

POLITICS,
FISCAL RESPONSIBILITY
& THE ECONOMY



Ghana 2024: Politics, Fiscal Responsibility & the Economy

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Overview

Glancing back at 2023 through a global lens, the year was characterised by a range of cross border/geopolitical tensions, lethargic economic recovery, hawkish monetary policy, banking sector instability and tight job markets. Amidst these challenges, some bright spots were noted owing to advancements in artificial intelligence in the tech and e-commerce space, as well as better-than-expected performance of emerging markets.

The outlook for Ghana in 2023 was marred by fiscal and economic uncertainties. In particular, a looming debt restructuring process, efforts to secure an IMF bailout, soaring inflation and a challenging macroeconomic story, all presented a bleak picture. By the end of 2023, Ghana had, in the words of the immediate past Finance Minister, “turned the corner”. Positive developments through the year included the successful completion of the Domestic Debt Exchange programme, a slowdown in inflation, and improved foreign exchange flows from interventions, IMF support and other programmes serving to uphold international reserves.

The 2024 global economic outlook suggests cautious optimism as countries assess inflation risks to determine monetary policy posture, as supply and demand of goods, services and capital are closely monitored, and as political dynamics are weighed.

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We anticipate modest growth in 2024 globally. In addition, we foresee sustained disinflation trends, barring any unforeseen adverse macroeconomic or geopolitical events that could disrupt supply chains further. Consequently, cautious easing of monetary policy may be adopted in the second half of 2024.

For developing nations, we expect further efforts to consolidate debt, building upon the positive results of measures implemented in 2023 that have preserved much-needed cash flows. We note, however, that risks associated with reliance on short-term debt may truncate the gains from debt restructuring efforts. We further note that developing countries, including Ghana, appear committed to addressing significant fiscal challenges while prioritising domestic initiatives aimed at stimulating economic growth in coming years.

For Ghana, the ongoing implementation of macroeconomic recovery measures, alongside a cautious approach to the upcoming presidential elections as the Country strives to uphold its commitment to fiscal responsibility in line with IMF pledges, is a delicate balancing act

This report provides a detailed picture of Ghana’s macroeconomic position at the end of 2023 and offers insights for the rest of 2024.

Summary of Key Macro Indicators and Forecasts

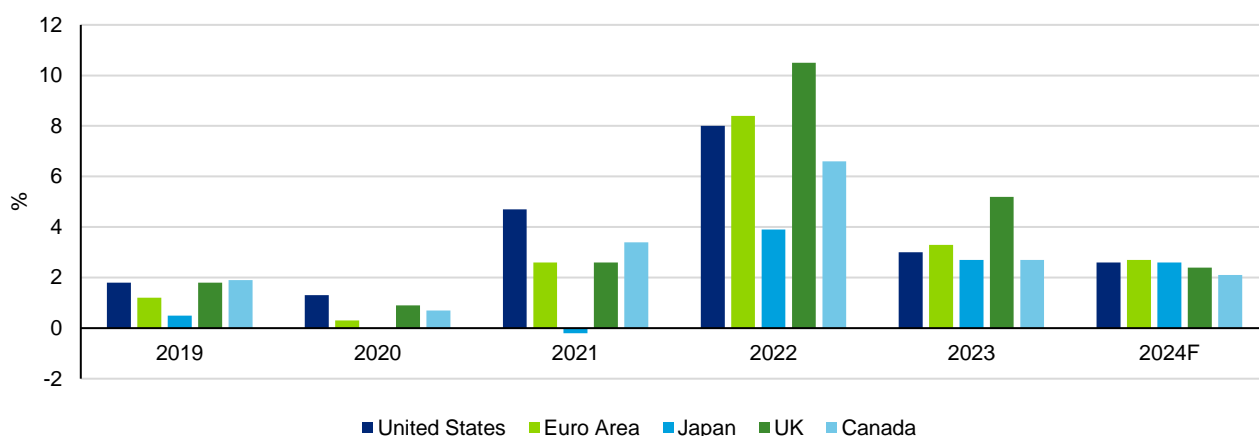
	FYE 2022	FYE 2023	
Credit Ratings – Long Term Issuer Default			
Fitch	C No outlook	RD No outlook	
Moody's	Ca Stable outlook	Caa 3 Stable outlook	
S&P	SD No outlook	SD No outlook	
	FYE 2022	FYE 2023	FYE 2024 Outlook
Key Rates			
Inflation – CPI	54.1%	23.5%	15.2% ↓
Inflation – PPI	52.2%	16.6%	12.6% ↓
Currency (Depreciation) – YTD GHS/USD (Interbank End Period)	42.4%	23.2%	26.3% ↓
Monetary Policy Rate	27.0%	30.0%	25.0% ↓
Key Ratios			
Deficit to real GDP	25.8%	25.5%	36.4% ↑
Deficit to nominal GDP	7.2%	5.3%	6.1% ↑
Debt to real GDP	258.7%	320.8%	355.0% ↑
Debt to nominal GDP	72.5%	66.7%	59.6% ↓
Trade Balance to nominal GDP	2.0%	3.4%	0.2% ↓
Overall Balance of Payments to nominal GDP	-3.5%	0.6%	0.1% ↓
Other			
GDP Growth (real)	3.1%	3.0%	2.5% ↓
Reserves	\$6.2 billion	\$5.9 billion	\$5.8 billion ↓
Import Cover (months)	2.7	2.7	2.6 ↓

Overview of The Global Macroeconomy

Persistent Inflationary Headwinds and Global Monetary Policy Dynamics

Inflationary headwinds tops the list of challenges faced globally in 2023. Central banks in both developed and developing nations were driven to maintain hawkish monetary policy stances in a bid to curb post-Covid inflationary pressures. These tight monetary policy stances appear to have yielded some results, but upside risks still exist owing to lingering supply chain challenges and tight financing conditions. In 2024, there is an anticipation of additional concerted efforts aimed primarily at driving inflation rates further down, delaying earlier posture of a switch to easing early in the year, pending firm anchoring of inflationary pressures in comfortable regions and within acceptable regional targets.

Figure 1: Inflation rates for developed countries



Sources: World Bank & Sarpong Capital Research

The current global monetary policy landscape is characterised by a delicate balance between addressing inflationary pressures, supporting economic recovery, and managing financial stability. Central banks around the world have been closely monitoring economic indicators, particularly inflationary pressures and adjusting their policy stances accordingly.

In the United States, the Federal Reserve embarked on a path of monetary tightening to combat inflationary pressures. Throughout 2022, the Fed gradually raised interest rates and signalled plans to taper its asset purchase program. With inflation running at multi-decade highs, the Fed's focus remains on price stability while supporting sustainable economic growth. Near-term expectations suggest a hold on interest rate decisions and continued reduction of asset purchases to curb inflationary pressures. Although inflation has dropped, it has not yet returned to target levels. With recent dovish comments from Fed Chairman Jerome Powell, the next moves from the Federal Reserve are expected to be rate cuts but it is unlikely when this will be.

Similarly, in the United Kingdom, the Bank of England adopted a hawkish stance in response to rising inflation. Despite concerns about the economic impact of Brexit and supply chain disruptions, the Bank of England's raising of interest rates to contain inflationary pressures seems to have plateaued. Near-term expectations include potential cuts and continued vigilance on inflation dynamics.

In the Eurozone, the European Central Bank (ECB) has grappled with the challenge of navigating divergent economic conditions among member states. While some countries have shown robust economic performance, others continue to record sluggish growth and high unemployment. The ECB has maintained a less aggressive monetary policy stance in a bid to balance overall recovery, but with persistent inflationary pressures mounting, the likelihood of near-term rate cuts is unclear.

In Japan, the Bank of Japan (BOJ) continues to grapple with low inflation and tepid economic growth. Despite aggressive monetary stimulus measures in the past, Japan's economy remains mired in deflationary pressures and demographic challenges. The BOJ has maintained its ultra-loose monetary policy stance, including negative interest rates and asset purchases, to stimulate inflation and promote economic activity. Near-term expectations include ongoing monetary stimulus measures to support the economy amid persistent deflationary headwinds.

Global Trade

In the far east, anticipation surrounded China's plans to lift lockdowns and ease Covid control measures by the second quarter of 2023. With China being a key global manufacturing player, the strict Covid restrictions and constant testing in line with its zero-Covid policy had a reverberating effect on economic growth. Sluggish recovery in China has lingered into 2024, with loss of some market share at the top of the global trade list.

Influenced by the pandemic, indeed significant shifts have occurred in global trade dynamics in recent years. Between 2017 and 2022, global trade experienced substantial growth, reaching a peak of approximately \$32 trillion in nominal terms, largely driven by escalating prices. However, trade activity slowed down in 2023, marked by a cyclical deceleration as demand for goods contracted. By the end of 2023, China emerged as the leading exporter globally, with total exports hovering around \$3.5 trillion, followed by the United States with approximately \$2 trillion in exports. Other notable exporters included Germany, the Netherlands, and Japan. Conversely, in terms of imports, the United States topped the list, importing around \$3.3 trillion worth of goods, followed closely by China with roughly \$2.7 trillion in imports. Considering that China and the US are major consumers of global commodities such as gold, oil, and cocoa, any shifts in global trade dynamics could result in fluctuations in commodity markets. This has potential implications for countries like Ghana, which heavily rely on commodity export proceeds.

Global Economic Growth

Global growth at the end of the year 2023 is estimated at a low 2.9% for 2023, though expected to rise to 3.1% in 2024 according to the World Bank's Economic Outlook. It further highlights those countries like the United States, the UK, the Eurozone, Japan, and Canada witnessed a decline in their growth rates compared to the preceding three years. In contrast, developing nations in Africa, such as Nigeria, Ghana, Kenya, Ivory Coast, Zambia, and others, showed encouraging numbers throughout 2023, albeit remaining below potential.

In China, the People's Bank of China (PBOC) has taken proactive measures to manage risks in the financial system and support economic growth. Amid concerns about debt levels and the well documented property market instability, the PBOC has pursued a prudent monetary policy approach, balancing the need for financial stability with growth objectives. Near-term expectations include continued efforts to deleverage the economy and maintain a stable financial environment.

