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إفريقيا وتحديات القرن الواحد والعشرين

**Stock Market Integration in the
West African Monetary Zone (WAMZ)**

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The Economic Community of West African States (ECOWAS) aims to establish an economic union among its members by creating a monetary union and adopting common economic, financial, social, and cultural policies. ECOWAS members that are not members of The West African Economic and Monetary Union (UEMOA) agreed to harmonize their monetary and fiscal policies with those of UEMOA, with a view to establishing a monetary union in ECOWAS and preparing the ground for a possible merger with UEMOA. To accelerate the pace of integration, Ghana and Nigeria introduced a Fast-Track Initiative in 2000 to establish a second monetary zone in the region called the West African Monetary Zone (WAMZ), among The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone. WAMZ is meant to harmonize the macroeconomic policies of the countries so as to have a common currency in circulation, while ECOWAS expects to achieve monetary integration through the merger of UEMOA and WAMZ once WAMZ becomes a single monetary zone. In line with the objective of achieving integration in the WAMZ, this study examines the integration of stock markets in the West African Monetary Zone. The study builds on the works of Twu (2005)¹ and Oshikoya (2009)². Twu (2005) argued for the unification of stock markets in the WAMZ, but the study did not employ specific econometric framework to examine the linkages of the Nigerian and Ghanaian stock exchanges in the WAMZ. On the other hand, Oshikoya (2009) noted that financial and economic integration in the WAMZ would play a supportive role to the success of monetary union in the WAMZ. The study however did not pay particular attention to stock market integration. The present study fills these gaps by providing empirical evidence concerning the integration of stock markets in the WAMZ. Time series data for the two stock markets within the WAMZ: the Nigerian Stock Exchange (NSE) and the Ghanaian Stock Exchange (GSE) will be collected while; trend analysis and error correction model will be used as the framework for analysis. Depending on the outcome of the analysis, implications will be drawn for the WAMZ monetary union. Basically, rejecting the null hypothesis will imply that the stock markets are integrated i.e. risk factors that affect the performance of both markets in the short run, would be corrected in the long run thus making investing in both markets attractive. On the other hand, accepting the null hypothesis will imply that the stock markets are not integrated thus, risk factors distorting the performance of both markets in the short run might persist in the long run therefore diversification of investment from both stock markets might become an option for investors.

¹ Twu, Mia (2005) Unified Stock Market for the Promotion of Business Activities in West African Monetary Zone (WAMZ). <http://nccuir.lib.nccu.edu.tw/handle/140.119/33947>

² Oshikoya, Temitope W. (2009) "Monetary Unions among Developing and Emerging Markets" A paper presented at the Central Bank of Nigeria (CBN) 50th Year Anniversary at the Congress Hall of the Transcorp Hilton, Abuja, (Nigeria).