

REDENOMINATION OF THE CEDI1

The Bank of Ghana is planning to redenominate the current cedi by setting ten thousand cedis to one new Ghana Cedi (GH¢), which will be equivalent to one hundred Ghana Pesewas (Gp). That is $\text{¢}10,000 = \text{GH¢}1 = 100\text{Gp}$.

New notes and coins will be issued to replace the existing notes and coins over a period of at least 6 months.

Why is there a need for re-denomination?

- The current note regime places a significant burden on the economy in terms Of:
- Transaction costs.
- General inconvenience and high risks of carrying loads of currency.
- Difficulties in maintaining bookkeeping and statistical records.
- Problems with accounting and data processing software
- Strain on the payments system eg ATM withdrawals.

What is replacing the old notes and coins?

We will be issuing the following notes and coins,

Notes

- GH¢50
- GH¢20
- GH¢10
- GH¢5
- GH¢1

Coins

- GH¢1
- 50Gp
- 20Gp
- 10Gp
- 5Gp
- 1Gp

to replace the existing notes and coins of

Notes

- ¢20,000
- ¢10,000
- ¢5,000
- ¢2,000
- ¢1,000

Coins

- ¢500
- ¢200
- ¢100

What will be the relationship between the old and new notes and coins?

Since $\text{¢}10,000 = \text{GH¢}1$:

- $\text{GH¢}50 = \text{¢}500,000$
- $\text{GH¢}20 = \text{¢}200,000$
- $\text{GH¢}10 = \text{¢}100,000$
- $\text{GH¢}5 = \text{¢}50,000$

- $\text{GH¢}1 = \text{¢}10,000$
- $\text{GH¢}1 = \text{¢}10,000$
- $\text{Gp}50 = \text{¢}5,000$
- $\text{Gp}20 = \text{¢}2,000$
- $\text{Gp}10 = \text{¢}1,000$
- $\text{Gp}5 = \text{¢}500$
- $\text{Gp}1 = \text{¢}100$

Will I lose value if I exchange my old notes and coins for new notes and coins?

Definitely not. The new notes and coins will have the same purchasing power as the old ones. For example a "trotro" fare of ¢2,000 will now cost 20p. Similarly a rent of ¢500,000 will now be G¢50. Since $\text{¢}10,000 = \text{GH¢}1$, it means that $\text{¢}2,000 = 20\text{Gp}$ and $\text{¢}500,000 = \text{GH¢}50$.

Does it mean that the cedi is going to be devalued or revalued?

No! The old and new notes and coins will have the same external value. For example, if the day's exchange rate between the cedi and the dollar is $\$1 = \text{¢}9,200$, then the exchange rate of the Ghana Cedi (GH¢) is

$$\text{¢}9200 = \text{G¢}0.9200 = 92\text{p} = \$1$$

or

$$\text{GH¢}1 = \text{¢}10,000 = \$1.087$$

For example, $\text{¢}1,000,000$ at the exchange rate of $\$1 = \text{¢}9200$ will yield \$108.7. with the redenomination, $1,000,000 = \text{G¢}100$, which will also yield \$108.7.

Similarly,
¢17,400=G¢1.7400=£1

However, the external value of the cedi will continue to be determined freely on the market.

What happens to the old notes and coins when the new notes and coins are introduced?

The old notes and coins will be in physical circulation together with the new notes and coins. Prices and fees will have to be quoted in both the old and new notes and coins for the transition period

What Happens after the transition period?

You will still be able to exchange the old notes and coins for new notes and coins at any bank or the Bank of Ghana. The old notes and coins will cease to be legal tender and will no longer be in use.

Will this exercise lead to price increases?

No!. The basket of goods and services that old notes and coins can buy would be the same as what its equivalent new notes and coins will buy. For comparison, prices will be quoted in both new and old notes and coins at the same time six months period.

Will this affect my wages and salaries?

NO!. Your wages and salaries will now be denominated in the new currency but its value will remain the same. For example, if you are now earning ¢500,000 a month and you spend ¢400,000 on your household needs, and save ¢100,000, it means that you will now earn GH¢50, spend GH¢40 on your household needs and save GH¢10, which is equivalent to ¢100,000. Thus your situation remains the same.

What will happen if I receive a remittance from abroad?

If \$100 remittance from abroad gives you ¢920,000 in the old currency at the current exchange rate, it will be equivalent to GH¢92 in the new currency since ¢10, 000=GH¢1.

Is the change in name of the cedi to Ghana Cedi permanent?

When the transition period is over and only the new notes and coins are in circulation, the "Ghana Cedi" will become simply known as the cedi.