, NGN, and SSL) and depreciated against the LRD compared to the corresponding period in 2020. Additionally, the end-December 2021 exchange rate data showed that besides the CVE that remained stable, the XOF depreciated against the GHC, the GMD, the GNF, along with the LRD by 9.1 percent, 4.3 percent, 14.9 percent, and 17.8 percent, respectively, but strengthened against the NGN and the SLL by 1.0 percent and 3.3 percent, respectively compared to December 2020.

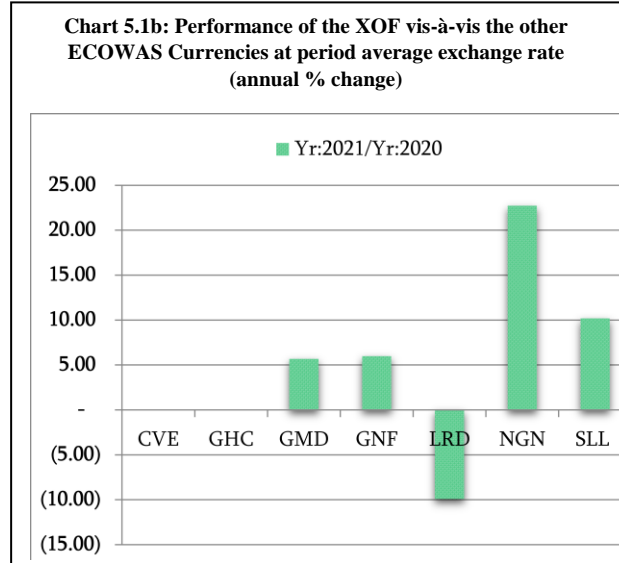
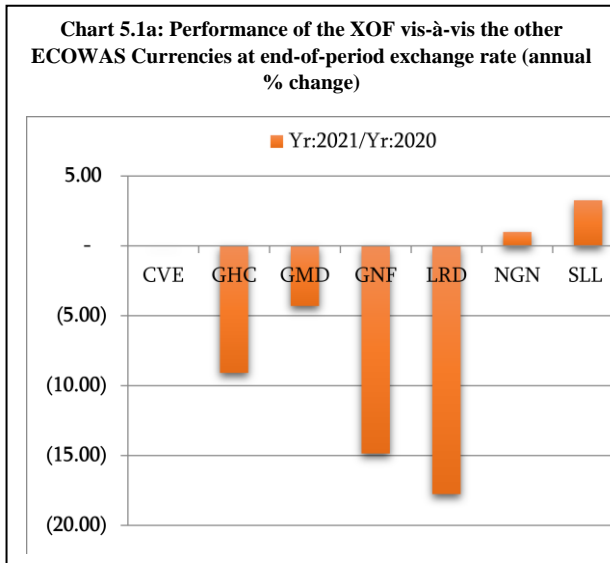
Considering the period average exchange rate, the XOF was stable against the CVE. It depreciated against the LRD by 4.5 percent, but appreciated against the five other ECOWAS currencies compared to the first half of 2020. The highest appreciation of 37.7 percent was observed against the NGN. Similarly, the annual period average exchange rate data showed that besides the CVE and the GHC that remained stable, the XOF strengthened against the GMD, the GNF, the NGN, and the SLL, but weakened again against the LRD.

In summary, the CVE was the only currency that remained stable against the XOF throughout the review period, while the LRD was the only currency of the region that appreciated for the entire period against the XOF. On the other hand, the XOF remained strengthened against the NGN and the SLL with the NGN showing the highest depreciation during the period. The depreciation of the XOF against the LRD reflected the gain made by the LRD against the USD due to excess supply of the USD currency in the form of remittances, while the appreciation of the XOF against the NGN was largely driven by weakening of the NGN.

Table 5.1: Performance of the XOF vis-a-vis the other ECOWAS currencies

Currency	Actual			Preliminary	Appr (+) / Depr (-) of the referenced currency (XOF)	
	Jun 20	Dec 20	Jun 21	Dec 21	H1:21/H1:20	Yr:21/Yr:20
	End-of-Period Exchange Rate					
CVE	0.168	0.168	0.168	0.168	0.00	0.00
GHC	0.010	0.011	0.010	0.010	0.00	(9.09)
GMD	0.090	0.093	0.093	0.089	3.33	(4.30)
GNF	16.502	18.514	17.698	15.763	7.25	(14.86)
LRD	0.343	0.304	0.311	0.250	(9.33)	(17.76)
NGN	0.527	0.704	0.742	0.711	40.80	0.99
SLL	16.758	18.794	18.608	19.407	11.04	3.26
	Period Average Exchange Rate					
CVE	0.168	0.168	0.168	0.168	0.00	0.00
GHC	0.009	0.010	0.011	0.010	22.22	0.00
GMD	0.086	0.088	0.092	0.093	6.98	5.68
GNF	15.802	16.627	18.269	17.623	15.61	5.99
LRD	0.331	0.333	0.316	0.300	(4.53)	(9.91)
NGN	0.515	0.585	0.709	0.718	37.67	22.74
SLL	16.362	17.084	18.782	18.825	14.79	10.19

Source: www.amao-wama.org; WAMA staff computations



5.2 Performance of the CVE vis-à-vis the Currencies of ECOWAS

At end of the first half of 2021, the end-of-period exchange rate showed that the CVE was stable against the XOF. It depreciated against the LRD by 9.4 percent, but appreciated against the other currencies; namely, the GHC, the GMD, the GNF, the NGN, and the SLL compared to the corresponding period in 2020. The end-December 2021 exchange rate showed that except the NGN and SLL that depreciation against the CVE, the CVE itself depreciated against most of the bilateral currencies compared to end-December 2020.