While both developed and developing nations have sought to implement strategies to boost general economic growth amidst inflationary pressures and lower consumption, tight financing conditions particularly in developing economies with soaring debt stock and sub-par revenue to for debt servicing have not only stifled capital expenditure but accentuated credit risks impacting foreign direct investment levels.

Political Instability

Geopolitical unrest also featured in prominently in 2023, notably the Hamas attack in southern Israel. This is in addition to ongoing Russia-Ukraine conflict and other regional conflicts in sub-Saharan Africa where countries such as Burkina Faso, Mali and Niger had military factions take over governance. These geopolitical risks continue to have implications for global trade and the commodities market in particular. Should there be further escalating tensions in 2024, particularly in hotspots in the Middle-East, the energy markets may be at risk of sharp upticks in oil prices exposing an already fragile global economy to further shocks and a reversal of disinflation trends.

Politically, we note that there will be a significant number of elections in strategically important countries, with the United States being the most prominent. The US election is expected to draw keen attention from international businesses, investors, and governments. The potential re-election of former President Donald Trump has led to concerns about shifts in US policies regarding trade, taxation, environment, foreign affairs, and defence. This situation presents both risks and opportunities for Mainland China. One major risk is the possibility of a resurgence in anti-China rhetoric and the return of confrontational trade policies in 2025, following a period of relative calm after the "Phase One" trade deal in January 2020.

The UK also appears poised for a governmental transition from the Conservatives to the center-left Labour party. This change may entail increased public spending and foster friendlier relations with the EU.

The Climate Change Conversation

On the environmental front, Turkey and Morocco experienced multiple earthquakes in 2023, events that form part of a longer list of climate change risks. The current climate change conversation reflects a heightened awareness of the urgent need for global action to address escalating environmental crises. With scientific evidence unequivocally pointing to human activities as the primary driver of climate change, there is a growing consensus among policymakers, scientists, and the general public that decisive measures must be taken to mitigate its impacts and adapt to its inevitable consequences.

The risks posed by climate change are multifaceted and increasingly evident across various domains. From extreme weather events such as hurricanes, heatwaves, and wildfires becoming more frequent and severe, to rising sea levels threatening coastal communities and biodiversity loss endangering ecosystems, the implications of unchecked climate change are profound and far-reaching. Moreover, the socioeconomic risks are substantial, with vulnerable populations disproportionately affected by food and water scarcity, displacement, and economic disruptions. Formerly viewed as a high-level conversation in the developed world, developing nations are being more cognisant about the implications closer to home, and in particular access to financing/investments to mitigate the acceleration of climate change-induced catastrophes.

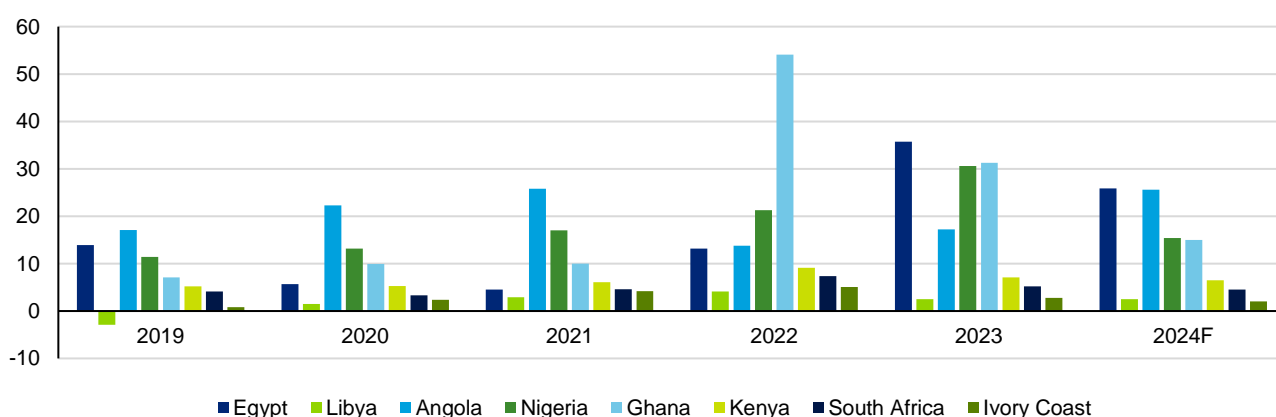
Financial System Vulnerabilities

In the banking sector, there were difficulties in 2023 evidenced by the United States Federal Reserve bailing out financial institutions Silicon Valley Bank, Signature Bank and First Republic Bank. In Europe, it was the landmark acquisition of Credit Suisse by UBS following risk management failures. Outside the United States of America, banks globally have had to weigh liquidity and capital risks following slower business activity, as well as elevated likelihood of credit risks crystallising. This has spurred recapitalisation calls by Central Banks, particularly in sub-Saharan Africa.

Sub-Saharan Africa

In sub-Saharan Africa, central banks have battled a unique set of challenges, including volatile commodity prices, currency depreciation, and fiscal vulnerabilities. Many countries in the region initially implemented accommodative monetary policies to support economic recovery from the COVID-19 pandemic. However, rising inflationary pressures and currency depreciation posed risks to price stability and financial stability thereby triggering a spate of rate hikes over the past 24 months. Near-term expectations include cautious assessment of inflation drivers and delicate policy trade-offs between stimulating economic growth and controlling inflation through monetary policy whilst attracting investment funds through higher returns.

Figure 2: Inflation rates still relatively high in sub-Saharan Africa



Sources: World Bank & Sarpong Capital Research

In addition, as of February 2024, four countries in sub-Saharan Africa have formally requested external debt treatment under the common Framework: Chad (now completed), Ethiopia, Ghana and Zambia. Keen watch is on the completion of debt restructuring and indications of a workable path to fiscal consolidation.

Furthermore, the electoral stage is set for several nations, including Ghana, South Africa, Algeria, Togo, Rwanda, and Tunisia. Elections in sub-Saharan Africa often evoke concerns about potential electoral violence, prompting impassioned appeals for peace from civil society and the international community. Against the backdrop of a challenging post-COVID-19 period over the past

three years, incoming presidents face the formidable task of addressing substantial debt burdens and navigating a period of sluggish economic growth. African citizens are eagerly anticipating leaders who can deliver on promises to bring about positive changes and effectively overcome economic challenges in 2024.

Overall, we expect global growth to decelerate due to the lingering impacts of stringent monetary policies aimed at curbing inflation levels, constrained access to credit, and sluggish global trade and investment. In the short term, the outlook varies, with major economies experiencing subdued growth while emerging market and developing economies witness improving conditions.

Ghana: FY 2023 and Q1 2024 Overview

Fiscal constraints against the backdrop of slow economic growth, subpar revenue mobilisation, elevated inflationary pressures and tight financing conditions, have been the core issues post-Covid globally and in sub-Saharan Africa. Ghana's import dependence in terms of capital as well as goods have accentuated the impact of these headwinds. Following the December 2022 debt restructuring announcement, alongside suspension of external debt service payments, 2023 was spent negotiating debt restructuring terms, securing a bailout and ensuring progress towards achieving bailout conditions. Although macroeconomic fundamentals in 2023 were encouraging with relative currency stability compared with 2022, declining year-on-year real inflation and better-than-anticipated economic growth figures, it was a year of cautious optimism.

In Q1 2023, the Domestic Debt Exchange programme dominated headlines. The first phase of the programme was marred by extensive negotiations and reviews culminating in the first set of new bonds issued in February under the programme. Proactive debt restructuring was an imperative prerequisite to access IMF funding.

In Q2 2023, the Government secured a \$3 billion extended credit facility (ECF) from the International Monetary Fund (IMF) to be disbursed in tranches over 3 years in line with set milestone achievements. The receipt of a \$600 million first instalment in May 2023 under the IMF ECF programme, designed to subsist for three years, brought some level of stability, albeit uneasy.

In Q3 2023, the Domestic Debt Exchange Programme comprising various buckets of instruments and participants including local Government of Ghana bonds, Cocoa Bills, USD-denominated domestic bonds held by individuals, financial institutions, corporates, pension funds and Bank of Ghana, was successfully completed. Further, concerted efforts by the Bank of Ghana to drive FX market compliance and the Monetary Policy Committee's inflation control measures both contributed to improved currency stability and declining inflation rates. In addition, given fiscal challenges, measures geared toward enhancing tax revenue were implemented through new tax amendments. Conversely, these mixed developments collectively shaped cautious market activity.

In Q4 2023, the Government's full attention shifted to external debt restructuring, having completed the domestic debt treatment. Exercises in this regard and engagements of external creditors has however been ongoing for most of the year. In addition, inflationary pressures reached new lows of 23.2% at the end of December 2023, ahead of the Government's 31.3% year-end target in real terms. Nonetheless monetary policy tightening measures subsisted with a policy rate of 30% at year-end (having been hiked by a cumulative 200 basis points in the year).

Additional rigorous measures were also introduced in 2023, including raising the cash reserve ratio from 12% to 15% to manage liquidity, closely monitoring the Foreign Exchange market to ensure currency stability, financial sector monitoring including requests for all banks to submit recapitalization plans, and implementing the Gold for Oil programme to lower dollar outflows and preserve external reserves. These efforts have yielded positive outcomes, alongside stricter regulatory oversight as seen with the calming of exchange rate volatilities.

In Q1 2024, there have been encouraging developments starting with the disbursement of a delayed \$600 million second tranche of IMF bailout funds. In addition, Ghana successfully concluded a vital agreement with the Official Creditor Committee (OCC) on external debt restructuring. This agreement, addressing a debt stock of approximately \$5.4 billion, was finalized, following a protracted negotiation process that spanned the entirety of H2 2023. This achievement allows the Ministry of Finance to shift focus to negotiations with private creditors for the remaining \$14.6 billion of external debt under the restructuring programme. Completion of the second review, tentative board approval and related third tranche disbursement initially slated for 01 May 2024, has currently only passed the staff-level approval stage.

