

Global Research
At a Glance

Ghana – Economic outlook

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Ghana's economic outlook

Rising risk of external debt distress

Summary

1. The COVID crisis and the Russia-Ukraine war have increased Ghana's fiscal and external vulnerabilities. In early August, Ghana's long-term FCY rating was downgraded to CCC+ by S&P and to CCC by Fitch.
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2. The Ghana cedi (GHS) has come under significant pressure, with inflation surging to 31.7% y/y in July.

In response, the Bank of Ghana (BoG) has raised its policy rate 850bps since the start of November 2021, including at an emergency MPC meeting in August. The BoG has also announced plans to raise its reserve requirement to 15% by November 2022.

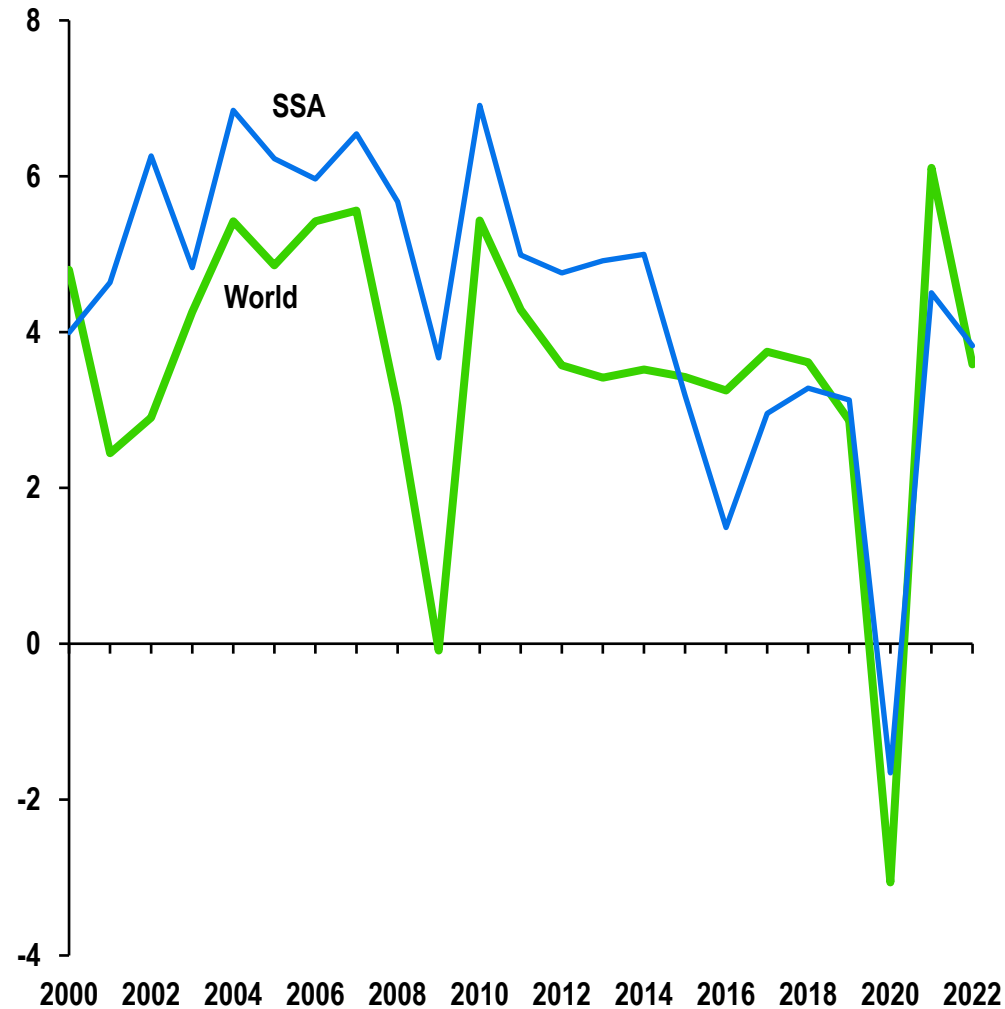
3. With promises of faster fiscal consolidation, negotiations with the IMF towards a new programme will be key to Ghana's outlook and its ability to avert a debt crisis.
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Africa – After 2021 ‘outperformance’, new growth headwinds for SSA

