Country Report

Ghana

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The Economist Intelligence Unit

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"0 or 0.0" means nil or negligible;"n/a" means not available; "-" means not applicable

Ghana

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Summary

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Politics

Economy

Briefing sheet

Editor: **Nathan Hayes**

Forecast Closing Date: **September 4, 2019**

Political and economic outlook

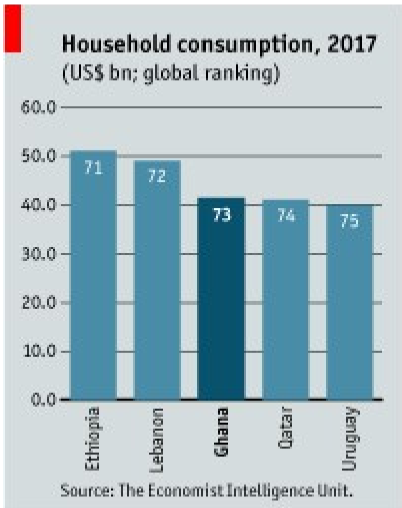
- The next national elections are due in 2020. The Economist Intelligence Unit expects the ruling New Patriotic Party (NPP) to retain power, as the party is seen as a better custodian of the economy than the opposition National Democratic Congress.
- The NPP's ambitious industrialisation programme will enjoy some success, with investment expected to continue, but overall progress will be hampered by structural weaknesses and regional imbalances.
- Rising oil and gas production will continue to support real GDP growth during the forecast period, with growth averaging 5.9% a year in 2019-23.
- The government's industrialisation push and moves to strengthen the banking sector will benefit non-oil economic growth, although the cost of capital will be prohibitive for some businesses, particularly small and medium-sized enterprises.
- Inflation will remain high in 2019, at an average of 9.5%, given a weakening currency and strong growth in private consumption. The rate will remain close to the ceiling of the official 6-10% target range in 2020-23 for similar reasons.
- The cedi will remain prone to periods of volatility, given the country's exposure to movements in commodity prices. From an average of GH¢4.58:US$1 in 2018, the currency will weaken to GH¢6.47:US$1 in 2023.
- We forecast that the current account will shift from an estimated deficit of 1.8% of GDP in 2018 to a surplus of 0.5% of GDP in 2023, owing to rising oil exports over the forecast period.

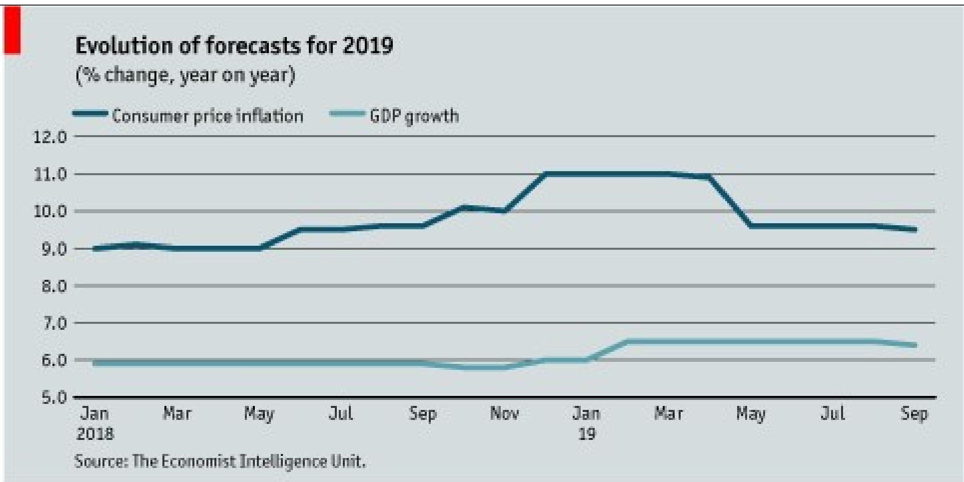
Key indicators

	2018[a]	2019[b]	2020[b]	2021[b]	2022[b]	2023[b]
Real GDP growth (%)	6.3	6.4	5.5	5.4	6.1	6.3
Consumer price inflation (av; %)	9.8	9.5	9.5	8.5	9.1	9.3
Government balance (% of GDP)	-3.4	-4.9	-5.5	-4.8	-4.1	-3.4
Current-account balance (% of GDP)	-1.8[c]	0.8	-0.2	-0.1	0.5	0.5
Money market rate (av; %)	17.0	16.5	16.0	15.5	16.0	16.5
Exchange rate GH¢:US$ (av)	4.58	5.26	5.87	6.18	6.33	6.47

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] Economist Intelligence Unit estimates.

Market opportunities





Key changes since July 26th

- We have revised down our forecasts for both imports and exports in 2019 because of low oil prices over the year to date. We now expect the current account to register a surplus of 0.8% of GDP this year, compared with a deficit of 1.7% of GDP previously.

The month ahead

- **September 20th—Monetary policy committee (MPC) meeting of the Bank of Ghana (the central bank):** We expect interest rates to be maintained at 16%. Inflation will edge up slightly in the final quarter of the year, in line with our full-year forecast, although it will remain within the central bank's target band of 6-10%.

Major risks to our forecast

Scenarios, Q3 2019	Probability	Impact	Intensity
Ghana suffers a major terrorist attack	Moderate	High	12
Land transactions fall through at a substantial financial cost	Moderate	High	12
Closer ties with neighbouring Côte d'Ivoire yield major benefits	Moderate	Moderate	9
Companies end up with a higher tax burden despite notional cuts to tax rates	Moderate	Moderate	9
Corruption and cronyism get worse	Moderate	Moderate	9

Note. Scenarios and scores are taken from our Risk Briefing product. Risk scenarios are potential developments that might substantially change the business operating environment over the coming two years. Risk intensity is a product of probability and impact, on a 25-point scale.
Source: The Economist Intelligence Unit.

Outlook for 2019-23

Political stability

Ghana's underlying political stability is expected to endure over the forecast period, despite an acrimonious party-political landscape. The two dominant parties—the ruling New Patriotic Party (NPP) and the National Democratic Congress (NDC)—have alternated in power since the return of multiparty politics in 1992, and their rivalry will remain the key feature of the political scene. Instances of violence between their supporters have been reported at recent general elections. Political tensions are unlikely to disappear, although such incidents are uncommon outside election campaigns and are not expected to lead to broader unrest. Corruption in the public sector remains endemic, however, and a source of concern among the population.

Public appointments are often made on the basis of party affiliation. This is one explanation for an oversized government team (comprising 123 ministers). However, there are fewer opportunities at the lower levels of politics, which may cause resentment among the party ranks and could depress voter turnout as members at grass-roots level play a key role in local campaigning.