On the other hand, during the first half of 2021, based on the period average exchange rate, the CVE remained stable against the XOF, but depreciated against the LRD, the GHC and the GMD, by 4.6 percent, 87.6 percent, and 45.2 percent, respectively. In contrast, the CVE appreciated against the GNF, the NGN, and the SLL compared to the corresponding period in 2020. Annual period average exchange rate data showed that besides the XOF that remained stable again, all the bilateral currencies, except the LRD depreciated against the CVE compared to December 2020.

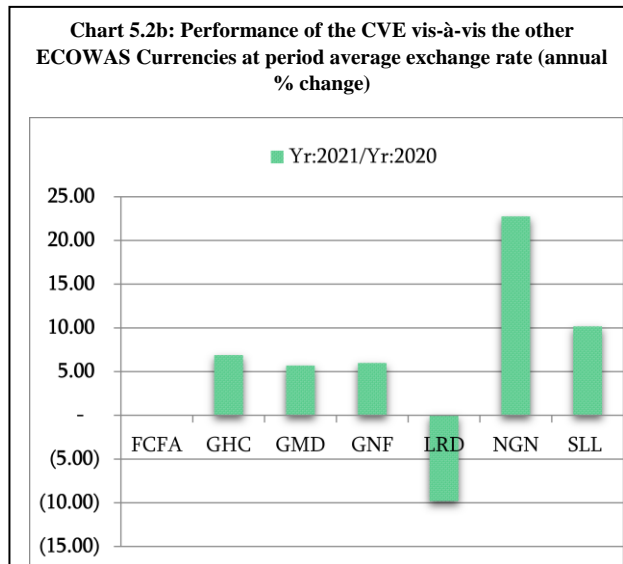
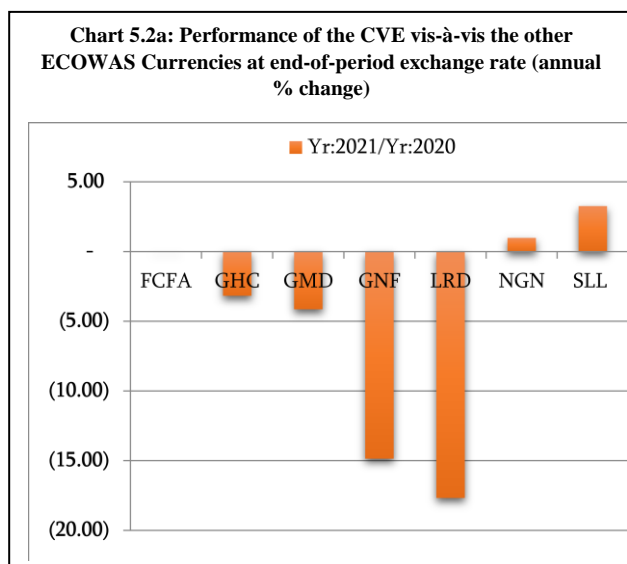
In summary, the XOF was the only currency that remained stable against the CVE throughout the review period and the LRD was the only bilateral currency that appreciated consistently throughout the year 2021. The NGN and the SLL maintained their depreciation status, with the NGN recording the highest rate of depreciation during the period.

Table 5.2: Performance of the CVE vis-a-vis the other ECOWAS currencies

Currency	Actual			Preliminary	Appr (+) / Depr (-) of the referenced currency (CVE)	
	Jun 20	Dec 20	Jun 21	Dec 21	H1:21/H1:20	Yr:21/Yr:20
	End-of-Period Exchange Rate					
XOF	5.949	5.949	5.949	5.949	0.00	0.00
GHC	0.058	0.063	0.062	0.061	6.90	(3.17)
GMD	0.534	0.555	0.551	0.532	3.18	(4.14)
GNF	98.166	110.133	105.277	93.767	7.24	(14.86)
LRD	2.040	1.810	1.848	1.490	(9.41)	(17.68)
NGN	3.136	4.187	4.416	4.228	40.82	0.98
SLL	99.685	111.800	110.692	115.446	11.04	3.26
	Period Average Exchange Rate					
XOF	5.949	5.949	5.949	5.949	0.00	0.00
GHC	0.510	0.058	0.063	0.062	(87.65)	6.90
GMD	1.000	0.526	0.548	0.556	(45.20)	5.70
GNF	94.000	98.909	108.677	104.831	15.61	5.99

LRD	1.968	1.979	1.877	1.785	(4.62)	(9.80)
NGN	3.061	3.480	4.223	4.272	37.96	22.76
SLL	97.332	101.630	111.730	111.984	14.79	10.19

Source: www.amao-wama.org; WAMA staff computations



5.3 Performance of the GHC vis-à-vis the Currencies of ECOWAS

The end of June 2021 exchange rate data showed that, the GHC appreciated vis-à-vis the GNF, the NGN, and the SLL by 0.1 percent, 31.5 percent, and 3.7 percent, respectively; but depreciated against the rest of the other ECOWAS currencies compared to the first half of 2020. The end of December 2021 exchange rate showed that besides the LRD, the GMD and the GNF that appreciated against the GHC; all other currencies weakened against the GHC.