Global slowdown may put SSA recovery at risk

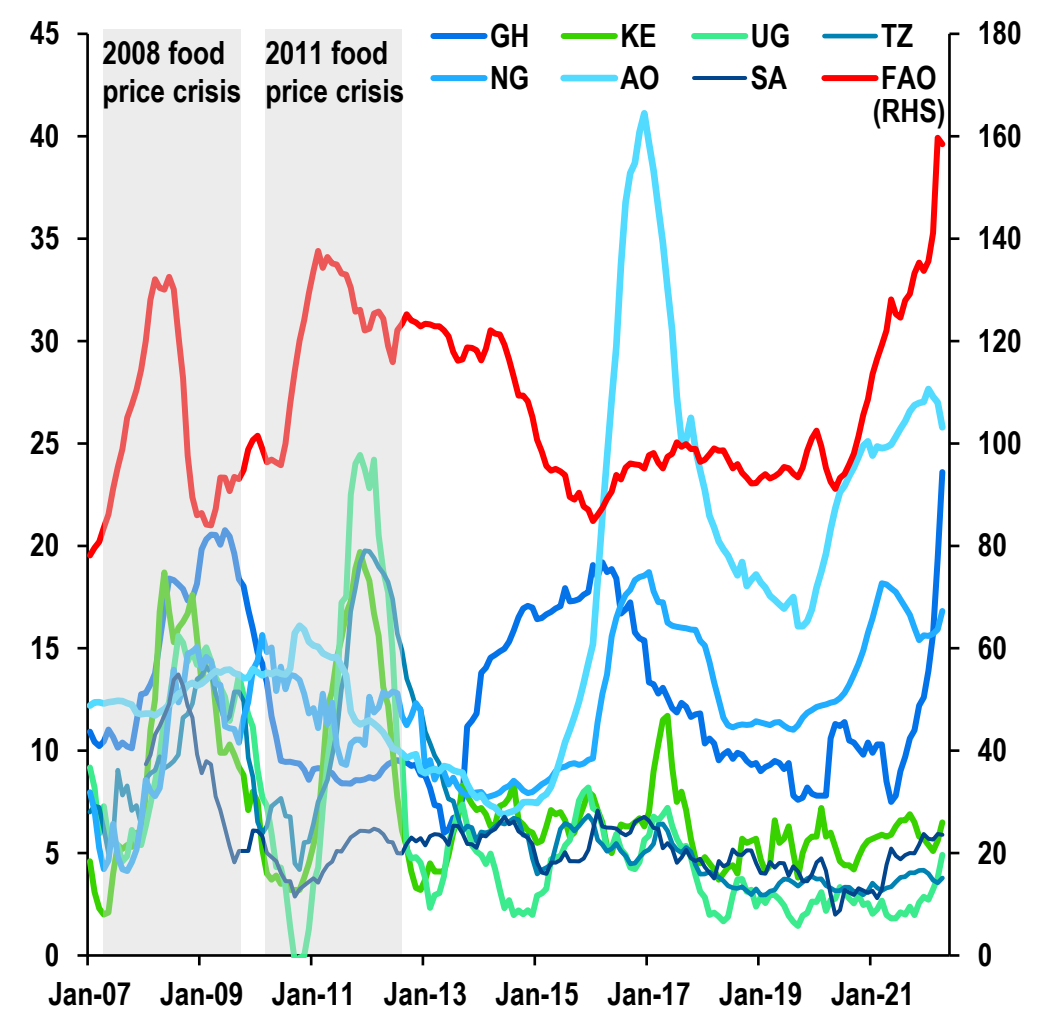
GDP, % y/y



Source: IMF WEO April 2022, Standard Chartered Research

Higher food prices drive inflationary pressure

CPI, % y/y (LHS); FAO food price index (RHS)



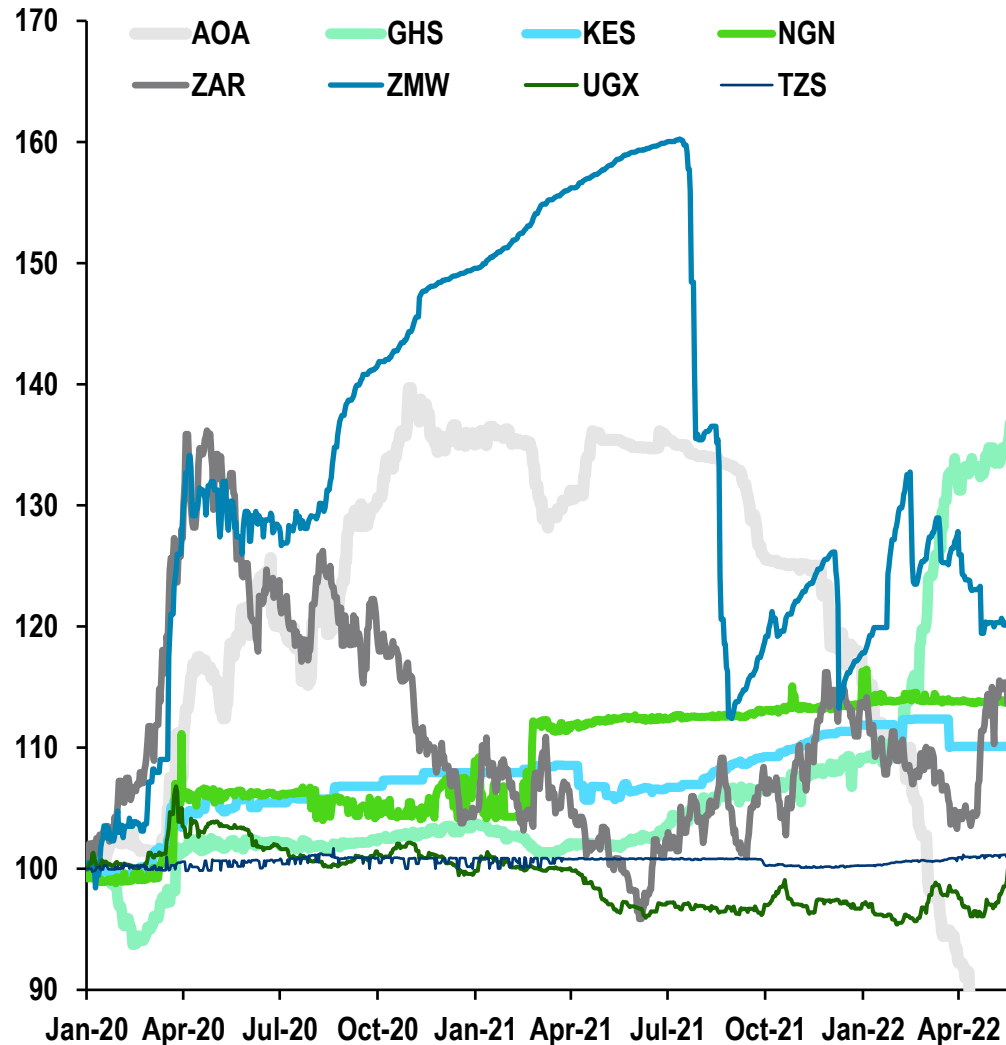
Source: Bloomberg, Standard Chartered Research