Election watch

The next presidential and parliamentary elections are due in November 2020. During the remainder of the term in office of the president, Nana Akufo-Addo, the economic situation will generally improve. In the presidential election, Mr Akufo-Addo will face a challenge from John Mahama—Ghana's president from 2012 to early 2017—who was elected leader of the opposition NDC in February 2019. The campaign for the 2016 election was dominated by the faltering economy, which many Ghanaians still associate with Mr Mahama. As a result, The Economist Intelligence Unit believes that it will be difficult for the NDC under Mr Mahama to portray itself as the better custodian of Ghana's economy, especially as the country's growth outlook is fairly strong. We therefore expect Mr Akufo-Addo and the NPP to secure re-election in 2020. However, if the NDC can present a coherent opposition and hold the NPP to account on unfulfilled campaign promises—particularly on job creation and industrialisation, where progress has been generally slow and success patchy—the election could be closely contested.

International relations

The government will continue to prioritise enhancing trade and investment ties with the international community, moving away from historical relations that have tended to focus more on aid. Ghana's industrialisation drive is being spurred by China, a key trading partner and source of investment, notably in infrastructure and in the private sector. Beyond China, trade links with the US will be entrenched by the African Growth and Opportunity Act.

Ghana is part of the Economic Community of West African States (ECOWAS), which aims to expand regional trade links. A single currency for the region—the eco—continues to be mooted, with a target introduction date of 2020. However, a common currency has been under negotiation for over 20 years, and wavering political commitment and doubts about the scheme's workability and desirability will continue to dog the process. Similarly, the African Continental Free-Trade Area (AfCTA) agreement came into force in May 2019, although its impact will similarly be limited by regional protectionist sentiment (especially regarding agriculture) and logistical bottlenecks.

In August Ghana and Côte d'Ivoire announced that they will again attempt to set a price floor for cocoa, scheduled to begin in October, and will not sell for less than US$2,600/tonne. The governments first announced their plan to impose the price floor in June, although this fell through. Details on how the cocoa authorities intend to implement the price floor remain unclear, as this will require co-operation from purchasers. If they refuse to pay the minimum price, it is difficult for Côte d'Ivoire and Ghana to withhold beans from the market, as warehouse facilities are insufficient. Even if the two countries do manage to introduce the price floor (which is not our baseline forecast), in the medium term this would stimulate production, leading to greater oversupply of the global market, which would create price distortions.

Policy trends

The NPP administration will continue to prioritise industrialisation, in line with its election pledges. As part of this strategy, it aims to establish at least one factory in each of Ghana's 260 districts by 2020 under the One District, One Factory (1D1F) initiative. The government aims to have 181 projects operational by end-2019, although we believe that this is unlikely, given limited progress over the year to date. There are stark regional imbalances—with development hampered by a lack of supporting infrastructure—combined with broader issues of a poorly trained workforce and weaknesses in the business environment. The authorities are also keen to develop domestic refinery capacity to allow the upstream oil industry to improve value-added and revenue generation. However, poor data quality reduced investor interest in the licensing round announced in July. On a positive note, the administration continues to focus on the need to improve the business environment in order to boost private-sector investment—achieving some success, with investments across industries—although we believe that the government's industrialisation strategy is too ambitious, given broader barriers to growth.

Fiscal policy

We expect the government to continue to pursue an expansionary fiscal policy ahead of the 2020 election as it seeks to boost economic growth (and as spending is not constrained by adherence to an IMF programme), before financing constraints necessitate a shift to a contractionary policy from 2021.

On the revenue front, the government has sought to strengthen the tax regime, digitise tax payment systems and build the capacity of local governments to collect taxes. However, enforcement remains an issue and many companies continue to benefit from various loopholes and exemptions. Accordingly, we do not expect these collection measures to provide a major boost to government revenue, although rising oil receipts will support revenue growth as a proportion of GDP over the forecast period.

Following the completion of the country's IMF programme in April 2019, and a period of fiscal consolidation, we expect to see some spending laxity up to 2021. In particular, the authorities will be reluctant to lower public spending ahead of the November 2020 elections. The public-sector wage bill—together with high interest payments and capital expenditure to help to deliver ambitious industrialisation and infrastructure development promises—will drive expenditure increases as a proportion of GDP in 2019-20. In 2021-23 we expect to see the expenditure/GDP ratio decline slightly as the government seeks to narrow the fiscal deficit following the elections. Such reductions in the expenditure/GDP ratio are expected to come from a moderation in growth of capital expenditure, although ongoing major government infrastructure development and industrialisation projects will keep such spending elevated.

We expect the fiscal deficit to widen from 3.4% of GDP in 2018 to 5.5% of GDP in 2020 as a result of rising pre-election expenditure. We then forecast a return to consolidation, which will lower the deficit to 3.4% of GDP in 2023. As a result of this fiscal consolidation, combined with robust economic growth, we forecast that the public debt/GDP ratio will edge down to 48.5% in 2023, from a peak of 56.9% in 2020. Further currency weakness exacerbates the risk of holding US dollar-denominated debt, as it becomes more expensive in cedi terms to service. Despite mounting currency risk, however, in March the government issued a US$3bn Eurobond to finance spending in 2019 and pay off previous debts. Further external borrowing to finance debt rollovers is likely. Moreover, demand for long-term domestic debt is low—a recent 20-year bond was undersubscribed—as overseas investors are concerned about high currency risk. Shorter-term debt issuance (potentially at higher yields) will therefore be needed to finance fiscal spending, raising rollover risk for the government.

Monetary policy

Monetary policy in Ghana has historically been volatile. In January 2019 the monetary policy committee of the Bank of Ghana (BoG, the central bank) reduced the policy rate by 100 basis points, from 17% to 16%. Inflation is forecast to remain elevated in 2019, moderating slightly to 9.5%, from 9.8% in 2018, suggesting that rates will not be cut further over the year. As inflation moderates further in 2020-21, however, and domestic demand growth weakens, there will be an opportunity for a resumption of monetary easing. This will be followed by renewed tightening in 2022-23, as domestic demand once again strengthens—driven by broader economic growth—and inflation picks up.