Similarly, during the first half of 2021, based on the period average exchange rate, except the GNF, the NGN and SLL that depreciated again, the GHC itself depreciated vis-à-vis all other currencies compared to the first half of 2020. However, the annual average exchange rate data showed that besides the NGN and SLL that remained subdued, all the bilateral currencies strengthened against the GHC compared to December 2020.

In conclusion, the end-of-period and period average exchange rates showed that only the GMD and LRD appreciated for the entire period against the GHC. On the other hand, the NGN and the

SLL were the two currencies that maintained their depreciation trends. The GHC fluctuated against the remaining currencies during the period under review.

Table 5.3: Performance of the GHC vis-à-vis the other ECOWAS currencies

Currency	Actual			Preliminary	Appr (+) / Depr (-) of the referenced currency (GHC)	
	Jun 20	Dec 20	Jun 21	Dec 21	H1:21/H1:20	Yr:21/Yr:20
	End-of-Period Exchange Rate					
XOF	102.572	94.028	95.773	96.726	(6.63)	2.87
CVE	17.243	15.807	16.100	16.260	(6.63)	2.87
GMD	9.209	8.773	8.867	8.647	(3.71)	(1.44)
GNF	1,692.678	1,740.818	1,694.962	1,524.669	0.13	(12.42)
LRD	35.177	28.604	29.753	24.220	(15.42)	(15.33)
NGN	54.081	66.182	71.105	68.745	31.48	3.87
SLL	1,718.857	1,767.179	1,782.141	1,877.173	3.68	6.22
	Period Average Exchange Rate					
XOF	108.407	102.808	94.721	95.507	(12.62)	(7.10)
CVE	18.224	17.283	15.923	16.055	(12.63)	(7.11)
GMD	9.299	9.093	8.731	8.921	(6.11)	(1.89)
GNF	1,713.035	1,709.408	1,730.481	1,683.089	1.02	(1.54)
LRD	35.855	34.198	29.885	28.659	(16.65)	(16.20)
NGN	55.785	60.135	67.243	68.596	20.54	14.07
SLL	1,773.758	1,756.423	1,779.093	1,797.933	0.30	2.36

Source: www.amao-wama.org; WAMA staff computations

Chart 5.3a: Performance of the GHC vis-à-vis the other ECOWAS Currencies at end-of-period exchange rate (annual % change)

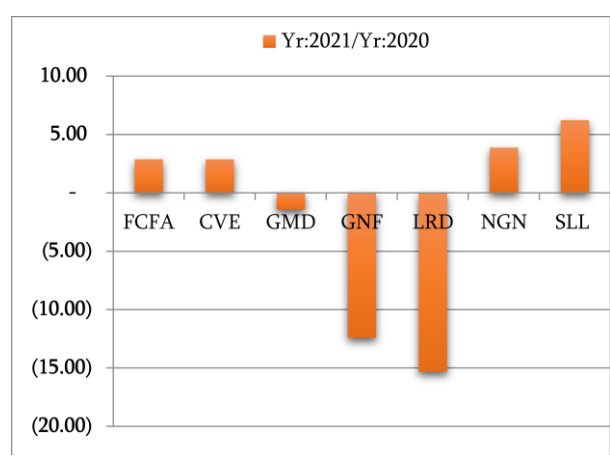
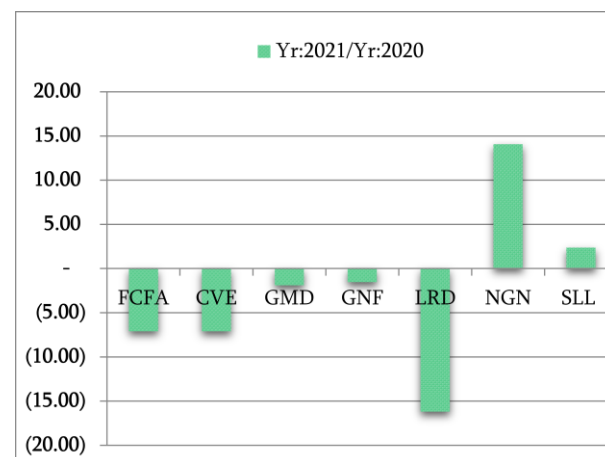


Chart 5.3b: Performance of the GHC vis-à-vis the other ECOWAS Currencies at period average exchange rate (annual % change)



5.4 Performance of the GMD vis-à-vis the other Currencies of ECOWAS

Data on both the end-of-period and period average exchange rates showed that the GMD depreciated against three (the XOF, the CVE and the LRD) out of seven currencies in the region. The currency depreciated against the XOF by 3.0 percent, the CVE by 3.0 percent and the LRD by 12.2 percent compared to end-June 2020. However, annual comparison reflected that except the GNF and LRD that appreciated against the GMD, the GMD appreciated against all the remaining currencies based on the end-of-period exchange rates.