In addition, the Monetary Policy Committee at its January 2024 meeting opted to reduce the policy rate by 100bps to 29% but held the rate after March deliberations. Recognising that the current macroeconomic framework and pass-through effect of policies deployed in collaboration with the IMF guides are yielding positive results. The Committee however cited that economic growth remains below potential. We attribute this reduction in policy rate to be jointly geared at stimulating growth and reducing the overall cost of funding, including government domestic debt service costs. Indeed, the prior high rate of 30% gave headroom for cuts.

Finally, election activity is gaining momentum in anticipation of the December 2024 general elections. Dr. Mahamudu Bawumia, the current Vice President, is the flagbearer of the New Patriotic Party (NPP), while John Mahama represents the National Democratic Congress (NDC). President Akufo Addo has made changes to his cabinet in an effort to reposition the NPP and align its policies with the propositions of its flagbearer.

Government Finances

Revenue, Expenditure and Deficits

In the 2024 Budget Statement, the Government of Ghana has pegged expenditure outturn in 2023 at GHS 179.4 billion, compared to the expected total revenue and grants of GHS 134.9 billion for the year driven by various tax policies and revenue mobilisation efforts.

For 2024, the Government expects to grow total revenue by an ambitious 31.8% to GHS 176.4 billion. The bulk of the revenue growth is expected from non-oil tax revenue measures projected at GHS 135.9 billion. These tax revenue measures align with the fiscal policy objectives of the IMF-supported program, which aims to achieve a primary surplus of 0.5% of GDP, representing a 1% improvement in 2024. The primary focus is on implementing revenue measures to sustainably enhance the non-oil revenue to GDP ratio by 0.9% of GDP. The 2024 budget sets forth ambitions to elevate Ghana's tax-to-GDP ratio from the current 13% to a range of 18%-20%. Tax policy proposals for 2024 include significant VAT exemptions, bolstering excise taxes, enhancing the extractive industry framework, and enhancing tax compliance and revenue administration.

The Ghana Revenue Authority finalised the procurement process for the Integrated Tax Administration System (ITAS) in December 2023, with full operational capability expected by the end of 2024. Aligned with the IMF Extended Credit Facility (ECF) program, authorities are focused on improving revenue mobilization through this system.

Table 1: 2024 Revenue Measures (Percent of GDP)

Measure	Yield
Direct Taxes	
Revision and expansion of taxes on gambling revenues	0.06%
Expansion of entities subject to Communication Service Tax	0.06%
Increase of Stamp Duty	0.06%
Introduction of a simplified mechanism for the modified taxation scheme for small taxpayers	0.05%
Indirect Taxes	
Removal of selected VAT exemptions	0.52%
Alignment of the exemption and relief provisions in the VAT Act with the Customs Tariffs, and introduction of 5% VAT rate on rental of commercial premises	0.10%
Introduction of Commissioner-General's authorized VAT invoice for Income Tax purposes	0.06%
Introduction of the Emission Tax and the Plastic and Packaging Tax	0.07%
Administrative Measures	
Implementation of the second phase of E-VAT and ongoing E-VAT compliance measures	0.04%
Implementation of minimum chargeable income system	0.02%
Enhanced implementation of Vehicle Income Tax (VIT) sticker mechanism	0.01%
Implementation of the World Customs Organization SAFE Framework of Standards, Pillar 1 (Custom-to-Custom cooperation for exchange of information)	0.05%
Tax reliefs	
Introduction of import duty relief for selected agricultural inputs for Foods for Planting and Jobs	-0.04%
Introduction of other tax reliefs	-0.01%
Erosion of non-oil revenue to GDP ratio	-15.00%

Sources: International Monetary Fund & Sarpong Capital

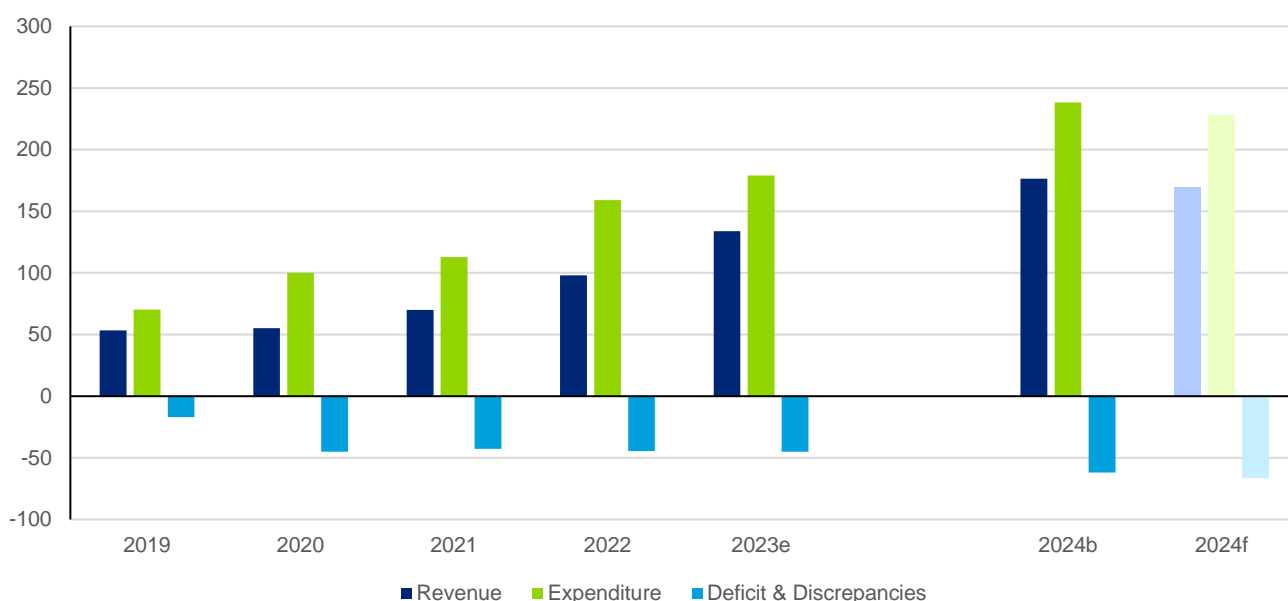
Expectations are that several policies, notably the complete implementation of a minimum chargeable corporate tax, will support the estimated revenue. This will be in addition to the current tax structures, which include the 25% Corporate Income Tax for general businesses, the 35% rate for mining and upstream petroleum companies, the 22% rate for businesses primarily engaged in hotel services, the 8% rate for businesses involved in non-traditional exports, the 20% rate for banking and leasing to the agricultural sector. A new tax called the Growth and Sustainability Levy (GSL) has also been introduced, applying to all entities regardless of existing taxes. The GSL, effective from May 2023 and expected to extend until 2025, carries a maximum rate of 5% and is levied on profits before tax or production.

Conversely expenditure is also expected to grow to GHS 238.3 billion in 2024, 33.1% higher than 2023 projected outturn and representing just over 135% of revenue, according to the 2024 budget. A significant portion of the expenditure is earmarked for employee compensation, set at GHS 63.6 billion or 26.7% of expenditure, and interest payments totalling GHS 55.9 billion or 23.5% of total expenditure. These figures are higher than the respective projected outturn for 2023, which were GHS 44.8 billion and GHS 51.2 billion respectively. The upward trajectory of employee compensation is expected to be driven by a proposed 23% increase in public service base pay from January to June 2024, followed by a further adjustment to 25% from July to December 2024. This adjustment was agreed upon in November 2023, subsequent to the presentation of the 2024 budget by the Ministry of Finance.

Based on the budget, the projected overall deficit on a commitment basis is GHS 50.1 billion, which equates to 4.8% of GDP at the end of the year 2024 as compared to GHS 49 billion projected at the end of the year 2023. Meanwhile, the corresponding primary surplus on a commitment basis is GHS 5.7 billion, representing 0.5% of GDP at the end of 2024. From January to August 2023, Ghana experienced an overall budget deficit of 3.0% of GDP, encouragingly outperforming the targeted deficit of 4.6% of GDP.

We anticipate government revenue to conservatively fall between 3.5% and 4.0% below budget expectations, due to delays in approving and implementing some tax policies. It is worth noting that the expenditure tends to rise in an election year, however given IMF monitoring and benchmarks agreed, these will largely act as checks for indiscriminate spending towards the December 2024 general elections.

Figure 3: Fiscal position (in billion GHS) in 2024 to be financed by domestic borrowing



Sources: Ministry of Finance, Sarpong Capital Research

Focusing on the election frontrunners, we highlight some of the tax reform proposals advocated by the candidates vying for President, as outlined below.

<p>Party: New Patriotic Party</p> <p>Candidate: Dr Mahamudu Bawumia</p> <p>Focus: Digital Economy</p>	<p>Party: National Democratic Congress</p> <p>Candidate: John Mahama</p> <p>Focus: 24-hour Economy</p>
<ul style="list-style-type: none"> • Introduce a very simple, citizen and business friendly flat tax regime. A flat tax rate for individuals and SMEs (accounting for an estimated 98% of all businesses in Ghana) with exemption thresholds set to protect the poor. • To start the new tax system, Bawumia promises a tax amnesty up to a certain year to individuals and businesses for failures to file taxes in previous years so that everyone will start afresh. • Tax digitalisation. • Streamlining VAT and other taxes to make them simpler and welcoming for business owners to pay. • Bawumia envisions the elimination of some taxes such as the VAT on electricity, the emissions tax and the betting tax without compromising the budget deficit. • He promises to provide tax incentives for film producers and musicians. 	<ul style="list-style-type: none"> • Modernizing tax collection mechanisms through digitalisation of processes • Broadening the tax base to include emerging sectors • Consideration of a dynamic tax rate regime based on hours of operation • Using tax credits and similar initiatives to boost compliance • Tailoring tax policies to various sectors and business sizes <p><u>Previous tax policies implemented during his 2012-2016 tenure</u></p> <ul style="list-style-type: none"> • Imposed taxes on some essential commodities such as condoms, cutlasses, savings and investments, etc. • During this period, taxes on businesses increased dramatically, and new taxes were introduced. For example, increases in capital gains tax from 10% to 25%. • Increase in withholding tax from 15% to 20% and the introduction of the Energy Levy (10%). • Mahama’s government introduced 17.5% VAT on electricity. • He introduced VAT on Financial Services of about 17.5% and special import Levy. • Taxes were also introduced on ambulances and bicycles.