International assumptions

	2018	2019	2020	2021	2022	2023
Economic growth (%)						
US GDP	2.9	2.2	1.7	1.9	2.0	1.8
OECD GDP	2.2	1.6	1.6	1.9	1.9	1.8
World GDP	2.9	2.4	2.5	2.9	2.9	2.9
World trade	4.4	2.9	3.4	3.7	3.9	4.0
Inflation indicators (% unless otherwise indicated)						
US CPI	2.4	2.0	1.4	2.2	2.1	1.8
OECD CPI	2.5	2.1	1.9	2.1	2.1	2.1
Manufactures (measured in US$)	5.1	0.9	3.1	2.9	3.6	3.3
Oil (Brent; US$/b)	71.1	67.7	62.0	67.0	73.2	75.0
Non-oil commodities (measured in US$)	1.8	-4.7	4.0	3.5	1.4	0.7
Financial variables						
US$ 3-month commercial paper rate (av; %)	2.0	2.4	1.7	1.7	2.2	2.5
US$:€ (av)	1.18	1.12	1.15	1.19	1.23	1.24
¥:US$	110.43	108.14	107.73	104.88	100.46	96.08

Economic growth

Economic growth over the forecast period will be driven predominantly by the hydrocarbons sector, with a continued ramping up of oil and gas production expected. However, this oil-driven growth will mask constraints—such as low productivity and infrastructure bottlenecks—elsewhere in the economy, as highlighted by the limited success of industrialisation programmes, such as 1D1F. We expect some spillover effects from hydrocarbons-led growth—with increases in broader industrial production, infrastructure investment and auxiliary services—but these will be small given broader constraints. Tullow Oil will invest US$250m in 2019 to increase production at Ghana's Jubilee and Tweneboa-Enyenra-Ntomme (TEN) oilfields, despite the weak oil price outlook for the year. The company is boosting output to generate revenue to service debts built up from costly regional exploration and development work, although a delay in the completion of a well in the TEN oilfield has nudged down expected output in 2019.

Outside the oil industry, we expect lending growth to continue to recover from a slump in 2018. The BoG tripled the reserve requirement—which had to be met by end-2018—causing several banks to consolidate. This should strengthen the banking sector, putting it in a good position to take advantage of improved liquidity conditions following a cut in the BoG's policy rate in January, combined with measures to reduce non-performing loans (NPLs), such as write-downs (although NPLs remain elevated, at about 18% of gross loans). Real lending rates are high, at about 17%, although credit growth has been rising and appears broad-based (although credit to the public sector continues to rise at a faster rate, potentially crowding out some private-sector borrowers). In June the BoG revoked the licences of 347 microfinance institutions (MFIs), and it will strengthen regulatory oversight of the sector. The institutions were insolvent, and lending had already ceased. Improved solvency of the remaining institutions will boost lending to small and medium-sized enterprises.

Consumer demand will increase in 2019 owing to broader economic growth and improving access to credit, but will remain constrained by rising prices and low value-added in the non-oil economy, which serves to limit wage growth for workers. Accordingly, we forecast a slight increase in real GDP growth to 6.4% this year. We expect growth to ease to 5.5% in 2020 as Ghana is affected by weaker global economic conditions—which will weigh on investment flows into the country—although government and private consumption will rise slightly ahead of the elections that year.

Growth is then expected to average 5.9% in 2021-23, reflecting the development of new oil and gas resources that have boosted output volumes, combined with a forecast recovery in global oil prices. In February Aker Energy, a Norwegian firm, announced the discovery of 450m-550m barrels in the Deepwater Tano Cape Three Points block off the coast of Ghana, with potential recoverable reserves of nearly 1bn barrels. The first oil from these fields is due in 2021. On top of this, the government will continue to seek to boost the private sector—predominantly through policies to prop up the economy, such as 1D1F—as structural barriers to industrialisation will constrain potential. Agricultural growth will remain hampered by unfavourable prospects for the cocoa industry; about 40% of Ghana's cocoa farms are infected with diseases or have overaged stock, reducing yields.

Economic growth

%	2018[a]	2019[b]	2020[b]	2021[b]	2022[b]	2023[b]
GDP	6.3	6.4	5.5	5.4	6.1	6.3
Private consumption	-0.3	9.2	5.0	4.4	5.5	5.8
Government consumption	73.7	12.5	6.3	2.9	3.2	3.1
Gross fixed investment	-5.0	8.2	5.2	6.0	6.5	6.3
Exports of goods & services	10.3	9.2	5.4	6.5	7.5	8.2
Imports of goods & services	4.6	-0.5	5.1	4.7	6.4	6.7
Domestic demand	2.4	9.6	5.4	4.8	5.7	5.9
Agriculture	4.8[c]	3.4	4.0	3.3	3.5	3.6
Industry	10.6[c]	8.7	6.0	6.0	7.1	7.7
Services	2.7[c]	5.5	6.0	5.9	6.2	6.4

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] Economist Intelligence Unit estimates.

Inflation

We expect annual average inflation to remain elevated in 2019, although it will moderate slightly, to 9.5% from 9.8% in 2018. The weaker cedi—combined with growth in private consumption—is driving increases in consumer prices. We expect the BoG to manage to keep inflation within the official target band of 6-10% during 2020-23, but with relatively slow fiscal consolidation, robust domestic demand and ongoing currency depreciation, inflation will remain elevated at an annual average of 9.1%.

Exchange rates

The cedi weakened sharply in the first quarter of 2019, driven by weak demand for government bonds from foreign investors, a drop in export revenue and increased political uncertainty before the 2020 elections. These dynamics will maintain downward pressure on the currency, with the cedi depreciating to an average of GH¢5.26:US$1 in 2019. In 2020, as government spending increases ahead of the elections that year, the fiscal deficit widens and export revenue declines further, we forecast that the cedi will depreciate to an average of GH¢5.87:US$1. Domestic and global sentiment will improve in 2021-23, but we expect the cedi to depreciate further as the strong dollar—on the back of a tightening of US monetary policy—weighs on the currency. However, a shrinking of the fiscal deficit and an edging of the current account into surplus will provide some relief in these years. We forecast that the cedi will weaken to an average of GH¢6.47:US$1 in 2023.

External sector

Export revenue will drop slightly in 2019 because the impact of falling crude oil prices and lower cocoa output will offset the impact of increasing oil output and rising gold prices. In 2020 we expect to see a further drop in exports, driven by declining gold and cocoa production. We expect steady growth in export revenue over the remainder of the forecast period. Oil production from new fields will increase strongly in 2019-23, and government efforts to formalise small-scale mining and to provide large mines with better protection from illegal incursions will support gold production. Adverse weather and disease will continue to reduce cocoa output, and government plans to boost yields will remain hampered by fundraising issues for Cocobod, the country's cocoa authority. Import spending will decline in 2019 as ongoing currency weakness reduces demand and lower oil prices reduced the bill for refined oil products. In 2020 imports will increase because of rising domestic demand, although currency effects will constrain such growth. Over the remainder of the forecast period, rising imports will be driven by steady growth in the domestic economy and—because of low levels of domestic tertiary manufacturing—by demand for capital goods imports to develop the downstream oil industry.

The services deficit will remain broadly stable at about 2% of GDP in 2019-23, driven by expenditure on technical services for oil and gas projects. The primary income deficit will remain large, owing to profit repatriation and interest payments on external debt. The secondary income account will continue to post large surpluses, reflecting robust workers' remittances.