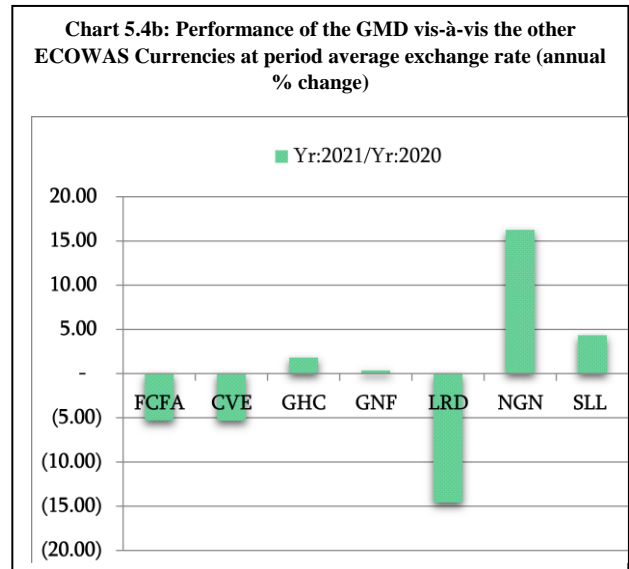
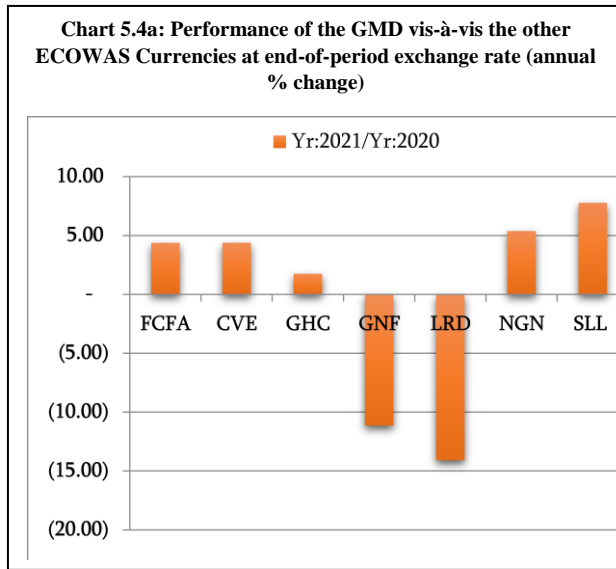
During the year 2021, the period average exchange rate pointed out that the GMD depreciated against the XOF, the CVE and the LRD by 5.3 percent, 5.3 percent, and 14.6 percent, respectively.

In summary, based on both the end-of-period and period average exchange rates, the GMD remained strengthened against the NGN, the GHC and the SLL throughout the review period. On the other hand, the depreciation of the GMD against the LRD was the mirror image of the gain the LRD experienced against the USD.

Table 5.4: Performance of the GMD Vis-A-Vis the other ECOWAS Currencies

Currency	Actual			Preliminary	Appr (+) / Depr (-) of the referenced currency (GMD)	
	Jun 20	Dec 20	Jun 21	Dec 21	H1:21/H1:20	Yr:21/Yr:20
	End-of-Period Exchange Rate					
XOF	11.139	10.718	10.801	11.187	(3.03)	4.38
CVE	1.872	1.802	1.816	1.881	(2.99)	4.38
GHC	0.109	0.114	0.113	0.116	3.67	1.75
GNF	183.811	198.431	191.152	176.330	3.99	(11.14)
LRD	3.820	3.260	3.355	2.801	(12.17)	(14.08)
NGN	5.873	7.544	8.019	7.950	36.54	5.38
SLL	186.654	201.436	200.984	217.098	7.68	7.78
	Period Average Exchange Rate					
XOF	11.658	11.306	10.849	10.706	(6.94)	(5.31)
CVE	1.960	1.901	1.824	1.800	(6.94)	(5.31)
GHC	0.108	0.110	0.115	0.112	6.48	1.82
GNF	184.215	187.983	198.205	188.669	7.59	0.36
LRD	3.856	3.761	3.423	3.213	(11.23)	(14.57)
NGN	5.999	6.613	7.702	7.689	28.39	16.27
SLL	190.745	193.153	203.773	201.542	6.83	4.34

Source: www.amao-wama.org; WAMA staff computations



5.5 Performance of the GNF vis-à-vis the other ECOWAS Currencies

The end-of-period exchange rate showed that the behavior of the GNF relative to the other currencies was completely mixed. At end-June 2021, GNF remained relatively stable against the GHC and the GMD. The currency appreciated vis-à-vis the NGN and the SLL by 31.3 percent, and 3.5 percent, respectively, but depreciated against the LRD, the XOF and the CVE by 14.3 percent, 6.5 percent, and 10.0 percent, respectively compared to the first half of 2020. The end-December 2021 exchange rate data showed that the GNF stabilized vis-à-vis the LRD and the GHC, but rebound against all other currencies including the NGN and the SLL.

Based on the period average exchange rate, during the first half of 2021, the GNF appreciated only against the NGN. It remained stable against the GHC and the GMD, but depreciated against the XOF, the CVE, the LRD and the SLL by 12.7 percent, 18.2 percent, 19.0 percent, and 0.7 percent, respectively. Similarly, the annual average exchange rate data showed that the GNF remained stable with the CVE, the GHC and the GMD. It appreciated against the NGN and the SLL, but depreciated against the LRD.