Sources: Various speeches and publications including Dr Muhamudu Bawumia’s “My Vision for Ghana” speech of 07 February 2024 and the official FAQs on John Mahama’s 24-Hour Economy Strategy document.

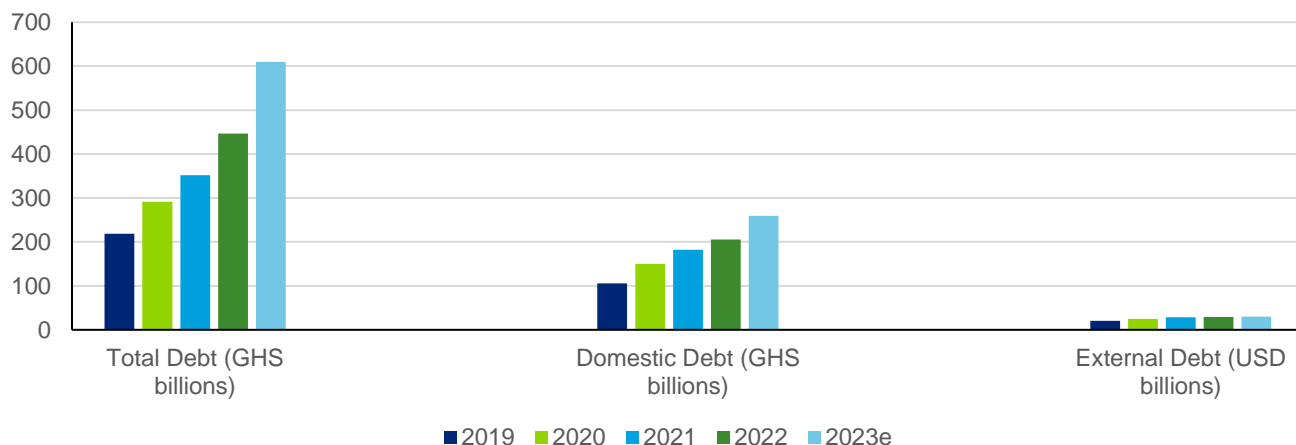
Ghana has indeed made some positive strides towards fiscal consolidation with a lower-than-expected deficit for 2023. This is positive momentum towards a reduction in fiscal deficit, aligning with IMF benchmarks for revenue mobilisation and effectively managing debt service costs. We however note some potential challenges to be faced. For instance, expectations for increases in corporate taxes may have to be tempered as companies continue to grapple with high operating and financing cost relative to revenues, affecting how much taxes they can pay. Furthermore, potential challenges arise with the upcoming presidential elections and the recently unveiled Vision document by Dr. Bawumia, which proposes additional tax reliefs. This vision conflicts with ongoing reforms aimed at increasing revenue to reduce debt expenditures. Bawumia will need to find new revenue sources or implement spending cuts to balance the goal of offering tax relief, given that tax revenues account for over 70% of government income.

In 2024, the government aims to manage debt service costs whilst leaning on short-term domestic borrowings for budget financing, due to limited access to capital markets for longer-term local and foreign debt.

Debt Profile

By December 2023, the country’s debt had hit a new high, surpassing records from the past three years as total public debt hit GHS 610.0 billion. This increase was mainly due to external debt in cedi terms, totalling GHS 350.3 billion or \$30.1 billion, reflecting currency depreciation. Additionally, domestic debt reached GHS 259.7 billion by the end of 2023, representing a 26.4% increase from December 2022, despite the debt exchange programme. The increase is attributed to higher outstanding short-term debt at year-end. Public debt as a percentage of GDP had increased from 79.6% in 2021 to over 90% in 2022, but declined to 72.5% by the end of 2023, owing to the debt exchange program and improved GDP projections.

Figure 4: The levels of domestic and external debt (in billion GHS) are steadily increasing

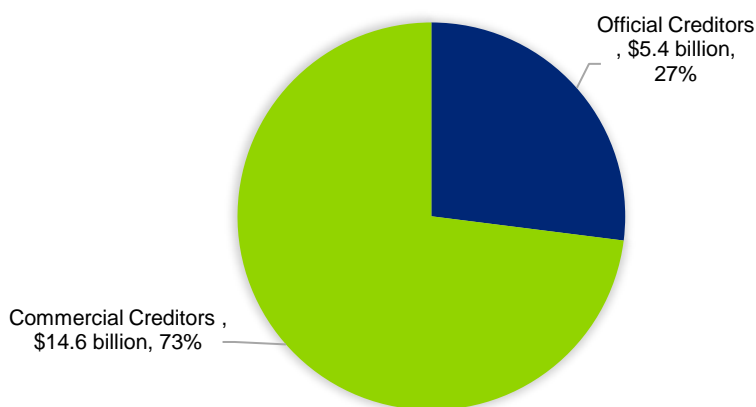


Sources: Bank of Ghana, Ministry of Finance, Sarpong Capital Research

Ghana successfully exchanged some GHS 203 billion worth of bonds in 2023 comprising local bonds, CocoaBills, ESLA (Energy Sector SPV) bonds, Daakye (Education Funds SPV) bonds and USD-denominated domestic bonds. The Government has also successfully paid the first and second coupons of GHS 2.4 billion in August 2023 and GHS 5.8 billion in February 2024 respectively on the new bonds.

With current focus on external debt restructuring following the conclusion of the Domestic Debt Exchange (DDE), approximately two-thirds of the Country’s \$30.5 billion external debt has been tabled for treatment. This comprises \$5.4 billion, constituting 18% of the overall external debt and representing 27% of the restructuring scope owed to official creditors, as well as \$14.6 billion owed to commercial creditors (\$13 billion of which are bond instruments) which makes up 48% of the total external debt and 73% of the restructuring scope. Collectively, these figures total \$20 billion.

Figure 5: Official creditors and commercial creditors proportion of the total debt package.



Sources: Ministry of Finance & Sarpong Capital Research

The Official Creditor Process

In May 2023, formal conversations began with official external creditors. Key bilateral creditors for Ghana include China, with a debt of \$1.9 billion, and Paris Club members - the United States of America, United Kingdom, France, and others, with a debt of \$2 billion, while other creditors include India. According to the IMF, a significant portion of Ghana's debt to China, some \$619 million, was backed by collateral in the form of assets such as cocoa, bauxite, and oil. China, along with France, agreed to jointly lead the Official Creditor Committee (OCC) in negotiations around the \$5.4 billion in external debt to be treated. The Ministry of Finance outlined a specific timeline for official creditors to adhere to, and anticipated steps in the negotiating process.

Table 2: Steps in the official creditor negotiation process

Official Creditors		
	Necessary Steps	Status
Step 1	Ghana applied to the G20 Common Framework for Debt treatment	Completed
Step 2	Official Creditor Committee	Completed
Step 3	Official bilateral creditors delivering their financing assurances. This was one driver towards enabling the IMF Board Approval.	Completed
Step 4	Extensive Negotiations	Completed
Step 5	Signing an MOU between official creditors and the Republic of Ghana, reflecting an agreement in principle on the debt treatment.	Completed
Step 6	Bilateral agreement to be signed with each creditor reflecting the terms agreed upon by the OCC.	Completed

Sources: Ministry of Finance & Sarpong Capital Research

What caused the delay to reach an agreement included:

- Bilateral creditors' concerns around the magnitude of haircuts.
- On the Chinese front, there were also concerns that accepting losses might establish an undesirable precedence given China's exposure to African nations. Their preference was that the multilateral creditor exposures also be included in the haircut with a unified approach to sharing the burden of restructuring. This argument however was overcome given the preferred creditor status of multilaterals. Nonetheless, there are lingering sentiments that while the circumstances may vary, Ghana's agreement with China, specifically as one of the official creditors, could serve as a model for other countries following the G20 Framework. This blueprint could be relevant for nations like Zambia, Sri Lanka, Ethiopia, and others dealing with similar bilateral creditors, particularly China.
- The discussion among external creditors on the cutoff date for which debt was incurred. This concern centred on whether to endorse 31st December 2022 as the cutoff date for which debt should have been incurred to qualify for restructuring (highlighting Ghana's default earlier in that month), or 24th March 2020 (the date when the Group of 20 introduced the debt service suspension initiative).

Following extensive negotiations, Ghana has received a preliminary term sheet for debt relief from its official creditors, which the IMF deemed satisfactory for board approval of the second tranche of \$600 million disbursement. Ghana's agreement with official creditors specifies that debt payments due in 2023 will be repaid in 2039 and 2040, while debt service scheduled for 2024 will be repaid in 2040 and 2041. This arrangement alleviates the pressure of debt service costs, giving Ghana the much-needed room to reallocate cash flows for economic revitalisation.

It is worth noting that Ghana has been able to tap into an extra \$550 million in funding from the World Bank in Q1 2024 on reaching a full agreement with bilateral creditors. The Resilient Recovery Development Policy Operation is one source of extra funding of \$300 million, which has been approved, and will be the first in a series of three interventions totalling \$900 million as part of a broad World Bank engagement in support of crisis response and resilience in Ghana. The other source is a pledged \$250 million for the Ghana Financial Stability Fund aimed at supporting institutions adversely affected by the Domestic Debt Exchange Programme.

The negotiations for external debt restructuring include commercial creditors, involving both regional and international bondholders. Thus far, the Ghanaian government has received proposed scenarios from these groups, and they are currently undergoing thorough examination by the Ministry of Finance. According to the Ministry of Finance, commercial creditors are to expect a nominal haircut between 30% to 40% on principal, coupons of no more than 5% and final maturities of no more than 20 years, a statement that opposes "no haircut" policy communicated by President Nana Akufo Addo earlier 2023 during the Domestic Debt Exchange Programme. As stated in the investor presentation by the Ministry of Finance, the objective was to achieve a preliminary agreement with commercial creditors by the end of 2023. This suggests the timeline has not been met due to ongoing extensive negotiations.