We forecast that the current account will edge into surplus in 2019, primarily because of a drop in imports, before edging back into deficit in 2020-21 as imports increase. In 2022-23 the current account will move back to a surplus on the back of rising oil exports. The small deficits in 2020-21 will be financed by a combination of foreign direct investment and new borrowing.

Forecast summary

Forecast summary

(% unless otherwise indicated)

	2018[a]	2019[b]	2020[b]	2021[b]	2022[b]	2023[b]
Real GDP growth	6.3	6.4	5.5	5.4	6.1	6.3
Gross agricultural production growth	4.8[c]	3.4	4.0	3.3	3.5	3.6
Consumer price inflation (av)	9.8	9.5	9.5	8.5	9.1	9.3
Consumer price inflation (end-period)	9.4	9.7	9.4	8.5	9.5	9.3
Short-term interbank rate	17.0	16.5	16.0	15.5	16.0	16.5
Government balance (% of GDP)	-3.4	-4.9	-5.5	-4.8	-4.1	-3.4
Exports of goods fob (US$ bn)	14.9	14.8	14.5	15.6	17.4	18.8
Imports of goods fob (US$ bn)	13.1	12.6	13.4	14.3	15.3	16.4
Current-account balance (US$ bn)	-1.2[c]	0.5	-0.1	-0.1	0.4	0.5
Current-account balance (% of GDP)	-1.8[c]	0.8	-0.2	-0.1	0.5	0.5
External debt (year-end; US$ bn)	20.7[c]	23.1	22.8	22.4	22.2	21.8
Exchange rate GH¢:US$ (av)	4.58	5.26	5.87	6.18	6.33	6.47
Exchange rate GH¢:¥100 (av)	4.15	4.86	5.45	5.89	6.30	6.74
Exchange rate GH¢:€ (end-period)	5.52	6.30	7.11	7.51	7.96	8.08
Exchange rate GH¢:SDR (end-period)	6.69	7.72	8.57	8.89	9.34	9.51

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] Economist Intelligence Unit estimates.

Data and charts

Annual data and forecast

	2014[a]	2015[a]	2016[a]	2017[a]	2018[b]	2019[c]	2020[c]
GDP							
Nominal GDP (US$ m)	53,697	48,605	55,016	59,029	65,561[a]	66,168	67,786
Nominal GDP (GH¢ m)	155,433	180,399	215,077	256,671	300,596[a]	347,828	398,063
Real GDP growth (%)	2.9	2.2	3.4	8.1	6.3[a]	6.4	5.5
Expenditure on GDP (% real change)							
Private consumption	4.1	-0.3	-2.6	11.3	-0.3[a]	9.2	5.0
Government consumption	24.5	-8.9	-21.9	-35.9	73.7[a]	12.5	6.3
Gross fixed investment	-1.1	-2.7	12.2	-1.8	-5.0[a]	8.2	5.2
Exports of goods & services	-5.8	-0.3	14.8	16.5	10.3[a]	9.2	5.4
Imports of goods & services	-14.4	7.9	-1.1	7.9	4.6[a]	-0.5	5.1
Origin of GDP (% real change)							
Agriculture	0.9	2.3	2.9	6.1	4.8	3.4	4.0
Industry	1.1	1.1	4.3	15.7	10.6	8.7	6.0
Services	5.4	3.0	2.8	3.3	2.7	5.5	6.0
Population and income							
Population (m)	27.0	27.6	28.2	28.8	29.5	30.1	30.8
GDP per head (US$ at PPP)	4,046	4,084	4,176	4,502	4,785	5,084	5,348
Fiscal indicators (% of GDP)							
Central government budget revenue	15.9	17.8	14.9	15.4	15.9[a]	15.7	15.9
Central government budget expenditure	22.8	22.6	21.8	20.9	19.4[a]	20.6	21.3
Central government budget balance	-6.8	-4.9	-6.9	-5.5	-3.4[a]	-4.9	-5.5
Public debt	53.2	57.5	60.4	57.4	53.5	56.1	56.9
Prices and financial indicators							
Exchange rate GH¢:US$ (av)	2.89	3.71	3.91	4.35	4.58[a]	5.26	5.87
Exchange rate GH¢:€ (av)	3.85	4.12	4.33	4.91	5.42[a]	5.90	6.72
Consumer prices (end-period; % change)	17.0	17.7	15.4	11.8	9.4[a]	9.7	9.4
Stock of money M1 (% change)	34.5	20.1	24.9	14.0	13.0	13.5	14.0
Stock of money M2 (% change)	36.8	26.1	22.0	16.7	15.7	13.8	15.0
Current account (US$ m)							
Trade balance	-1,383	-3,144	-1,774	1,188	1,779[a]	2,126	1,072
Goods: exports fob	13,217	10,321	11,137	13,835	14,868[a]	14,759	14,483
Goods: imports fob	-14,600	-13,465	-12,910	-12,647	-13,089[a]	-12,633	-13,410
Services balance	-2,602	-1,167	-1,293	-2,873	-2,559	-1,301	-1,119
Primary income balance	-1,717	-1,111	-1,222	-2,741	-3,198	-3,261	-2,928
Secondary income balance	2,009	2,597	1,458	2,425	2,768	2,946	2,842
Current-account balance	-3,695	-2,825	-2,831	-2,002	-1,211	510	-132
External debt (US$ m)							
Debt stock	18,370	20,633	21,372	21,369	20,671	23,110	22,829
Debt service paid	842	1,060	1,886	2,154	3,852	4,036	3,418
Principal repayments	482	618	1,244	1,338	3,037	2,971	2,309
Interest	360	443	642	817	816	1,065	1,108
International reserves (US$ m)							
Total international reserves	5,461	5,644	5,782	6,919	6,188	6,140	6,381

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.
Sources: IMF, International Financial Statistics; Bank of Ghana.