Ghana impacted significantly by tightening of global financial conditions

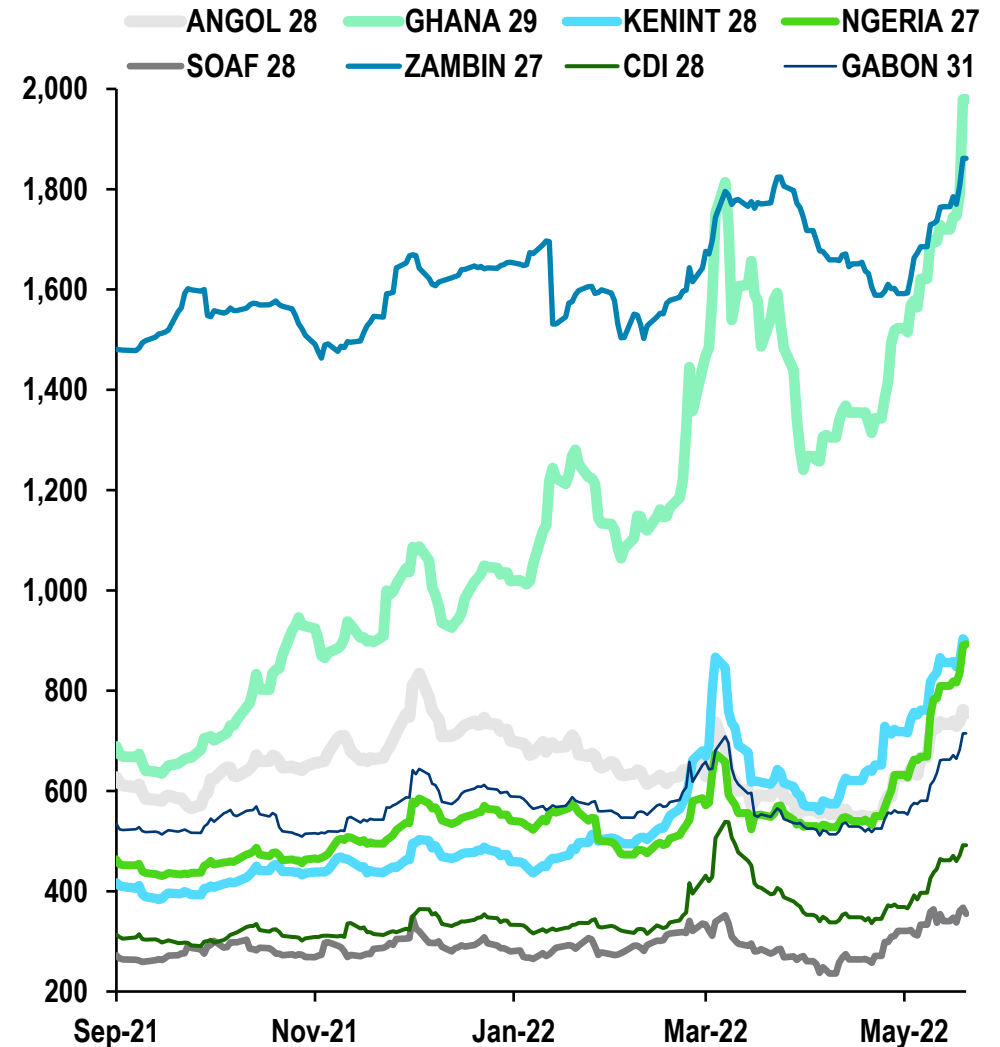
SSA FX – A mixed performance

SSA FX, rebased (Jan 2020 = 100), USD-LCY



Eurobond spreads widen

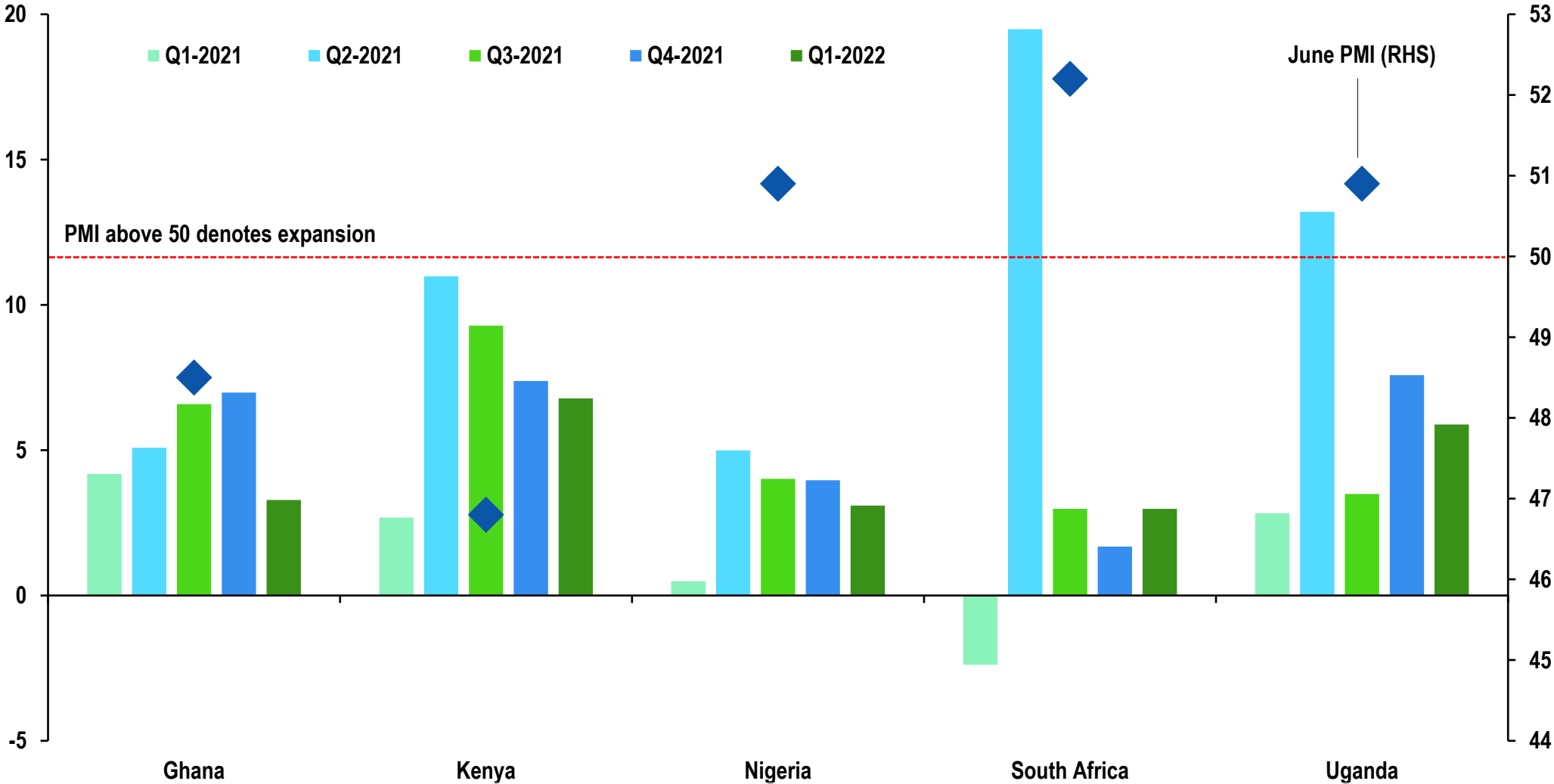