Table 3: Commercial creditor's steps to signing agreement

Commercial Creditors		
	Necessary Steps	Status
Step 1	Ad-hoc committee from regional bondholders.	Completed
Step 2	Ad-hoc committee from international bondholders	Completed
Step 3	Communication ongoing with the two Bondholder group advisors	Ongoing
Step 4	Extensive negotiations	Ongoing
Step 5	Signing an MOU between private creditors and their advisors on a debt treatment that is compliant with the IMF/WB LIC DSF targets and comparable across different creditor categories.	Pending
Step 6	Implementation	Pending

Sources: Ministry of Finance & Sarpong Capital Research

Ghana targets an external debt relief of \$10.5 billion between 2023 and 2026 as it continues to engage both bilateral and commercial creditors. The comprehensive debt restructuring is vital for the successful implementation of the IMF programme. If the current momentum towards reaching the IMF target benchmark is maintained, Ghana will be in a good position to achieve a debt-to-GDP ratio of 55% by 2028.

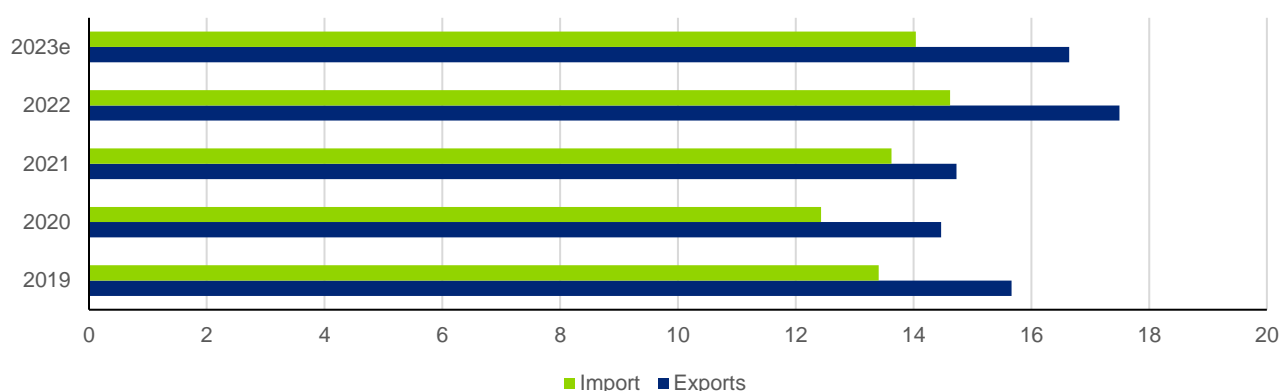
External Position

In 2023, Ghana's external sector showed significant resilience, especially in its trade balance and balance of payments. Despite lower earnings from crude oil, increased prices for gold and cocoa helped mitigate substantial shortfalls. Furthermore, strategic measures to control the country's import bill, such as the gold-for-oil program and efforts to limit foreign exchange access for items like rice and poultry products, along with a halt in external debt service and IMF intervention, contributed to a favourable external outlook.

Trade

In 2023, total export proceeds declined by 4.9% over the prior year to \$16.6 billion, mainly because of lower cocoa and oil export proceeds. In line with the government's drive to manage external reserves, imports declined year-on-year, as seen in both oil and non-oil imports. Total imports amounted to \$14.0 billion in 2023, 4.2% lower than the prior year. Measures were, however insufficient to boost the trade balance. Thus, the country recorded a trade surplus of \$2.6 billion, marginally lower than 2022's \$2.9 billion trade surplus.

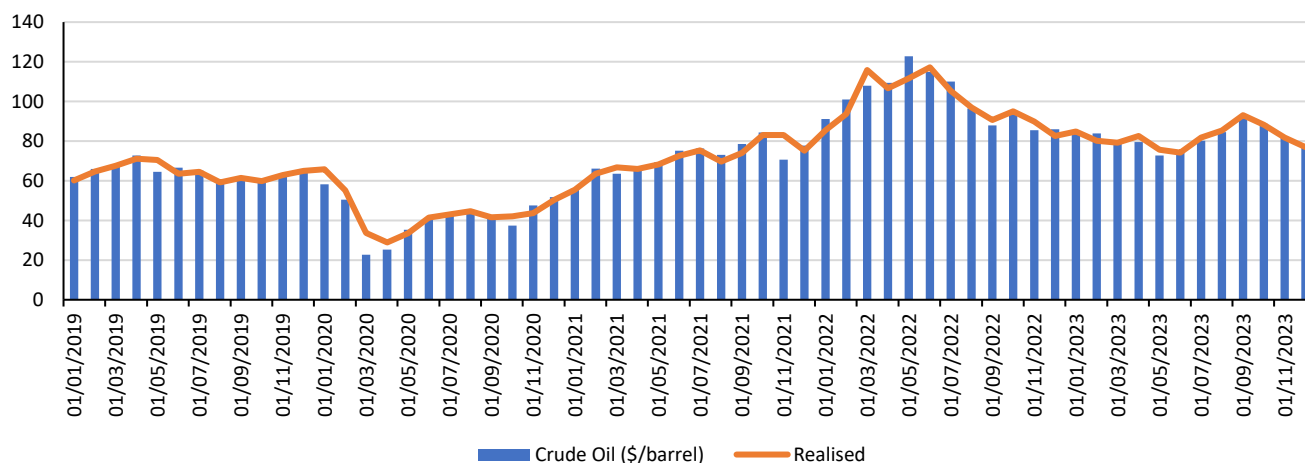
Figure 6: Import and Export trend (USD billions)



Sources: Bank of Ghana, Sarpong Capital Research

Disaggregating export proceeds, we note on a yearly comparison the average price of crude oil experienced a 5.0% decline, reaching \$77.3 per barrel by December 2023 compared to \$81.3 per barrel at the end of the previous year of 2022. This drop was influenced by sluggish energy demand in key markets like the United States and China, alleviating earlier worries about potential supply disruptions stemming from tensions in the Red Sea.

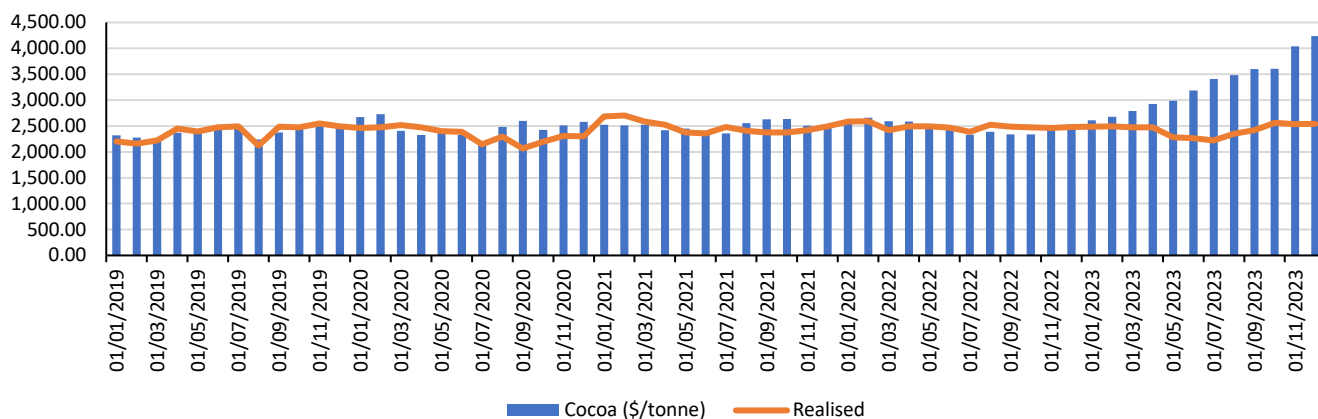
Figure 7: Crude Oil (\$/barrel)



Sources: Bank of Ghana, Sarpong Capital Research

On the other hand, cocoa export proceeds fell marginally from \$2.2 billion in December 2022 to \$2.1 billion at the end of 2023 on the back of lower available volumes and higher pricing. Cocoa bean smuggling also heightened in the 2022/2023 season. In addition, Cocoa prices extended its gains with an annual growth of 66.8% to close at an average of \$4,235.6 per tonne on the back of reduced supplies. Ghana, however, could not fully take advantage of the soaring international prices as the second largest producer on account of challenges relating to the quality and volume of output, with realised values appearing to dip by as much as 40.0% below international prices at the end of December 2023.

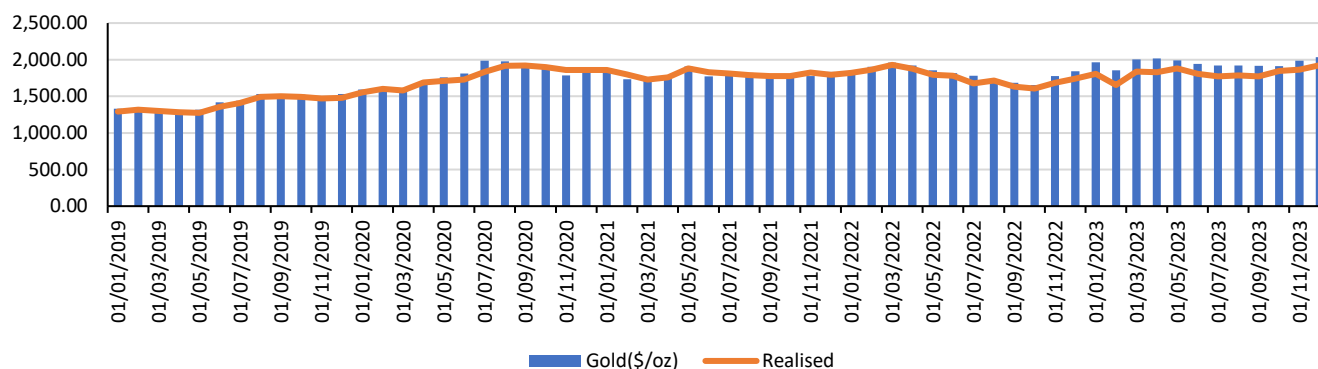
Figure 8: Cocoa (\$/tonne)



Sources: Bank of Ghana, Sarpong Capital Research

Gold exports displayed greater resilience in 2023, with total proceeds increasing by 15% year-on-year to \$7.6 billion. Both volume and price increases drove this growth. Additionally, spot prices for gold rose by 13.3% to an average of \$2,035.43 per fine ounce in December 2023. This uptick was supported by a weaker dollar and declining bond yields following U.S. economic data suggesting potential interest rate cuts in the near future.