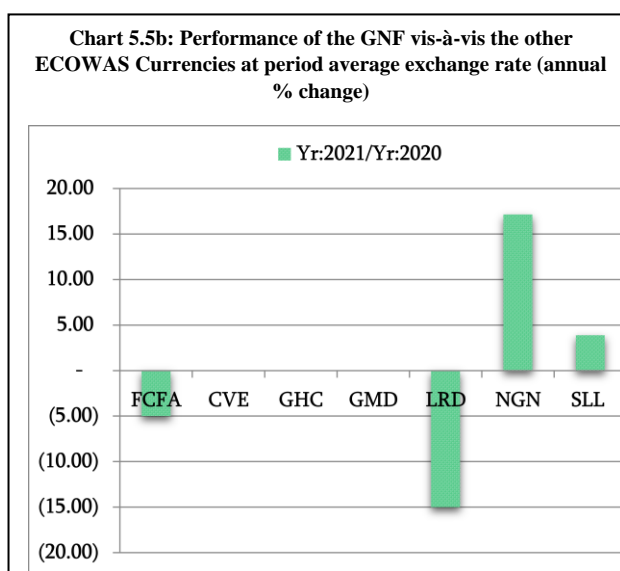
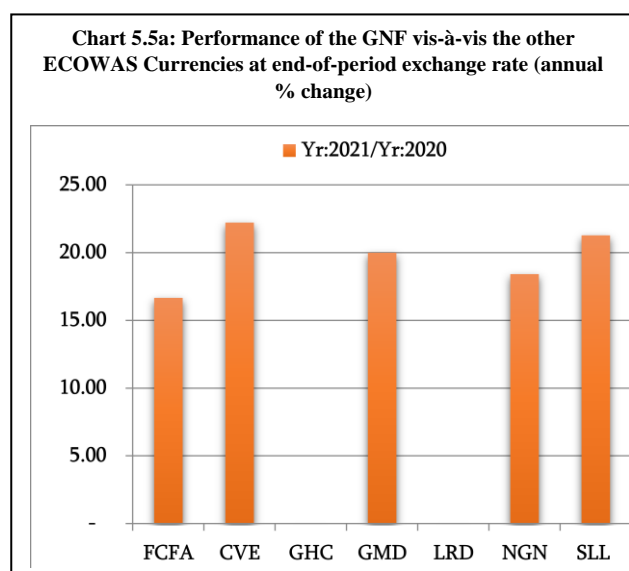
In summary, based on both the end-of-period and period average exchange rates, the GHC was the lone currency that remained stable against the GNF, while the NGN and the SLL were the currencies that recorded persistent depreciation against the GNF throughout the review period.

The appreciation of the GNF mainly against the NGN was a result of prudent macro-measures in combating the pandemic during the period.

Table 5.5: Performance of the GNF vis-a-vis the other ECOWAS currencies

Currency	Actual			Preliminary	Appr (+) / Depr (-) of the referenced currency (GNF)	
	Jun 20	Dec 20	Jun 21	Dec 21	H1:21/H1:20	Yr:21/Yr:20
	End-of-Period Exchange Rate					
XOF	0.061	0.054	0.057	0.063	(6.56)	16.67
CVE	0.010	0.009	0.009	0.011	(10.00)	22.22
GHC	0.001	0.001	0.001	0.001	0.00	0.00
GMD	0.005	0.005	0.005	0.006	0.00	20.00
LRD	0.021	0.016	0.018	0.016	(14.29)	0.00
NGN	0.032	0.038	0.042	0.045	31.25	18.42
SLL	1.015	1.015	1.051	1.231	3.55	21.28
	Period Average Exchange Rate					
XOF	0.063	0.060	0.055	0.057	(12.70)	(5.00)
CVE	0.011	0.010	0.009	0.010	(18.18)	0.00
GHC	0.001	0.001	0.001	0.001	0.00	0.00
GMD	0.005	0.005	0.005	0.005	0.00	0.00
LRD	0.021	0.020	0.017	0.017	(19.05)	(15.00)
NGN	0.033	0.035	0.039	0.041	18.18	17.14
SLL	1.035	1.028	1.028	1.068	(0.68)	3.89

Source: www.amao-wama.org; WAMA staff computations



5.6 Performance of the LRD vis-à-vis the other ECOWAS Currencies

The end-of-period (June 2021) exchange rate indicated that, the LRD depreciated only against the GMD by 87.0 percent compared to the corresponding period in 2020 due to the point-to-point appreciation of the Liberia dollar that weighed in against the depreciation of the GMD. The LRD appreciated over all currencies in the regions compared to the first half of 2020. The highest appreciation during the period was recorded against the GHC. However, the end-December 2021 exchange rate data showed that the GHC was the only currency that appreciated by 86.6 percent against the LRD; all other currencies, remained weakened against the LRD.

