COUNTRY RISK REVIEW

Ghana is a country located in West Africa. It is bordered by three neighbouring nations, namely Burkina Faso to the north, Ivory Coast to the west, and Togo to the east. The estimated population of the country stands at approximately 34m (World Bank, December 2023), with the official local currency being the Ghanaian cedi (GHS). Accra serves as the capital city of the nation, and it is also the busiest urban centre, for commercial activities and is home to key government offices, including various ministries, diplomatic missions, international organisations, and economic drivers of the country.

Political Overview

The serving President of Ghana is Nana Akufo Addo, who has held the position since 2017 from former president John Mahama. The president serves as both the head of the country and the chief of the armed services. Ghana operates as a multi-party democratic republic. It gained independence from British colonial rule in 1957 and has since experienced multiple transitions of power through democratic elections. The two main political parties in Ghana are the National Democratic Congress (NDC) and the New Patriotic Party (NPP). These parties have dominated Ghanaian politics since the country's return to multi-party democracy in the early 1990s. Ghana holds regular presidential and parliamentary elections every four years. The next general election in Ghana would be expected around December 2024. These elections are generally seen as free and fair, and the country has a reputation for its stable democratic processes in the region.

Economic Performance

According to the World Bank Overview March 2024, the country experienced a fall in its real GDP growth from 3.8% in 2022 to an estimated 2.9% in 2023, supported by the agriculture and service sector. This growth was accompanied by inflation, which declined from 54.1% in 2022 to 23.2% in 2023, a decline reflecting more stable exchange rates and the effects of monetary policy tightening. As of April 2024, the stock of gross international reserves increased to USD 6.59bn representing 3 months of import cover, compared with USD 5.91bn (2.7 months of import cover) at the end of December 2023. The budget deficit stands at 4.6% of GDP at the end of 2023, significantly lower than the 10.7% deficit in 2022. Additionally, with a still elevated fiscal deficit, the country's debt remaining 72.5% of GDP in 2023. A trade surplus of USD 0.39bn was recorded for the first two months of 2024, compared to a surplus of USD 0.86bn for the comparative period of 2023. This was due to higher import growth relative to exports. Total export receipts increased by 1.6% to USD 2.9bn fueled by gold and crude oil exports.

Ghana achieved a significant milestone in 2021 as it was removed from the Financial Action Task Force's (FATF) grey list. Jurisdictions under increased monitoring are actively working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. One significant achievement of being out of greylisting is that the country will no longer undergo increased compliance scrutiny from banks for most financial transactions involving international operations, including wire transfers.

According to the IMF economic outlook 2024 projection for Ghana, GDP growth is anticipated to be 2.8% as the ongoing fiscal consolidation, high inflation rates, and increased interest will have an impact on private consumption and investment, limiting non-extractive sector growth. The inflation rate is predicted to be 22.3% in 2024. The fiscal deficit is projected to be 5% of GDP in 2024 due to the ongoing fiscal consolidation reforms and the external debt restructuring.

Outlook

The overall future economic outlook for Ghana is promising based on the factors mentioned above; however, the major concern is the public debt distress that requires a substantial portion of government revenues to be allocated towards servicing interest payments and repaying the principal amount, which in turn will erode investor confidence in the country's financial stability and ability to repay its debts and lead to higher borrowing costs for the government, which will strain macroeconomic stability by putting pressure on the exchange rate, inflation, and interest rates. The persistent debt distress can lead to downgrades in the country's credit rating by international rating agencies. In response, the government has embarked on a comprehensive debt restructuring, a significant fiscal consolidation program, and the implementation of reforms to foster economic stability and resilience. The authorities' stabilisation efforts are being supported by an Extended Credit Facility (ECF) program of the IMF for approximately USD 3bn. These combined factors contribute to a challenging country-risk environment.