Figure 9: Gold (\$/fine ounce)



Sources: Bank of Ghana, Sarpong Capital Research

In 2024, we expect oil prices to be elevated due to ongoing tensions in the Middle East and voluntary production cuts by OPEC+ members, currently amounting to 2.2 million barrels per day. Major contributors to these cuts include Saudi Arabia, Russia, and Iraq. Nonetheless, consumption is expected to remain steady despite manufacturing slowdowns in China and reduced freight activity across North America, Europe and China. Thus, we expect oil export receipts to increase. However, the impact on Ghana's external position is likely to be muted by the concurrent elevated level of outflows from the importation of refined petroleum products.

We further anticipate for cocoa proceeds that the intensified traceability efforts aimed at curbing cocoa smuggling by COCOBOD in collaboration with GIZ to pilot the Ghana Cocoa Traceability System (GCTS) and supply deficits will overshadow increased

farmgate price to motivate farmers. The ICCO expects global cocoa stocks to fall to their lowest in 45 years by the end of the season due to climate change and swollen shoot virus in global key producing regions as well as lack of access to adequate funds for seeds in Ghana following delays in securing the annual Cocoa syndication loan. Consequently, we expect cocoa export proceeds to struggle through 2024.

For gold, we anticipate that gold price volatility will be hinged on when developing economies commence the much-anticipated monetary policy easing, likely in the second half of the year. Market dynamics favouring gold price increases are expected to be fuelled by a lower interest rate regime as investors seek value in the commodity.

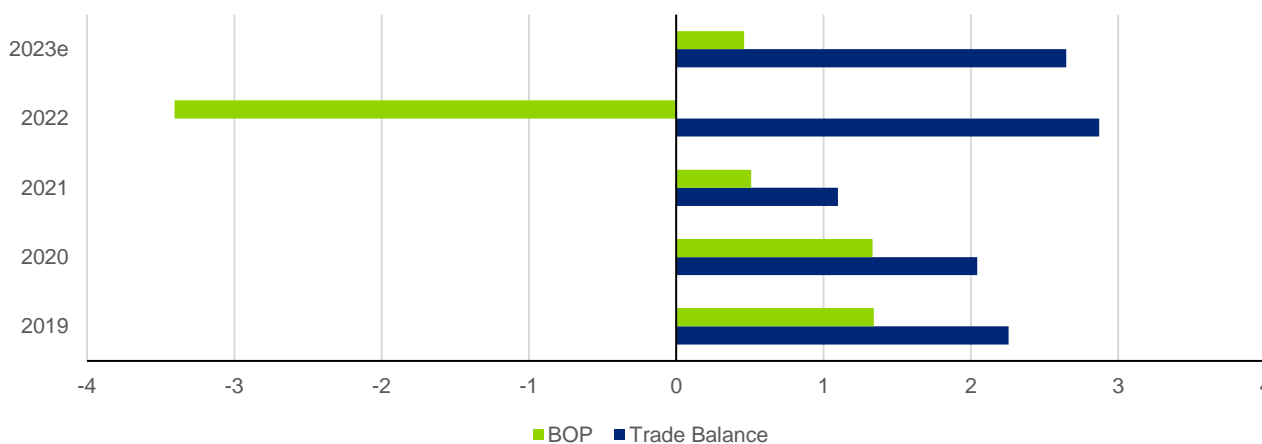
Current Account, Capital & Financial Accounts, and Balance of Payments

Given the global macroeconomic landscape and peculiar debt challenges, Ghana’s external position has been upheld by a trade surplus on the back of elevated gold and cocoa prices, a current account buoyed by inward remittances totalling \$4.9 billion in 2023, in addition to a capital and financial account balance, reflecting some \$1.3 billion in foreign direct investments and a negative net portfolio investment position throughout the year. Positively, suspending external debt service payments preserved Ghana’s external position in 2023.

Consequently, the Country’s balance of payments position of \$461.6 million at the end of 2023 stood at 0.6% of GDP compared with 2022’s \$3.4 billion deficit (-4.6% of GDP).

For 2024, we anticipate a balance of payments surplus between \$750 million and \$900 million, given continued external debt servicing restrictions pending completion of the external debt exchange programme. BOP is expected to be upheld by a trade surplus similar to 2023 and continued inward remittance flows. Given upcoming election activity is eliciting more cautious behaviour from foreign investors, we expect direct and portfolio investments to lag. Government finances will continue to be strained as revenues remain below target and foreign exchange inflows remain insufficient. While intervention funds expected from the IMF, the World Bank and other Multilateral Financial Institutions will support the Country’s external position.

Figure 10: BOP vs Trade Balance (USD billions)

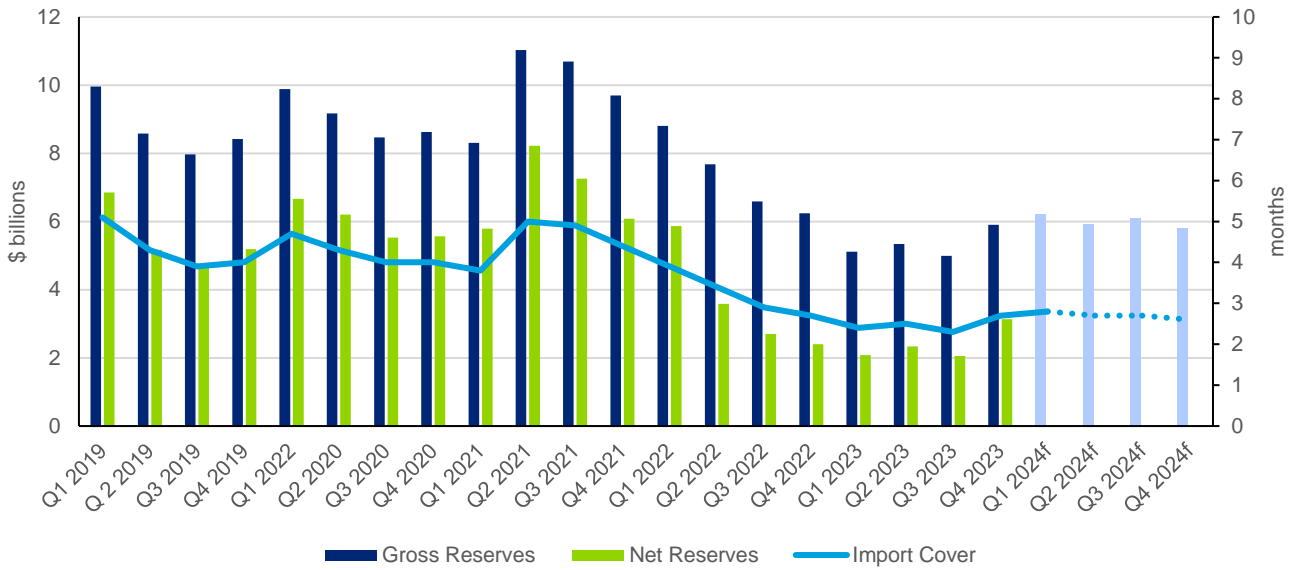


Sources: Bank of Ghana and Sarpong Capital Research

Gross International Reserves

Gross International Reserves totalled \$5.9 billion at the end of 2023, 5.5% lower than recorded at the close of 2022 and sufficient for 2.7 months of imports. When encumbered assets and petroleum funds are stripped, reserves drop to \$3.7 billion, sufficient for only 1.1 months of imports. Overall, net reserves exclusive of all commitments stood at \$3.1 billion at the end of 2023. Despite a lower-than-expected trade balance and a current account deficit, the preservation of Ghana’s international reserves is attributable to the December 2022 restriction of external debt service obligations. The Bank of Ghana attributes the notable accumulation of \$2.2 billion in gross reserves over 2022’s \$1.5 billion by December 2023 to the Gold for Reserves programme initiative. Furthermore, the adoption of the IMF ECF program and the ensuing disbursements have boosted total reserves, which now stand at \$6.2 billion at the end of February 2024.

Figure 11: International reserves and import cover expected to remain steady in 2024



Sources: Bank of Ghana, Sarpong Capital Research

In 2024, in addition to the two expected IMF ECF tranches, Ghana has access to the Resilient Recovery Development Policy Operation comprising an initial \$300 million as part of a series of three operations totalling \$900 million and part of a broader World Bank engagement in support of crisis response and resilience in Ghana. In addition, a pledged \$250 million for the Ghana Financial Stability Fund aimed at supporting institutions adversely affected by the Domestic Debt Exchange Programme and the anticipated restructuring of external debt owed to commercial creditors, will largely stem marked depletion of reserves where seen. We expect a year-end 2024 gross reserves position of \$5.8 billion, sufficient for approximately 2.6 months of imports. It is worth noting that with sustained stability or a rise in total reserves, there is a possibility that the Gold For Oil program, implemented initially to bolster reserves, may be brought to an end.

Rate Environment

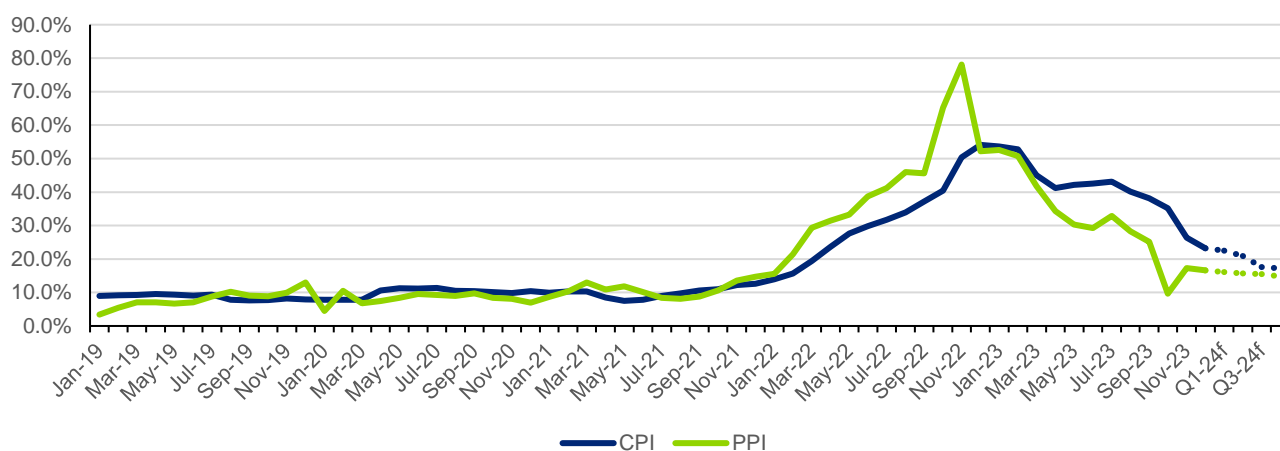
Inflation Rate

In 2023, there was a noticeable slowdown in global inflation. The deceleration was attributed to tighter monetary policy actions, sluggish economic growth, and a slowdown in demand, all of which contributed to alleviating price pressures. Notwithstanding the disinflation trend, inflation rates in major economies continued to surpass the 2% mark due to ongoing fluctuations in energy and food prices.