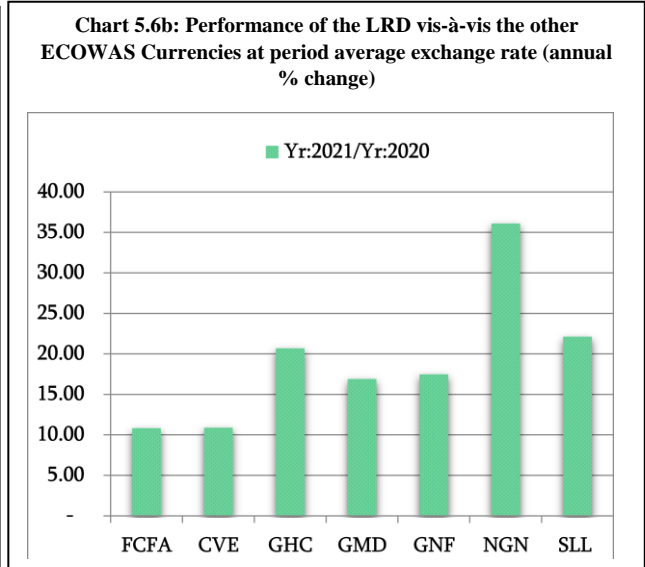
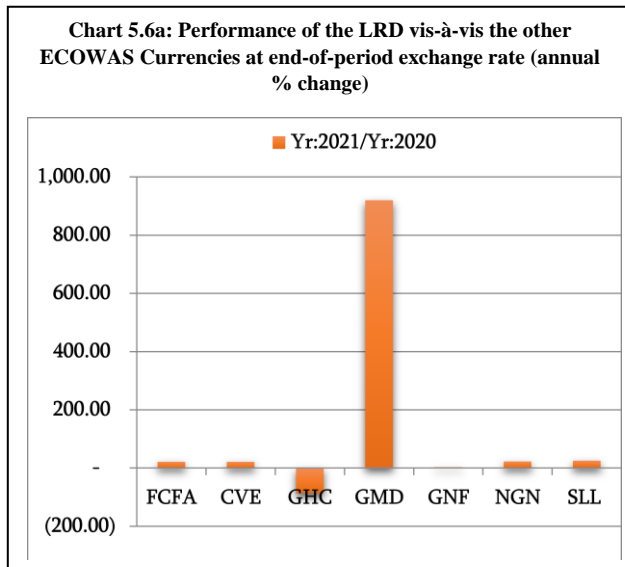
Based on the period average exchange rate, during the first half of 2021 and the entire year, the LRD appreciated vis-à-vis all currencies in the ECOWAS region. The highest appreciation was recorded against the NGN.

In conclusion, based on the end-of-period exchange rate, except the GHC that appreciated against the LRD, all currencies in the region weakened against the LRD. The LRD appreciated vis-à-vis all currencies in the region due to increased capital flows in the form of remittances and the effort of the Central Bank of Liberia to raise demand for the local currency through the implementation of the CBL bills.

Table 5.6: Performance of the LRD vis-à-vis the other ECOWAS Currencies

Currency	Actual			Preliminary	Appr (+) / Depr (-) of the referenced currency (LRD)	
	Jun 20	Dec 20	Jun 21	Dec 21	H1:21/H1:20	Yr:21/Yr:20
	End-of-Period Exchange Rate					
XOF	2.916	3.287	3.219	3.994	10.39	21.51
CVE	0.490	0.553	0.541	0.671	10.41	21.34
GHC	0.028	0.307	0.298	0.041	964.29	(86.64)
GMD	0.262	0.035	0.034	0.357	(87.02)	920.00
GNF	48.119	60.860	56.968	62.952	18.39	3.44
NGN	1.537	2.314	2.390	2.838	55.50	22.64
SLL	48.863	61.782	59.898	77.506	22.58	25.45
	Period Average Exchange Rate					
XOF	3.023	3.006	3.170	3.332	4.86	10.84
CVE	0.508	0.505	0.533	0.560	4.92	10.89
GHC	0.028	0.029	0.033	0.035	17.86	20.69
GMD	0.259	0.266	0.292	0.311	12.74	16.92
GNF	47.776	49.985	57.905	58.727	21.20	17.49
NGN	1.556	1.758	2.250	2.393	44.60	36.12
SLL	49.470	51.360	59.532	62.734	20.34	22.15

Source: www.amao-wama.org; WAMA staff computations



5.7 Performance of the NGN vis-à-vis the other ECOWAS Currencies

The NGN was, for the most part, the currency that persistently depreciated against most of the regional currencies. At ended June 2021, both the end-of-period and period average exchange rate showed that the NGN depreciated against all the regional currencies compared to the same period in 2020. The highest depreciation was recorded against the LRD. However, at end December 2021, the GHC remained relatively stable, while the SLL depreciated modestly by 2.3 percent against the NGN compared to the corresponding period in 2020.

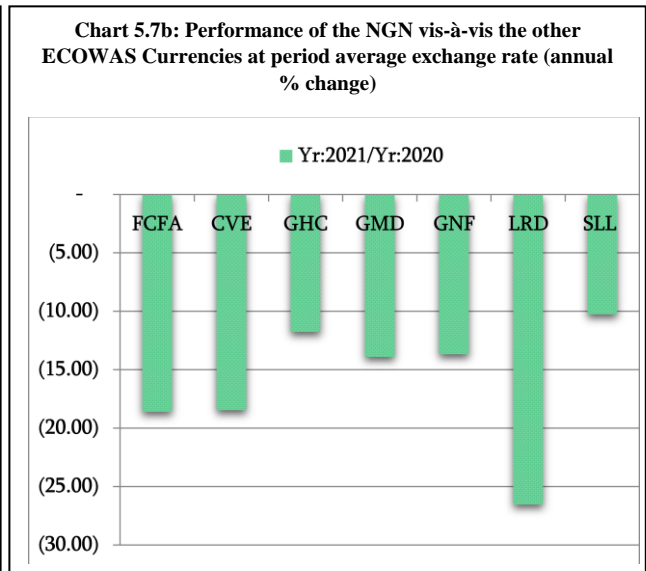
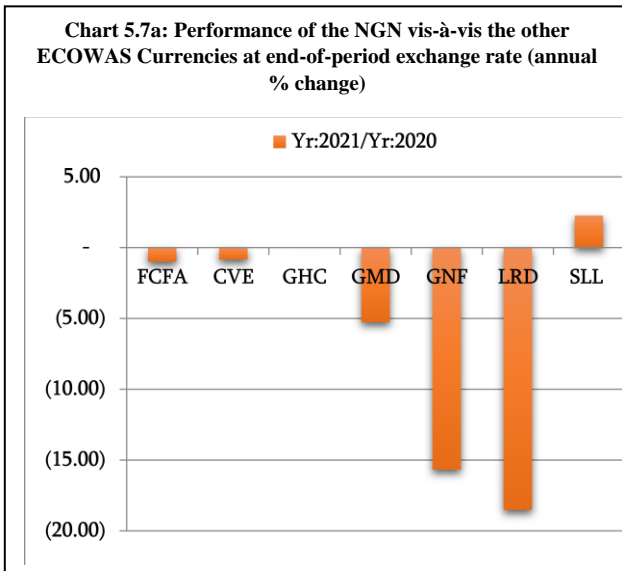
However, based on the average exchange rate, at end-December 2021, all currencies recorded appreciation vis-à-vis the NGN. Again, the highest appreciation of 26.5 percent was recorded against the LRD.