Quarterly data

	2017		2018				2019	
	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
Prices								
Consumer prices (2012=100)	201.4	205.1	212.0	218.1	221.1	224.5	231.4	238.5
Consumer prices (% change, year on year)	12.1	11.7	10.4	9.8	9.8	9.4	9.2	9.3
Financial indicators								
Exchange rate GH¢:US$ (av)	4.38	4.39	4.42	4.43	4.70	4.80	5.03	5.14
Exchange rate GH¢:US$ (end-period)	4.39	4.41	4.40	4.52	4.78	4.82	5.08	5.26
Deposit rate (av; %)	14.0	13.0	13.0	12.3	11.5	n/a	n/a	n/a
Discount rate (end-period; %)	21.0	20.0	18.0	17.0	17.0	n/a	n/a	n/a
Treasury-bill rate (av; %)	21.3	20.3	18.5	17.0	16.2	16.1	15.7	15.2
M2 (end-period; GH¢ bn)	59,491.1	66,170.1	67,318.5	68,402.2	73,821.7	76,552.3	81,837.2	83,655.9
M2 (% change, year on year)	23.1	16.7	15.8	14.2	24.1	15.7	21.6	22.3
GSE all-share index (end-period; Dec 31st 2010=1000)	2,326	2,580	3,367	2,879	3,001	2,572	2,455	2,395
Sectoral trends								
Gold price, London (US$/troy oz)	1,278.0	1,275.3	1,328.9	1,306.6	1,212.6	1,228.8	1,304.2	1,309.6
Cocoa beans price, New York & London (US$/tonne)	1,991.8	2,047.6	2,192.9	2,565.1	2,241.2	2,175.9	2,239.9	2,351.3
Foreign reserves (US$ m)								
Reserves excl gold (end-period)	6,095	6,651	6,077	6,316	5,645	5,935	n/a	n/a

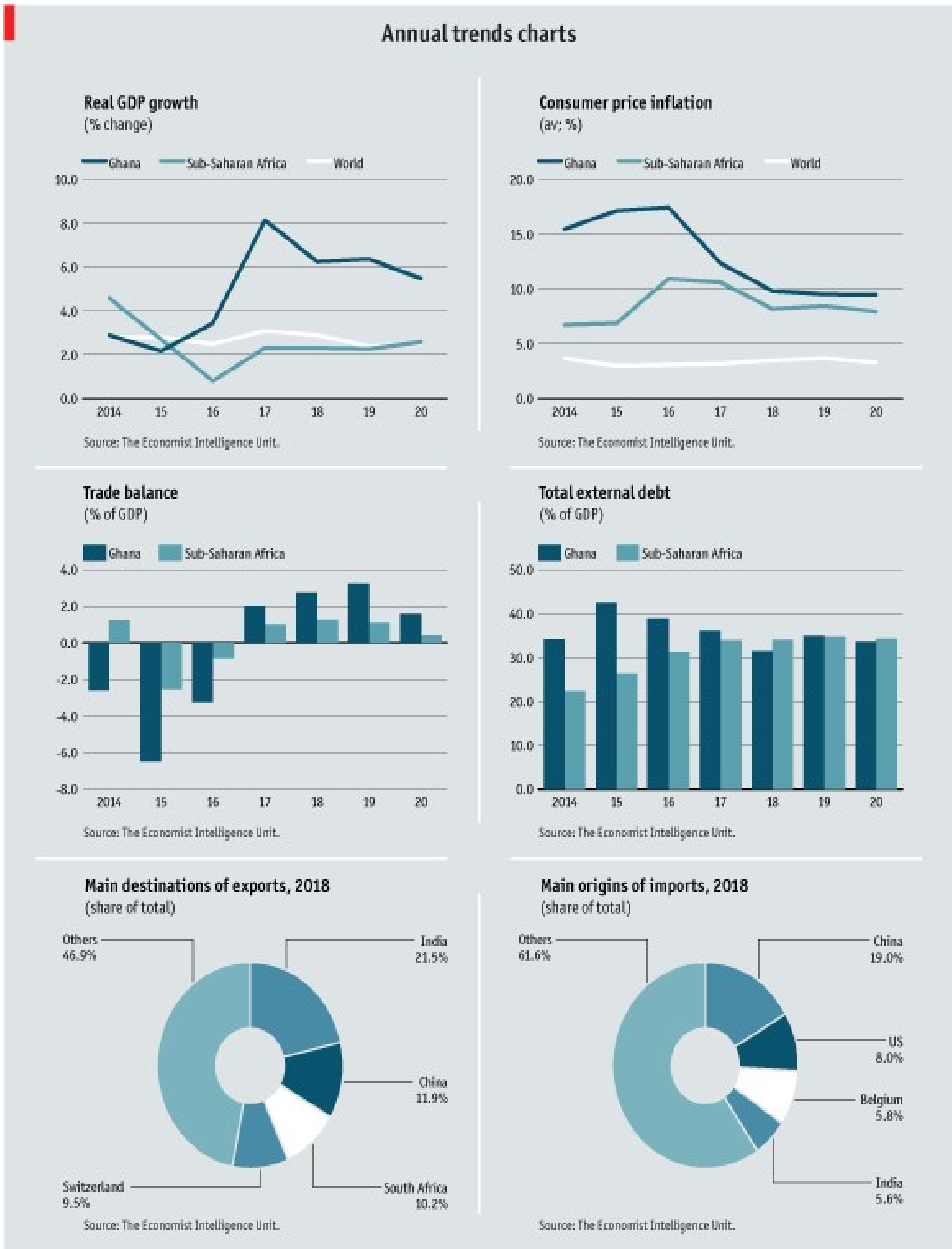
Sources: IMF, International Financial Statistics; Bank of Ghana, Quarterly Economic Bulletin, Statistical Bulletin; Ghana Stock Exchange.