Ghana also joined in implementing consistent monetary policy tightening to combat inflationary pressures. Alongside the translation effect of declining global inflation, Ghana has successfully maintained a downward trajectory for inflation, reducing it from 54.1% in December 2022 to 23.2% by December 2023. Nonetheless, Ghana's inflation remains above the 8±2 per cent target, with a 23.2% year-on-year figure recorded for February 2024 in real terms, driven by higher food prices persistently above 25%. Although there has been a prominent decline in consumer price inflation across all regions, nine out of the 16 regions, including the Eastern Region, Western Region, and Northern regions in Ghana, still reported inflation rates above the average rate.

Similarly, while maintaining a downward trajectory, producer price inflation remains driven by elevated electricity costs and manufacturing expenses. PPI dropped to 16.6% in December 2023 from 52.2% a year earlier and is projected to decline further through the year, albeit at a slower pace. There are concerns that the overall pace of disinflation may slow due to rising oil prices from global oil production cuts.

Figure 12: Consumer Price Inflation and Producer Price Inflation followed similar patterns throughout 2023, though lower y-o-y



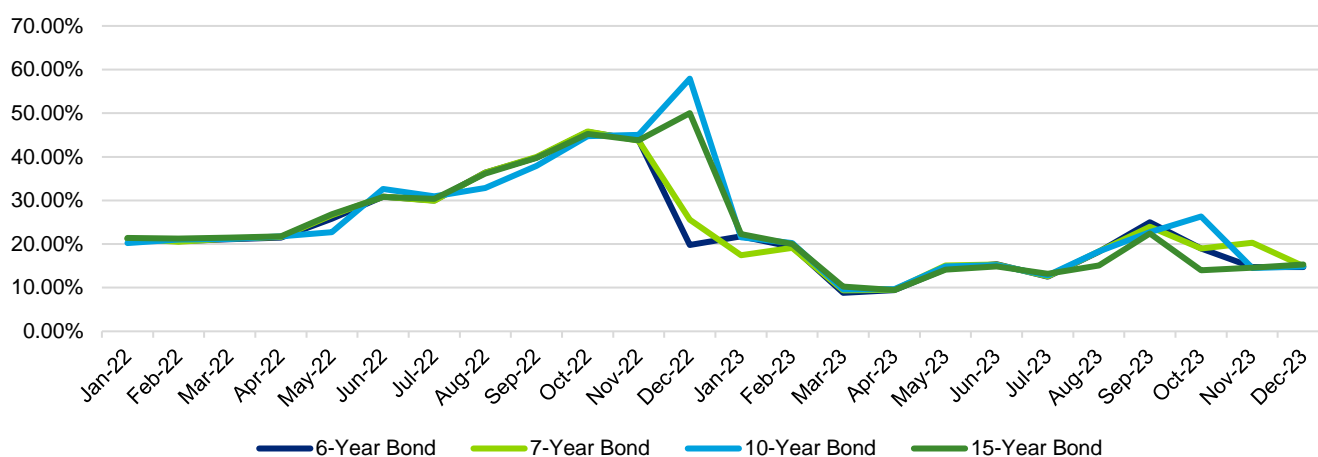
Sources: Ghana Statistical Services and Sarpong Capital Research

Interest Rates

The unprecedented hawkish monetary policy environment, which has seen governments globally hold interest rates at record highs to control inflationary pressures, has resulted in interest rates remaining elevated through 2023 and into 2024. In 2022, Ghana took decisive action by raising its policy rate five times, resulting in a substantial cumulative increase of 1250 basis points to 27%. In 2023, the policy rate was hiked three times to 30.0%.

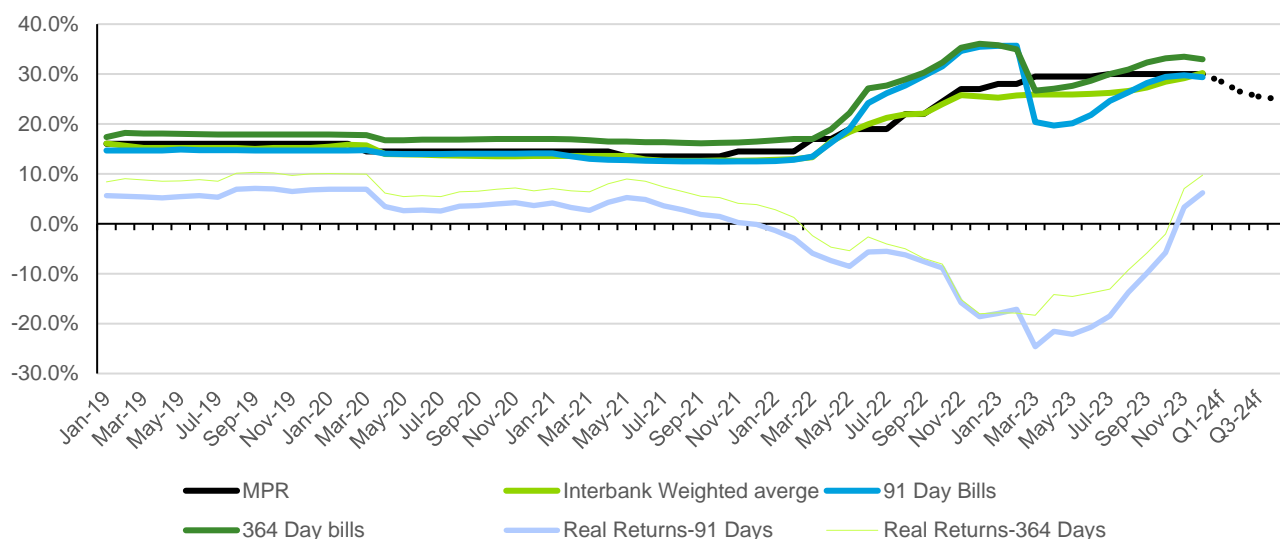
For treasury instruments, rates have significantly declined post-domestic debt exchange programme. Before implementing the Domestic Debt Exchange Programme (DDEP), yields on short-term securities in the fixed-income market ranged from approximately 35% to 40%. In comparison, long-term securities yielded between 40% to 60%. Following Phase 1 of the DDEP, rates decreased significantly to around 10% but have since climbed, with investors in the secondary market seeking to provide more attractive returns. Government policies in 2023 aimed at restoring macroeconomic stability with a complementary tight fiscal and monetary stance under the IMF-ECF program. Against this backdrop, the policy rate and interest rates on T-bills generally remained sticky at around 30.0% relative to the monetary policy rate level.

Figure 13: Rate shifts from 2022 to 2023



Sources: Bank of Ghana and Sarpong Capital Research

Figure 14: Treasury Bill trends echo Monetary Policy Rate movements as real returns cross into positive territory



Sources: Bank of Ghana and Sarpong Capital Research

With earlier suggestions of a global shift to softer monetary policy in 2024 being put off with no clear indication of when this may commence led by the US Federal Reserve, the Bank of England and the European Central Bank, keen watch is on inflationary pressure and economic growth indicators. Ghana, however opted to cut its prime rate by 100bps to 29.0% in January 2024, but held rates at 29.0% following its March 2024 deliberations. The Committee highlighted that current macroeconomic fundamentals are encouraging, the government’s fiscal position is improving from expenditure cuts and higher tax revenue. There is a current account surplus, which is expected to subsist through 2024. This is in addition to an international reserves position upheld by proceeds of the Cocoa syndicated loan, World Bank support, Gold for Oil programme, inflows from remittances and mining companies, and the reduction in debt service expenditure following suspension of payments on external debt in December 2022. The Committee also noted possible upward revision in transport fares, an adjustment in utility tariffs, higher fuel pump prices, and some expected pass-through effects of exchange rate depreciation as factors driving upside risks to inflation, hence a cautious approach.

However, we anticipate further cuts in 2024, with expectations of as much as 500bps in cumulative cuts by the end of 2024. This is in view of expected moderation of year-on-year inflation compared to prior years barring no unforeseen adverse global and

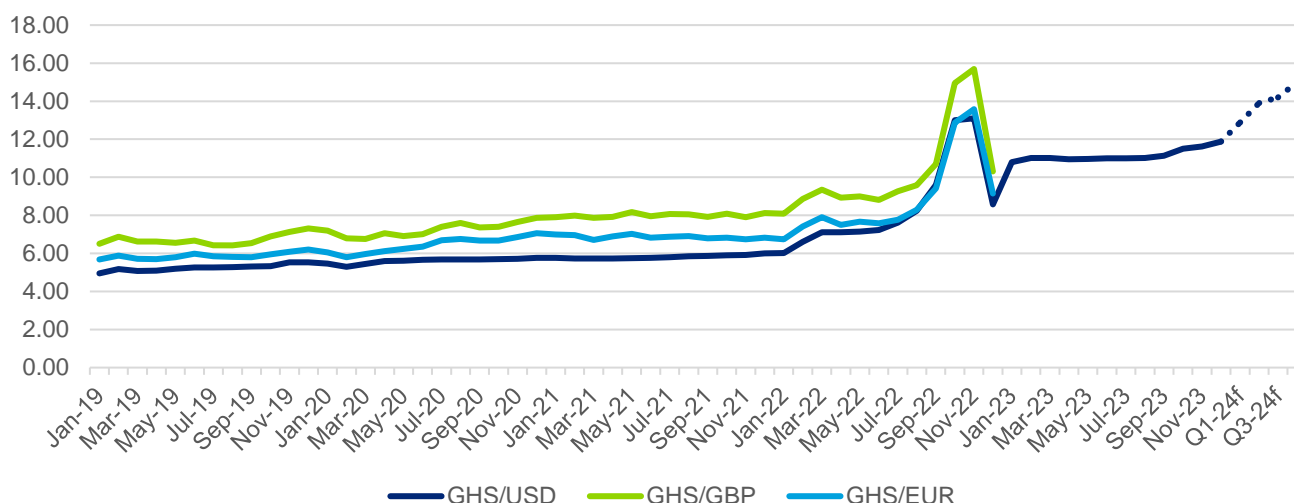
local macroeconomic headwinds. Encouragingly, real returns have turned the corner to positive territory, particularly for short-term instruments, giving some room to moderate currently high-interest rates.