In conclusion, even though the GHC, at end-December 2021 stabilized against the NGN. Based on both the end-of-period and period average exchange rates, the NGN persistently depreciated against all the regional currencies. With the increase in petroleum prices during the period, the depreciation of the currency was a good indication of a relative more export of the commodity. It was observed during the period that the price of imported food could not have significant bearing on the Nigerian economy.

Table 5.7: Performance of the NGN vis-a-vis the other ECOWAS currencies

Currency	Actual			Preliminary	Appr (+) / Depr (-) of the referenced currency (NGN)	
	Jun 20	Dec 20	Jun 21	Dec 21	H1:21/H1:20	Yr:21/Yr:20
	End-of-Period Exchange Rate					
XOF	1.897	1.421	1.347	1.407	(28.99)	(0.99)
CVE	0.319	0.239	0.226	0.237	(29.15)	(0.84)
GHC	0.018	0.015	0.014	0.015	(22.22)	0.00
GMD	0.170	0.133	0.125	0.126	(26.47)	(5.26)
GNF	31.299	26.304	23.837	22.179	(23.84)	(15.68)
LRD	0.650	0.432	0.418	0.352	(35.69)	(18.52)
SLL	31.783	26.702	25.063	27.306	(21.14)	2.26
	Period Average Exchange Rate					
XOF	1.943	1.710	1.409	1.392	(27.48)	(18.60)
CVE	0.327	0.287	0.237	0.234	(27.52)	(18.47)
GHC	0.018	0.017	0.015	0.015	(16.67)	(11.76)
GMD	0.167	0.151	0.130	0.130	(22.16)	(13.91)
GNF	30.708	28.426	25.735	24.536	(16.19)	(13.68)
LRD	0.643	0.569	0.444	0.418	(30.95)	(26.54)
SLL	31.796	29.208	26.458	26.211	(16.79)	(10.26)

Source: www.amao-wama.org; WAMA staff computations



5.8 Performance of the SLL vis-à-vis other ECOWAS Currencies

Based on the end-of-period exchange rate, at end-June 2021, the SLL was relatively stable against the GHC and the GMD. The SLL appreciated against the NGN by 29.0 percent, but depreciated against the LRD, the GNF, the CVE and the XOF by 15.0 percent, 3.5 percent, and 10.0 percent, respectively compared to the first half of 2020. At end-December 2021, however, the SLL depreciated against three of the regional currencies (the LRD, the GNF, and the XOF) but remained relatively stable compared with four other currencies (the CVE, the GHC, the GMD, and the NGN).

Analysis based on the average exchange rate showed that, the SLL appreciated against the GNF and the NGN by 0.7 percent and 22.6 percent, respectively. However, it weakened vis-à-vis the LRD by 15.0 percent and the CVE and XOF by 10.0 percent and 13.1 percent, respectively. Similarly, during the review period (2021), the SLL appreciated against the NGN, remained stable with respect to the GHC and the GMD, but weakened against the XOF, the CVE, the GMD, and the LRD compared to 2020.

On average, based on both the end-of-period and period average exchange rates, the SLL persistently depreciated against the XOF, the GNF and the LRD, but fluctuated against all other currency in the zone.

Table 5.8: Performance of the SLL vis-a-vis the other ECOWAS Currencies

Currency	Actual			Preliminary	Appr (+) / Depr (-) of the referenced currency (SLL)	
	Jun 20	Dec 20	Jun 21	Dec 21	H1:21/H1:20	Yr:21/Yr:20
	End-of- Period Exchange Rate					
XOF	0.060	0.053	0.054	0.052	(10.00)	(1.89)
CVE	0.010	0.009	0.009	0.009	(10.00)	0.00
GHC	0.001	0.001	0.001	0.001	0.00	0.00
GMD	0.005	0.005	0.005	0.005	0.00	0.00
GNF	0.985	0.985	0.951	0.812	(3.45)	(17.56)
LRD	0.020	0.016	0.017	0.013	(15.00)	(18.75)
NGN	0.031	0.037	0.040	0.037	29.03	0.00
	Period Average Exchange Rate					
XOF	0.061	0.059	0.053	0.053	(13.11)	(10.17)
CVE	0.010	0.010	0.009	0.009	(10.00)	(10.00)
GHC	0.001	0.001	0.001	0.001	0.00	0.00
GMD	0.005	0.005	0.005	0.005	0.00	0.00
GNF	0.966	0.973	0.973	0.936	0.72	(3.80)
LRD	0.020	0.019	0.017	0.016	(15.00)	(15.79)