SSA Eurobonds, mid Z-spread, bps



Q1-2022 SSA GDP growth largely surprised positively; PMI surveys point to Q2 risks

Ex-Ghana, y/y GDP surprised positively in Q1-2022

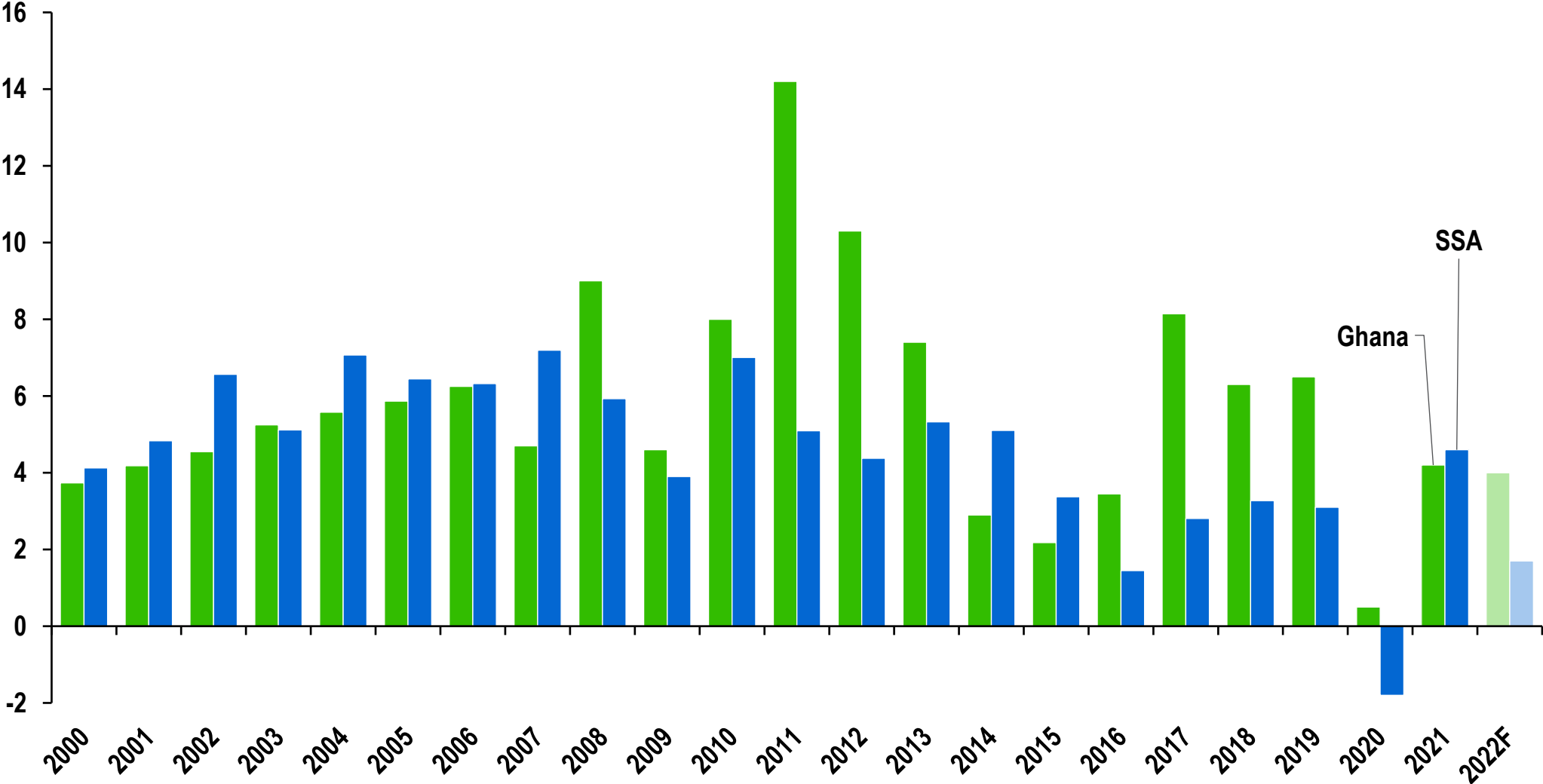
Real GDP growth, % y/y (LHS); June PMI (RHS)