Monthly data

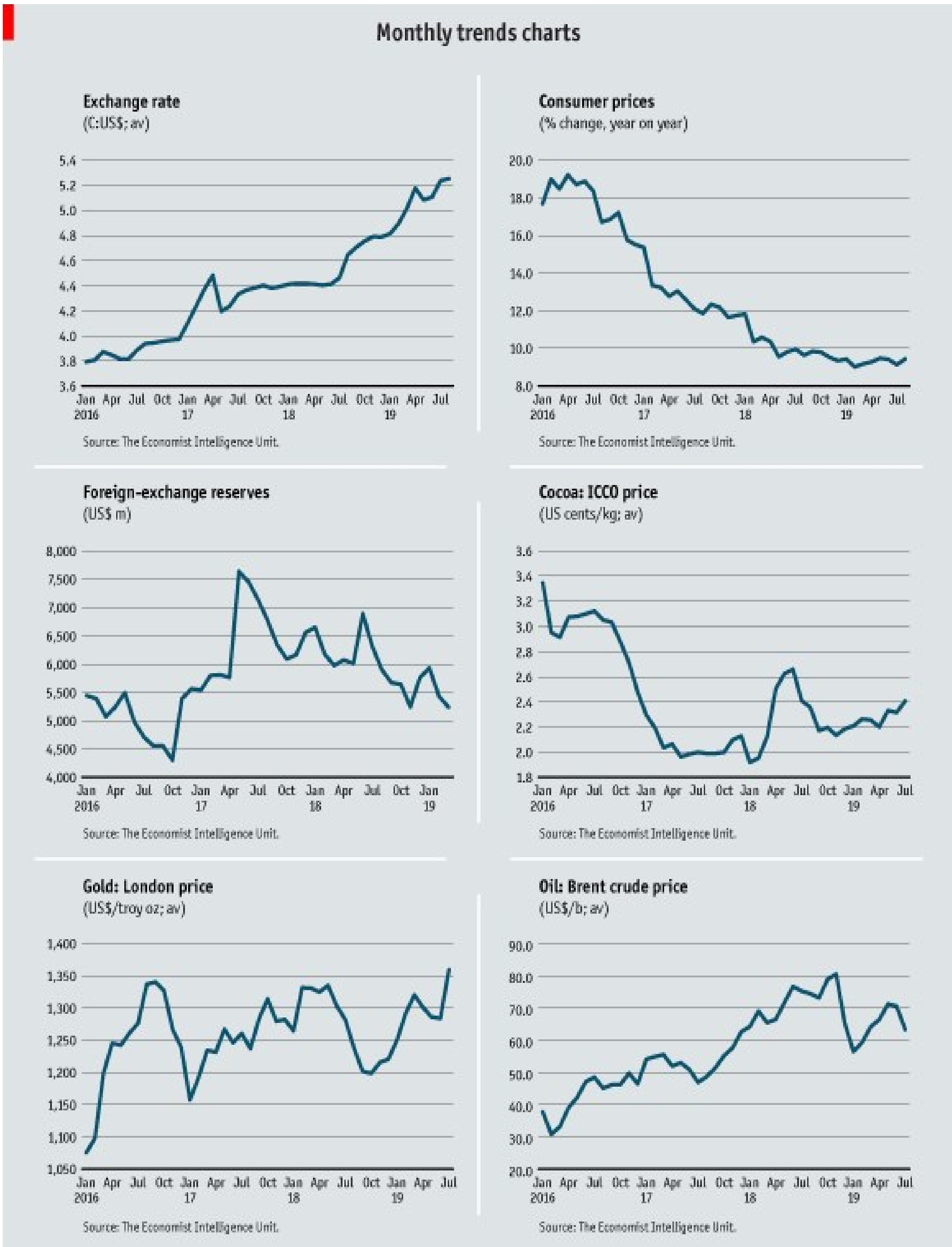
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate GH¢:US$ (av)												
2017	4.233	4.371	4.482	4.194	4.236	4.330	4.365	4.383	4.402	4.379	4.394	4.410
2018	4.419	4.417	4.411	4.403	4.412	4.460	4.645	4.706	4.755	4.790	4.789	4.812
2019	4.892	5.014	5.177	5.084	5.106	5.238	5.253	n/a	n/a	n/a	n/a	n/a
Exchange rate GH¢:US$ (end-period)												
2017	4.269	4.476	4.315	4.185	4.284	4.361	4.372	4.397	4.392	4.374	4.410	4.413
2018	4.422	4.417	4.402	4.406	4.420	4.521	4.692	4.722	4.775	4.788	4.804	4.818
2019	4.948	5.173	5.081	5.086	5.199	5.256	5.254	n/a	n/a	n/a	n/a	n/a
Real effective exchange rate (1997=100; CPI-based)												
2017	54.12	52.57	51.65	55.59	54.88	53.49	52.91	52.44	52.19	53.17	53.51	53.51
2018	51.67	51.70	52.25	52.72	54.21	54.59	53.32	53.99	54.09	53.90	54.38	54.74
2019	52.81	52.08	50.73	52.04	53.01	53.12	53.32	n/a	n/a	n/a	n/a	n/a
M1 (% change, year on year)												
2017	25.7	29.0	28.0	25.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M2 (% change, year on year)												
2017	26.7	29.9	28.2	26.6	23.7	28.9	30.0	24.9	23.1	25.5	20.3	16.7
2018	12.5	12.2	15.8	17.5	18.0	14.2	16.8	23.1	24.1	17.2	19.2	15.7
2019	19.5	22.4	21.6	18.5	18.9	22.3	n/a	n/a	n/a	n/a	n/a	n/a
Deposit rate (av; %)												
2017	13.0	15.0	15.0	15.3	15.0	14.5	14.5	14.5	13.0	13.0	13.0	13.0
2018	13.0	13.0	13.0	11.5	12.8	12.8	11.5	11.5	11.5	11.5	11.5	11.5
2019	11.5	11.5	11.5	11.5	11.5	11.5	n/a	n/a	n/a	n/a	n/a	n/a
3-month money market rate (end-period; %)												
2017	25.2	25.2	24.9	23.3	23.1	22.1	21.9	21.0	20.9	20.9	20.7	19.3
2018	19.2	18.3	18.1	17.5	17.3	16.4	16.2	16.2	16.2	16.2	16.1	16.1
2019	16.1	15.6	15.2	15.2	15.2	15.2	n/a	n/a	n/a	n/a	n/a	n/a
Gold price, London (US$/troy oz)												
2017	1,192	1,234	1,231	1,267	1,246	1,260	1,237	1,283	1,314	1,280	1,282	1,264
2018	1,331	1,331	1,325	1,335	1,303	1,282	1,238	1,202	1,198	1,215	1,221	1,250
2019	1,292	1,320	1,301	1,286	1,284	1,359	1,413	n/a	n/a	n/a	n/a	n/a
Cocoa beans price, New York & London (US$/tonne)												
2017	2,194	2,034	2,064	1,961	1,984	1,998	1,989	1,989	1,998	2,097	2,128	1,918
2018	1,952	2,123	2,504	2,625	2,660	2,411	2,357	2,172	2,195	2,134	2,185	2,208
2019	2,263	2,256	2,201	2,331	2,315	2,408	2,417	n/a	n/a	n/a	n/a	n/a
Foreign-exchange reserves excl gold (US$ m)												
2017	5,801	5,813	5,768	7,638	7,452	7,135	6,766	6,347	6,095	6,169	6,566	6,651
2018	6,180	5,978	6,077	6,012	6,889	6,316	5,904	5,676	5,645	5,245	5,763	5,935
2019	5,435	5,239	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sources: IMF, International Financial Statistics; Haver Analytics.