NGN	0.031	0.034	0.038	0.038	22.58	11.76
-----	-------	-------	-------	-------	-------	-------

Source: www.amao-wama.org; WAMA staff computations

Chart 5.8a: Performance of the SLL vis-à-vis the other ECOWAS Currencies at end-of-period exchange rate (annual % change)

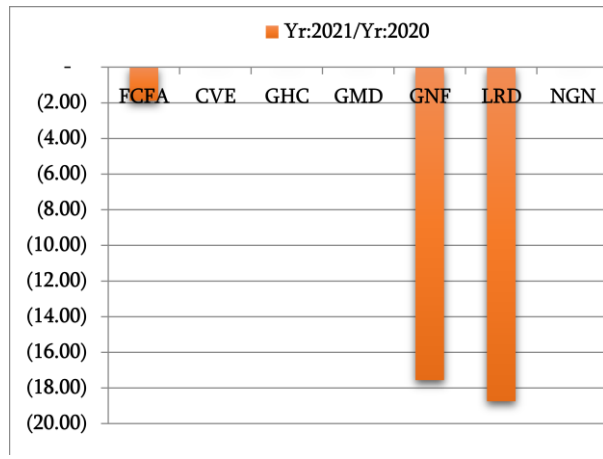
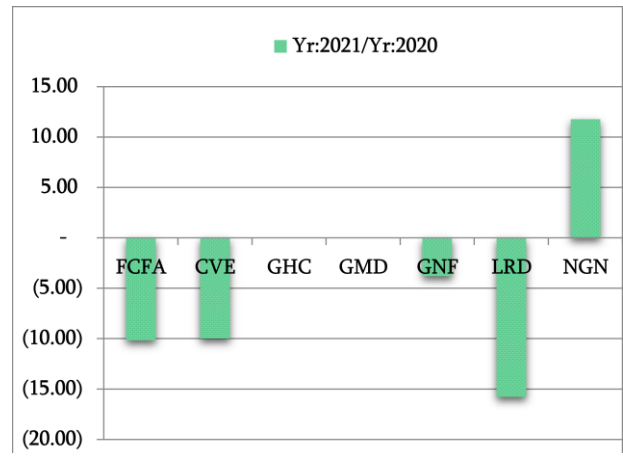


Chart 5.8b: Performance of the SLL vis-à-vis the other ECOWAS Currencies at period average exchange rate (annual % change)



VI. CONCLUSION AND RECOMMENDATIONS

During the review period, amid the mutations of the Covid-19 virus that constrained supply through export restrictions and lockdowns as well as the geopolitical tensions in major shipping routes that led to increasing prices of major commodities, adversely affected the competitiveness of most of the economies of Member States, thus weakening the value of some of the currencies in the region, mainly against the USD and the WAUA.

On the global front, the report shows strengthening of the WAUA against the USD during the first half of 2021 but depreciated against the EUR and GBP. Similarly, at end of the year (December 2021), the WAUA strengthened against both the EUR and USD due significantly to the fixing of the value of the WAUA.

As regards regional developments, the analysis of the exchange rate of WAUA against the other ECOWAS currencies showed that during the first half of the review year, the WAUA depreciated against the XOF, CVE and the LRD, but the rate of depreciation against the LRD remained high throughout the year, partly due to support to the LRD from excess net inflows of remittances in US dollar.

Bilateral exchange rate developments showed that the LRD strengthened against most of the other ECOWAS currencies. On the other hand, the NGN persistently weakened against the rest of the other peer currencies. Although performance was mixed among other bilateral currencies during the review period, the GHC, GNF and SLL recorded some level of depreciations compared to the movements during the corresponding periods in 2020.

Economically, a depreciation of a country's currency is good when intended to promote exports of its goods and services as they tend to be relatively cheaper. However, when the currency depreciates and not much is earned in receipt of foreign currencies, it poses an adverse effect on the economy. Similarly, when the currency arbitrarily appreciates and the country's exports are largely raw materials, not much is earned in foreign currency and the value of goods and services tend to be more expensive. In view of the exchange rate developments in the ECOWAS during the first half of 2021 and the entire year, and to preserve or enhance exchange rate stability in the region, Member States are encouraged to:

- i. Implement policies geared towards ensuring accelerated economic growth, particularly through the execution of strategies to diversify exports, which would reduce high demand for foreign exchange and promote macroeconomic stability.
- ii. Explore an agricultural value chain financing mechanism to reduce food insecurity by incentivizing private sector participation in agriculture. Such financing mechanism, which will significantly assist in reducing import payments and exchange rate instabilities in ECOWAS, should include a low-interest medium-term lending facility for financing domestic production, procurement and distribution of agricultural implements and inputs.
- iii. Develop and implement robust economic policies that promote local production of intermediate goods in order to meet local consumption needs as well as exports for foreign proceeds to reduce exchange rate pressures emanating from payment of high import bills.
- iv. formulate and implement external sector policies that absorb exogenous economic shocks through the creation of robust foreign exchange reserve buffers; and
- v. Identify and implement measures aimed at increasing the competitiveness of Member States' respective external sectors by reducing, for instance the high cost of doing business in the Member States and improve energy and transportation infrastructure.