We expect the economic crisis to weigh on Ghana's growth

Growth has yet to bounce back to previous oil-driven highs

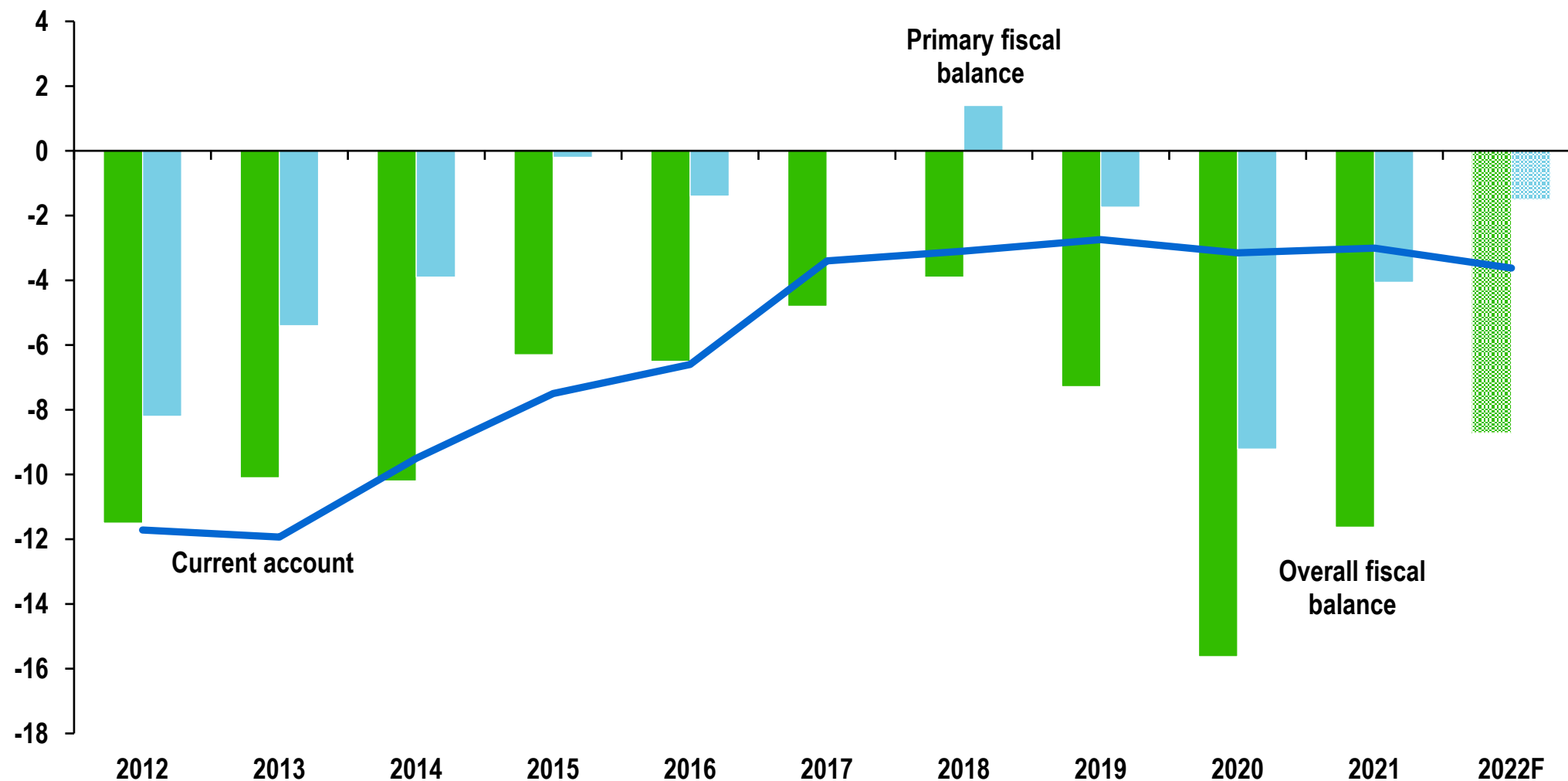
Real GDP growth, % y/y



How did Ghana get here? COVID shock, then Russia-Ukraine war exacerbated fiscal and external pressures

Ghana had seen significant reform under its previous IMF programme, but the fiscal deficit widened following the COVID shock; debt service is now more of a risk

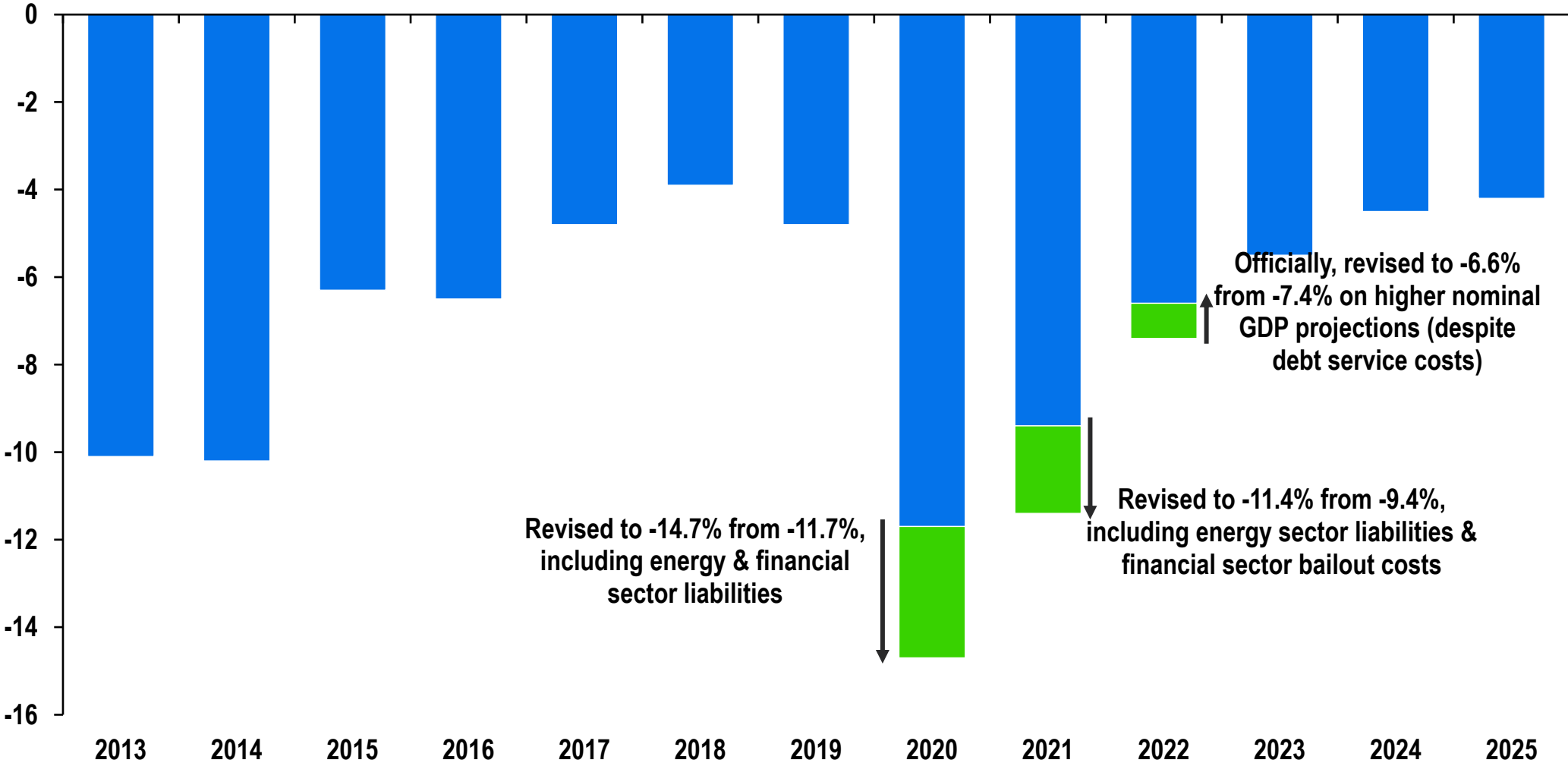
Fiscal, current account balances, % of GDP