Annual trends charts



Monthly trends charts



Comparative economic indicators

Basic data

Land area

238,537 sq km

Population

28.8m (2017, IMF)

Main towns

Population in '000 (2013, World Gazetteer estimates)

Accra (capital): 2,344

Kumasi: 2,069

Tamale: 563

Achiaman: 299

Takoradi: 268

Cape Coast: 227

Obuasi: 180

Tema: 162

Sekondi: 147

Climate

Tropical

Weather in Accra (altitude 27 metres)

Hottest months, March, April, 23-35°C; coldest month, August, 22-27°C; driest month, January, 15 mm average rainfall; wettest month, June, 178 mm average rainfall

Languages

English (official), Twi, Ewe, Fante, Ga, Hausa

Measures

Metric system

Currency

Cedi (GH¢) = 100 pesewas. Average exchange rate in 2018: GH¢4.58:US$1

Time

GMT

Public holidays

New Year's Day (January 1st); Independence Day (March 7th); Good Friday; Easter Monday; Labour Day (May 2nd); Republic Day (July 1st); Farmers' Day (December 2nd); December 25th-26th

Political structure

Official name

Republic of Ghana

Form of state

Unitary republic

Legal system

A new constitution, based on the US model, was approved by referendum in April 1992

National legislature

Parliament; 275 members elected by universal suffrage every four years

National elections

December 2016 (presidential and parliamentary); next elections November 2020

Head of state

President, elected by universal suffrage for a maximum of two four-year terms; Nana Akufo-Addo won the December 2016 presidential election

National government

Cabinet appointed by the president, but subject to parliamentary approval

Main political parties

The ruling New Patriotic Party (NPP); the National Democratic Congress (NDC), the main opposition party; other parties include the Progressive People's Party (PPP), People's National Convention (PNC), Convention People's Party (CPP) and National Democratic Party (NDP), but none of these smaller parties currently has parliamentary representation

Key ministers

President: Nana Akufo-Addo

Vice-president: Mahamudu Bawumia

Agriculture: Owusu Afriyie Akoto

Attorney-general: Gloria Akuffo

Aviation: Kofi Adda

Communications: Ursula Owusu Ekuful

Defence: Dominic Nitiwul

Education: Matthew Opoku Prempeh

Employment & social welfare: Ignatius Baffuor Awuah

Energy: John Peter Amewu

Environment, science & technology: Kwabena Frimpong-Boateng

Finance: Ken Ofori-Atta

Foreign affairs: Shirley Ayorkor Botchwey

Health: Kwaku Agyemang-Manu

Interior: Ambrose Dery

Lands & natural resources: Kwaku Asomah-Cheremeh

Local government: Hajia Alima Mahama

Roads & highways: Kwesi Amoako Atta

Sanitation & water resources: Cecilia Abena Dapaah

Trade & industry: Alan John Kyerematen

Transport: Kwaku Ofori Asiamah

Works & housing: Samuel Atta Akyea

Central bank governor

Ernest Addison

Recent analysis

Generated on September 13th 2019

The following articles have been written in response to events occurring since our most recent forecast was released, and indicate how we expect these events to affect our next forecast.

Politics

Forecast updates

NDC steps up electoral preparations

September 5, 2019: Election watch

Event

The opposition National Democratic Congress (NDC) has held its first primaries for parliamentary candidates to contest the 2020 elections.

Analysis

After losing the 2016 election by more than 1m votes, the NDC began life in opposition amid recriminations over the defeat. An enquiry into the loss blamed internal issues such as membership apathy and a weak campaign strategy. On the contrary, we believe the NDC's failure was down to the economic deterioration it oversaw, which continues to haunt its chances of recapturing power in 2020. Nevertheless, the party has taken steps to revitalise its ranks and strengthen cohesion. This aided John Mahama, the former president (2012-17), in securing a resounding victory in the presidential primaries in February.

The parliamentary primaries, historically a touchier affair, began over the final weeks of August in 200 of the 275 constituencies. Despite nine losers—including a former health minister and MP for Wa West constituency, Joseph Yieleh Chireh—incumbents were mostly re-selected, with a good number running unopposed. Several new entrants also came through in constituencies where the incumbent MP is standing down or where the seat is held by the governing New Patriotic Party (NPP). In certain constituencies, there were allegations of executive interference and vote-buying, producing a few discontented losers that have threatened to run as independent candidates. Managing the fallout amicably and limiting acrimony in the remaining primaries will help the NDC forge unity for the 2020 elections.

The race for parliamentary seats is also heating up in the NPP, with the first primary contests scheduled for the end of September. Given its history of factionalism, the NPP is vulnerable to infighting during the process, with the stakes amplified by its incumbency and greater access to resources. It will also have less time than the NDC to manage the fallout. The NDC has taken the lead in the electoral preparations by picking its flagbearer and most of its parliamentary candidates ahead of the NPP.

Impact on the forecast

Both the NDC and NPP are gearing up for the 2020 elections, and we expect political activities, and the tensions they engender, to ramp up going into next year. Our forecast that the 2020 polls are the NPP's to lose remains unchanged, reflecting the fact that the party has presided over an economic upswing since 2017—in sharp contrast with the decline witnessed under the NDC.

Analysis

Infrastructure reform mitigates energy sector dysfunction

September 6, 2019

Long-running efforts to rationalise Ghana's gas and power distribution infrastructure made

progress in early August. A delayed project permitting the increasing volumes of gas being produced at offshore fields in western Ghana to run to the country's main power plants in the east was completed, promising to increase the reliability and reduce the cost of electricity generation. Several days later, the much-postponed relocation began of a floating power plant—controversially procured by the government in the face of acute shortages in the mid-2010s—in order to enable receipt of locally produced gas feedstock. However, the commercial and institutional frameworks governing the energy sector remain highly dysfunctional, leaving state actors heavily indebted and precluding the country from realising the gains of domestic hydrocarbons capacity.

On August 7th the Ghana National Petroleum Corporation (GNPC), a state-owned company, announced the completion of the initial phase of the Tema-Takoradi Interconnection Project (TTIP), allowing gas extracted near Takoradi, a city in the Western Region, from the Jubilee, TEN and Sankofa fields in the Tano Basin to flow east through the existing West Africa Gas Pipeline to the Tema power enclave near Accra, the capital. The pipeline supplies gas produced in the Escravos region of southern Nigeria westwards, via Benin and Togo to Tema and Takoradi, under a contract between West Africa Gas Pipeline Company (WAGPCo)—a joint venture led by Chevron, a US major, and the Nigerian National Petroleum Corporation, a state-run firm—and the Volta River Authority (VRA), Ghana's generation utility. However, throughput has proved unreliable, as a result of security problems affecting delivery from Nigeria and VRA non-payment, and volumes normally averaging about 70m cu ft/day are far from sufficient to meet the feedstock needs of installed capacity at Tema of about 1,230 MW. The remaining phase of the TTIP covers the expansion of the Regulatory and Metering Station at Tema to allow receipt of increased volumes through the pipeline from both east and west. The VRA's original contract with WAGPCo called for "foundation" supply of 123m cu ft/d.