Government has stated its intention to return to a 5% of GDP deficit by 2024, with a corresponding positive primary balance

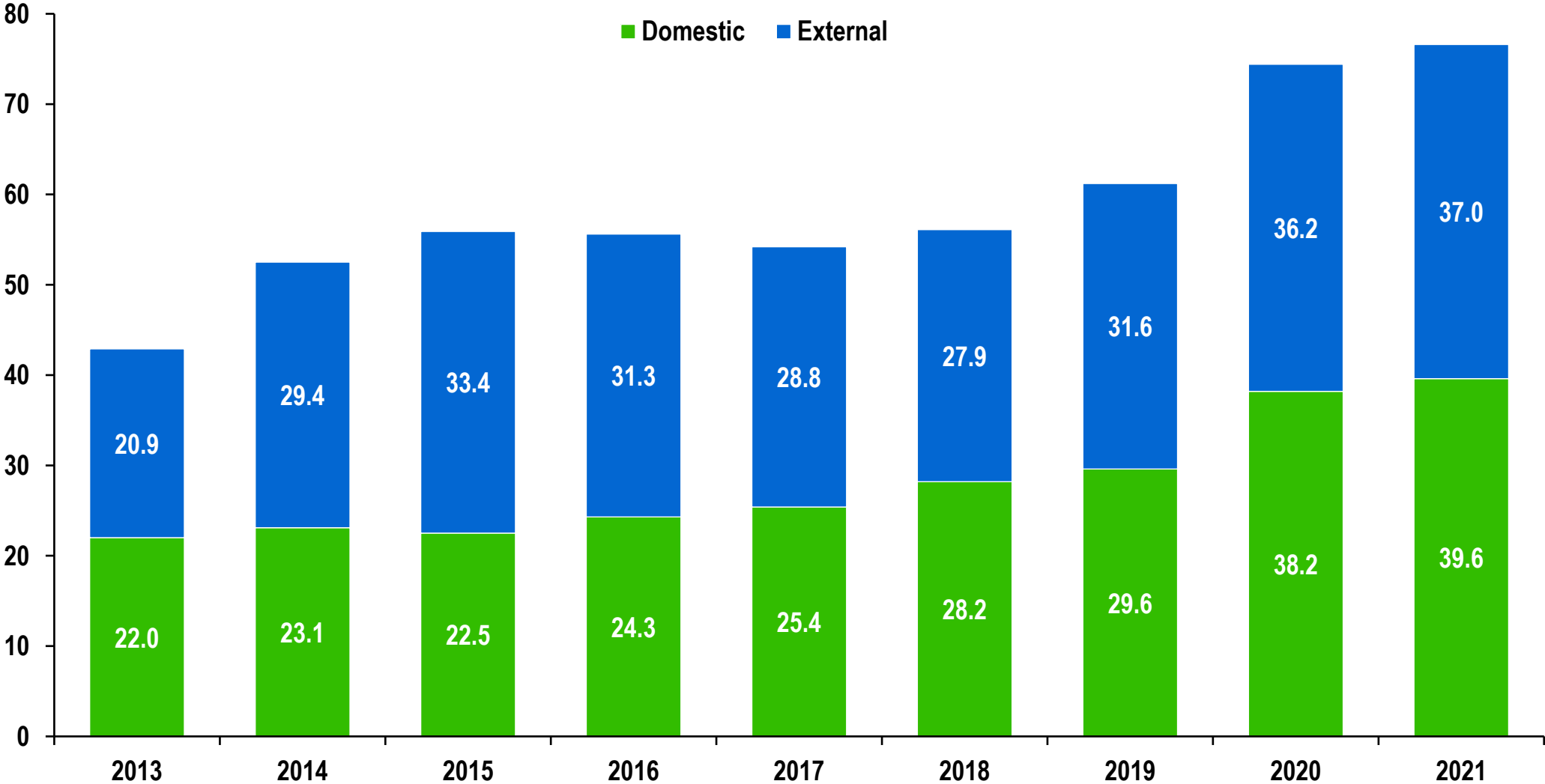
COVID crisis saw a return to a double-digit fiscal deficit; govt hopes to adhere to fiscal rule by 2024

Fiscal balance, % of GDP – official projections; revisions in June 2022 mid-year budget review



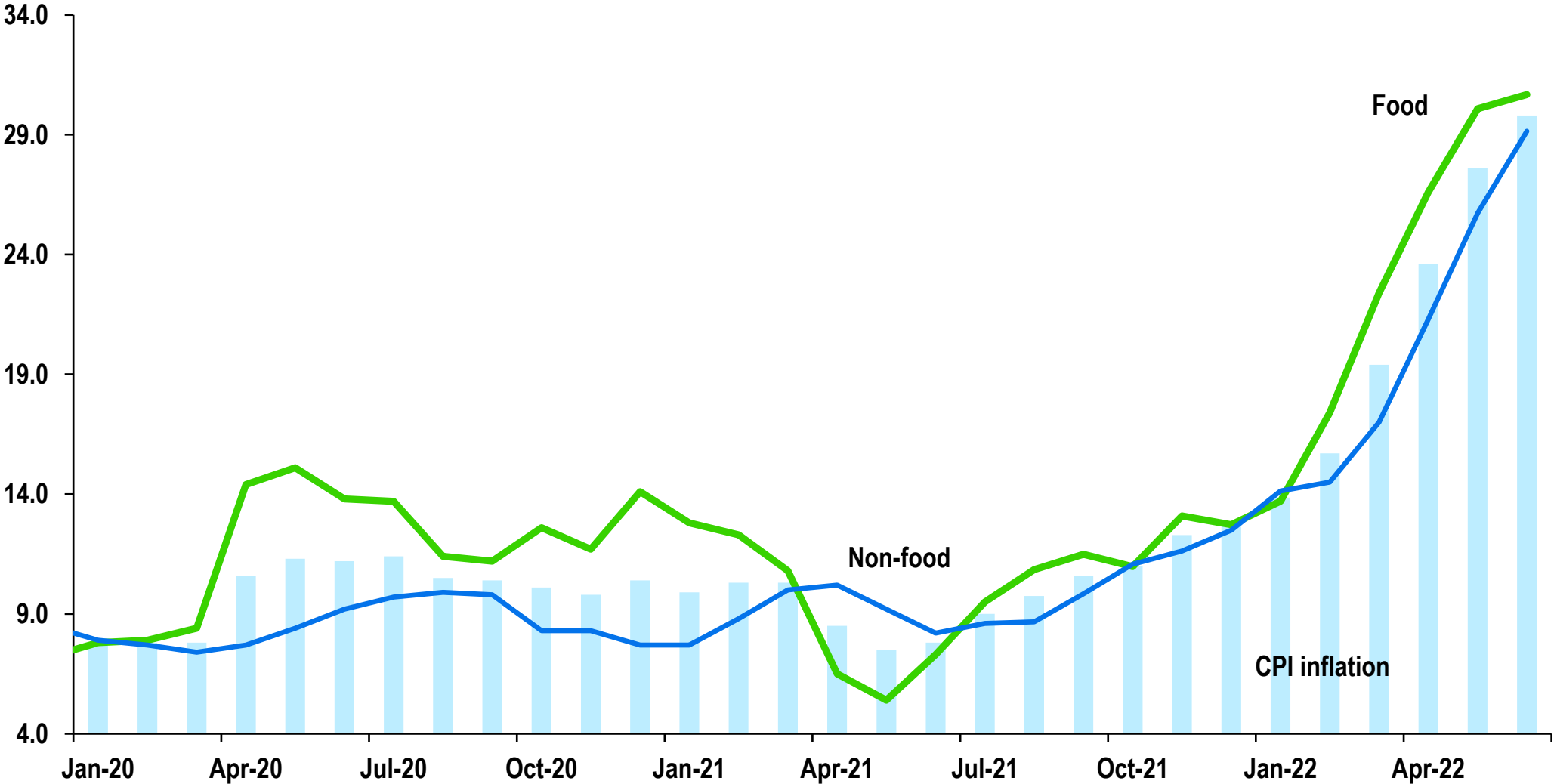
Ghana will need to reassure on debt sustainability – both domestic and external

Public debt (% of GDP)



Ghana has been harder hit by inflation than many SSA peers

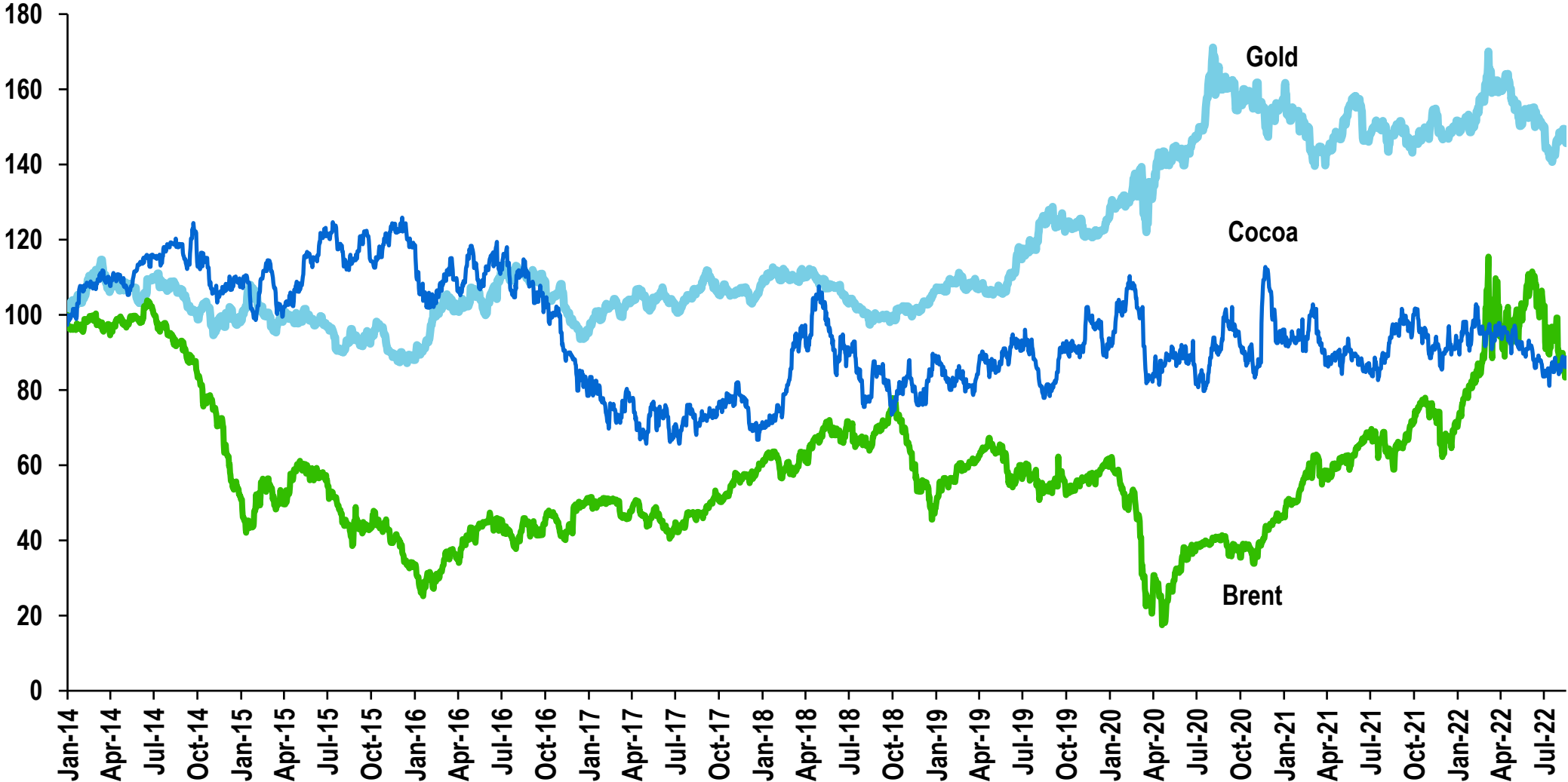
Inflationary pressure is more broad-based; the BoG has raised its policy rate 850bps since November
CPI inflation, % y/y