The country's gas boom has become a fiscal burden

Ghana started producing gas in associated form in 2011, when the Jubilee oilfield came on stream, with capacity for around 120m cu ft/d to be sent first to the Aboadze Power Enclave, near Takoradi. Production increased by some 50m cu ft/d when the TEN oilfields development was commissioned in 2016, in the same year in which WAGPCo cut supplies to the VRA over unpaid debt—both events strengthening the rationale for the TTIP, which had been launched by the government the previous year. However, long delays ensued, blame for which has been traded by the New Patriotic Party, which is currently in government, and its predecessor, the National Democratic Congress. Strained relations with WAGPCo over continued payment issues also hindered progress. These tensions have eased since late 2018, following the settlement of more than 50% of arrears and regularised reimbursement for ongoing consumption. The commissioning in June 2018 of the country's first field producing solely gas—Sankofa—with capacity of 180m cu ft/d rendered even more egregious the lack of a means to deliver the gas to the main demand centre. According to a joint announcement, the pipeline interconnection was ultimately completed by means of collaboration between GNPC, WAGPCo and the foreign shareholders in the upstream project—Eni, Sankofa's Italian operator, and Vitol, a Swiss-based commodity trader.

Completion of the TTIP will probably reduce costs at the Tema thermal power plants by replacing liquid fuel used when gas runs short by all but one of the facilities, while increasing the predictability of gas supplies. The project is also—like the relocation of the 470-MW Karpower floating power plant from Tema to Sekondi, near Takoradi, which belatedly began in mid-August—aimed at monetising some of the gas currently "stranded" at Sankofa. The so-called "powership" was commissioned in 2015 from Karadeniz Holding, a Turkish company, but has been running on liquid fuel, partly defeating the object of its procurement is it not being leased. The twin developments will mitigate rather than resolve the chief financial weakness currently afflicting the country's gas and power sectors—namely the "take or pay" contracts in place with suppliers of both resources.

On a "take or pay" basis, GNPC is contracted to offtaking 154m cu ft/d of the Sankofa output, without any means to deliver the gas to Tema. Around 60m cu ft/d is sent to help to feed generation facilities at Takoradi, which is already supplied with gas from the Jubilee and TEN fields, but the state firm is nonetheless facing the prospect of wasting hundreds of millions of dollars annually paying for unused gas, a situation causing local consternation, not least because consumers are paying higher fuel prices in order to help the government to clear its energy debts under the 2017 Energy Sector Levy Act.

Finance minister insists "take or pay" contracts must be renegotiated

The issue of excess Sankofa gas is relatively easily remediable compared with that of electricity. The demand for the gas exists, and the midstream and downstream infrastructure is gradually catching up. Over the longer term, the government hopes to create a local petrochemicals industry. However, the problem with the power contracts is more intractable. Responding to chronic power shortages during the first half of the decade, which were curtailing economic growth and causing public uproar, and desperate to secure additional generation capacity as quickly as possible, the government entered long-term power-purchase agreements with private producers in 2015 for a total of some 2,300 MW, on the basis that the capacity would be paid for irrespective of demand. With nationwide installed capacity hiked to approximately 5,100 MW—serving peak demand of about 2,700 MW—the exchequer has been left with an annual bill of some US$500m for unused electricity, a situation criticised in stark terms by Ken Ofori-Atta, the finance minister, in his mid-year budget review on July 29th who referred to "obnoxious take-or-pay contracts signed by the NDC government, which obligate us to pay for capacity we do not need". Citing the Energy Sector Reform Programme being implemented in consultation with the World Bank, Mr Ofori-Atta claimed that under a "business as usual" scenario, the accumulated costs to the government of the contracts would reach US$12.5bn by 2023, while increasing end-user tariffs and putting pressure on foreign-exchange reserves. He claimed that the status quo constituted a "state of emergency".

The process of revising the terms of the electricity deals is already under way. Ameri Energy, a Dubai-based company, agreed in December to reduce the price of a five-year build-own-operate-transfer contract expiring in 2021 to supply 250 MW of emergency power from a swiftly-built plant at Takoradi from US$510m to US$459m. In March 2018 the contract for the Karpower plant was extended from 10 to 20 years, and the tariff fell. However, the finance minister pledged more sweeping change, stating that from August 1st, all "take or pay" contracts would be renegotiated and converted into what he termed "take and pay" deals, presumably indicating a form of contract whereby the government would reimburse suppliers solely for the resource used. Such a radical revision appears improbable: all independent power projects typically include some level of "take or pay" commitment, while unilateral action by the state party risks damaging wider investor confidence in Ghana. However, the new Ameri and Karpower deals imply that more limited amendments are achievable, if parties co-operate.

We believe that completion of the midstream project and Karpower's relocation will have a positive effect on public finances by enabling gas to replace costlier liquid fuels in power generation and reducing the amount wasted paying for unused gas resources. However, the legacy of the "take or pay" contracts is expected to remain a burden on state finances throughout the 2019-23 forecast period.

Economy

Forecast updates

Africa will not follow China's path to development

September 9, 2019: Economic growth

Event

The World Economic Forum on Africa (WEFA) was held in Cape Town, South Africa, on September 4th-6th, to discuss ways in which Africa's economic growth could be shaped to be more inclusive in future, as the fourth industrial revolution (in disruptive technologies such as robotics, virtual reality and artificial intelligence) takes off.

Analysis

Many African leaders in recent decades have looked to the Chinese model of economic development as a blueprint for how to lift their countries out of poverty and address the employment needs of their booming youth populations. Countries such as Ethiopia have had some success in copying Chinese policies, such as emphasising growth in manufacturing as a government target or creating special economic zones to attract foreign investment. However, as well as low wages, China benefited from several factors when launching its famous "open door policy" in December 1978, which Africa does not. As a peaceful, unified country, China was able to offer manufacturing firms a vast internal market for cheap domestic goods, with no internal non-tariff barriers to trade and a single integrated infrastructure. As China developed, the purchasing power of Chinese consumers grew rapidly, making it increasingly attractive to retail firms, as well as manufacturers, many of whom moved up the value-chain as China's economy matured.

Africa does not possess the advantages that China was able to leverage to develop itself; it is a continent that is home to 54 countries, splitting its population into multiple smaller markets (with fragmented infrastructure designed mainly to export basic commodities). Compounding this are the multiple non-tariff barriers that firms face when trading across Africa (even after the signature of the Africa Continental Free-Trade Agreement removed most tariffs). Many parts of Africa remain entangled in regional issues, while lacking a single authority or mechanism capable of addressing them.

Moreover, advances in 3-D printing, artificial intelligence and robotics are eliminating the need for Western and Asian firms to outsource their manufacturing. To develop their countries, Africa's leaders will need to rely on infrastructure and digitalisation. The continent needs more power stations, roads, airports and deep-sea ports to integrate itself into global and local trade. Connecting closely to the global knowledge economy via the 442 technology hubs that WEFA lists will also attract domestic and foreign investors and companies to Africa's markets.

Impact on the forecast

Our forecast that African growth will remain largely dependent on commodity exports remains unchanged in the 2019-23 forecast period.