New FX measures aim to boost supply of FX to BoG

Commodity price trends

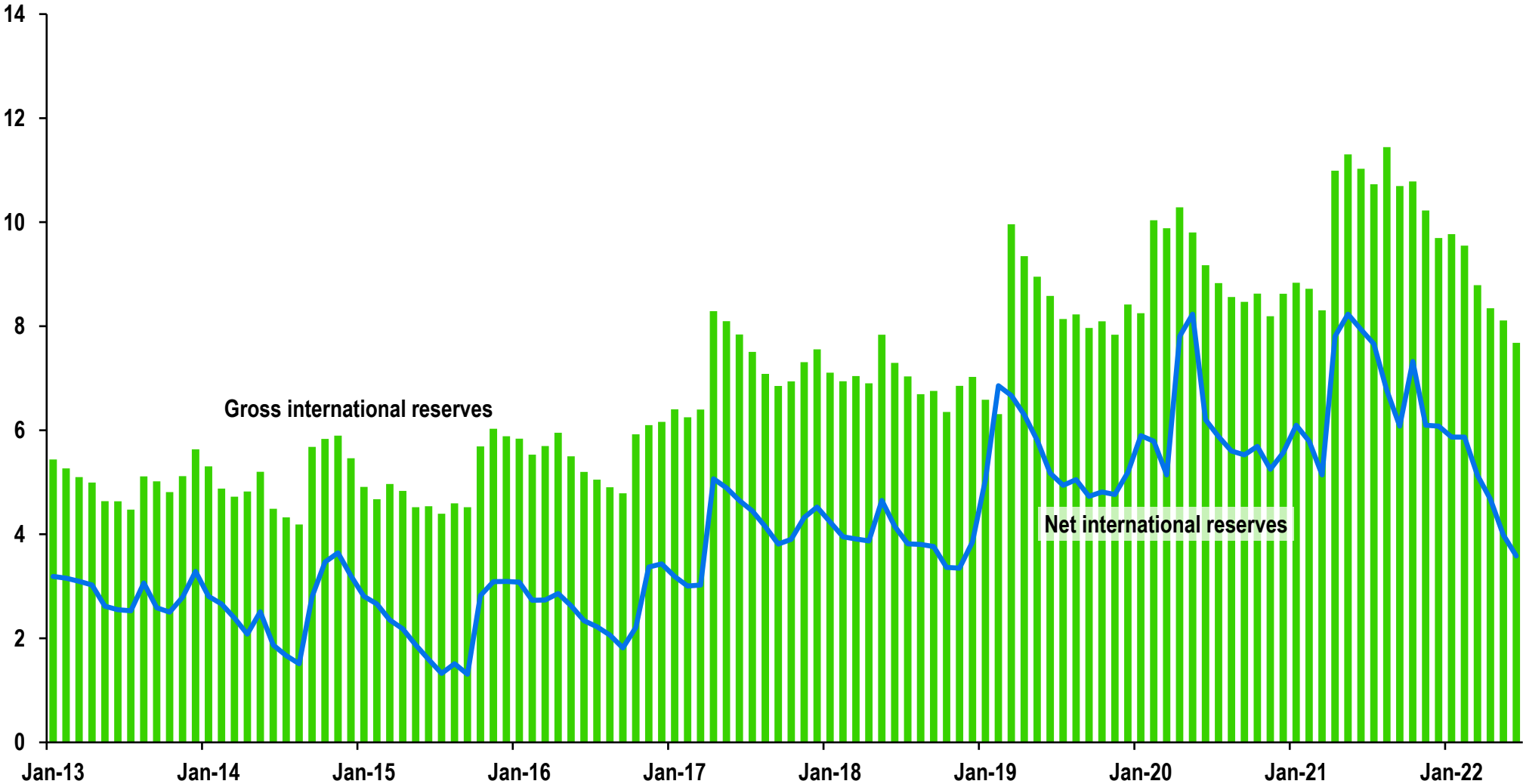
Commodity prices rebased, Jan 2014 = 100



Ghana's gross and net FX reserves have come under significant pressure

Constrained market access puts pressure on FX reserves

Gross international reserves, USD bn; net international reserves, USD bn



Ghana's economic outlook

The way forward

Summary

1. BoG tightening of liquidity underscores anti-inflation credentials. Domestic debt issuance will remain difficult. This may force a faster pace of fiscal consolidation

2. Negotiations towards an IMF programme will remain key to investor sentiment. Of key interest: will a debt restructuring be required?

3. Ghana is likely to be more dependent on concessional sources of financing in the near future. Institutional strength and a relatively diversified economic base are positives



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