Exchange Rates

In 2023, the Ghanaian cedi experienced a cumulative depreciation of 27.8% against the US dollar, with an average interbank rate of 11.88 GHS per dollar in December 2023, the bulk of which (22.1%) happened between January and February 2023. This period of currency stability was influenced by stable reserves upheld by intervention funds, a market lull, and slowing business activity, which narrowed the demand/supply gap and led to stricter trading activity oversight by the Bank of Ghana.

According to official interbank data, in Q1 2024, the cedi has depreciated by a further 6.8% from the start of the year. Further marked depreciation is expected to be partially stemmed by the IMF-ECF bailout tranches as well as additional budgetary assistance from the World Bank, partially offsetting the downsides of not having access to the international capital markets and boosting the Government’s ability to defend the currency from a supply perspective. Thus, our expectations of exchange rates are hinged on Ghana’s macroeconomic path charted for 2024. In this vein, continued suspension of external debt service payments until a restructuring agreement concludes will significantly influence preserving the country’s external position. Nonetheless, there is a likelihood for the real market to continue to drive rates given demand and supply gaps, with less momentum expected from foreign investors as we approach the December general elections.

Figure 15: Currency relatively steady in 2023 but some depreciation noted for 2024



Sources: Bank of Ghana and Sarpong Capital Research

Whilst we note overall exchange rate stability relative to 2022 volatilities and improving economic fundamentals, we maintain that import dependence continues to pose the greatest risks to exchange rate stability. Thus, until economic growth initiatives, particularly in support of domestic production and exports, start to bear fruits, the risk of exchange rate volatility will persist alongside the constrained ability to mitigate the impact of USD strengthening on the global scene.

Gross Domestic Product and The Real Sector

Ghana's gross domestic product (GDP) growth in 2023 remained subdued similar to that in 2022. Global macroeconomic headwinds, a tight financing environment, elevated inflationary pressures and overall stifled purchasing power of businesses and households contributed to constrained growth and contractions in some industries.

According to the Ghana Statistical Service's provisional figures, Ghana's GDP grew by 2.9% year-on-year in real terms in 2023 to approximately GHS 178.3 billion. In nominal terms, GDP grew by 35.9% year-on-year to approximately GHS 782.9 billion. Slow recovery from the pandemic alongside global shocks of the Russia/Ukraine war impacted economic activity. The Bank of Ghana's real Composite Index of Economic Activity (CIEA) grew by 2.9% year-on-year at the end of 2023, following a 3.5% year-on-year contraction at the end of 2022.

Disaggregating GDP quarterly and by sector - Agriculture, Industry and Services, performance in 2023 stood better/lower than in 2022. The Industry sector has struggled to regain its footing with elevated raw material costs and machinery costs jointly impacted by currency depreciation and global inflation levels, high operating expenses including utilities, higher funding costs given interest rate levels and slower consumer sales/consumption of non-essential goods.

	2020	2021	2022	2023	2024
Q1	6.4%	3.9%	2.4%	3.1%	
Q2	-5.6%	4.5%	3.5%	2.5%	
Q3	-3.3%	5.8%	2.7%	2.2%	
Q4	4.3%	6.1%	3.8%	3.8%	
Annual	0.8%	5.4%	3.8%	2.9%	2.5%

Sources: Ghana Statistical Service, Bank of Ghana and Sarpong Capital Research

Agriculture

The performance of agriculture in 2023 was supported by the expansion of crops (including cocoa, albeit with a much lower expansion of under 1% than seen in recent years) and livestock segments. The forestry and logging segment continues to demonstrate declining growth rates. Looking ahead, we expect the 2024 Agriculture GDP to be upheld by the crops and livestock segments driven by investments in food security. With the cocoa industry experiencing poor crop, financing delays and overall low production in the current season, we anticipate a contraction in year-on-year output from this segment, impacting the agriculture sector's figures.

	2020	2021	2022	2023	2024f
Q1	10.2%	4.0%	4.6%	4.5%	
Q2	5.6%	11.7%	4.0%	4.4%	
Q3	3.2%	7.8%	4.6%	4.3%	
Q4	9.2%	10.8%	3.6%	4.5%	
Annual	7.3%	8.5%	4.2%	4.5%	4.3%

Sources: Ghana Statistical Service, Bank of Ghana and Sarpong Capital Research

Industry

With soaring operating and finance costs further limited by limited investments and slower consumption, the industry sector struggled in 2023, contracting year-on-year in real terms. In particular, the construction and mining & quarrying segments have been particularly impacted by headwinds. We expect essential manufacturing subsegments and utilities (water supply, waste management & remediation activities and electricity) to be the main drivers of performance in 2024.

Table 6: Industry Real GDP Trend

	2020	2021	2022	2023	2024f
Q1	1.4%	-0.3%	-0.2%	-1.4%	
Q2	-6.3%	-5.0%	4.3%	-2.6%	
Q3	-7.0%	-0.3%	1.0%	-2.5%	
Q4	2.5%	3.7%	-1.3%	1.6%	
Annual	-2.5%	-0.5%	0.6%	-1.2%	-1.7%

Sources: Ghana Statistical Service, Bank of Ghana and Sarpong Capital Research

Services

The services sector has demonstrated strong resilience, consistently driven by the information & communications industry. In addition, higher overall prices contributed to growth in the accommodation & food services activities and the transport & storage segment, showing some stable recovery following the pandemic-induced lull. However, professional services, real estate, education, and health & social work are yet to post encouraging growth numbers. As Ghana navigates in an election year, we expect that the information & communication segment will uphold the services segment in addition to accommodation and food services (hospitality), education, health & social work, transportation & storage, finance & insurance and public administration.

Table 7: Services Real GDP Trend

	2020	2021	2022	2023	2024f
Q1	10.6%	7.9%	4.9%	6.0%	
Q2	-9.2%	11.4%	5.2%	6.0%	
Q3	-3.1%	11.7%	4.3%	5.0%	
Q4	4.3%	7.1%	8.2%	5.1%	
Annual	0.7%	9.4%	6.3%	5.5%	6.1%

Sources: Ghana Statistical Service, Bank of Ghana and Sarpong Capital Research

Economic Segments

Table 8: Outlook on Various Economic Segments

	Sub-segments	Expected to thrive	Expected to be relatively stable	Expected to require support	Our View
Energy and Natural Resources	Oil & Gas (Upstream, Refining and Services)		•		This sector has demonstrated resilience despite fluctuating global prices, thanks to recent discoveries and ongoing exploration activities, notably in the Jubilee fields. Unless unforeseen global challenges arise, crude oil prices are anticipated to remain stable throughout much of 2024. However, consistently high operating costs are a notable concern.
	Metals & Mining			•	Ghana's mining sector offers promising opportunities, supported by significant mineral reserves and favorable investment policies, exemplified by recent lithium discoveries. However, the sector is encountering regulatory shifts, including a proposed listing mandate for mining companies. Additionally, the Bank of Ghana's initiative to purchase gold for reserves and the Government's gold for oil program might restrict available export volumes.
	Power Generation		•		The ability to ensure cost-reflective tariffs is essential to mitigating the impact of soaring operating costs associated with power generation, including dollar-denominated gas costs. Generation companies are currently challenged by an inability to recover unpaid supply bills.
	Forestry and Products			•	Success factors are tied to off-taker agreements. Segment has struggled to recover post-covid.
	Alternative Energy		•		Ghana's alternative energy sector is gaining momentum, driven by government initiatives and increasing private sector participation, to sustainably diversify the energy mix and reduce reliance on traditional fossil fuel means. With households and businesses seeking affordable alternative sources and the overall elevated energy costs, there is room to grow the market innovatively.
	Technology, Media and Telecommunications	Broadcasting		•	
Advertising			•		Changing media consumption habits and increasing digitalisation have spurred creative strategies and technology-driven targeted campaigns. Capitalising on the growing advertising market and effectively reaching diverse consumer segments depends on innovation, which is still lagging. The segment continues to require strong cash flows, though the shift to digital advertising may not require intensive capital.



			<ul style="list-style-type: none"> • 	<p>Ghana's filmed entertainment industry thrives on its vibrant diversity, fueled by a rich cultural heritage and increasing global demand. To maintain growth and seize emerging opportunities, investments in content creation, distribution platforms, and infrastructure are crucial. The film sector, in particular, requires significant cash flow and a supportive framework for sustainability. Encouragingly, private sector involvement is growing.</p>
			<ul style="list-style-type: none"> • 	<p>The print media segment is transforming digital disruption and shifting consumer preferences. Innovation in content delivery and monetization models is crucial for print media outlets to remain relevant and competitive in the digital age. The cash flow-intensive nature of this segment and tough competition from digital platforms accentuates its negative outlook.</p>
		<ul style="list-style-type: none"> • 		<p>The sports entertainment segment is expected to experience a lull following the recent World Cup and African Cup of Nations outings and low investment levels from the government or private sector given fiscal constraints. Sports entertainment, however remains driven by foreign leagues.</p>
	<ul style="list-style-type: none"> • 			<p>Driven by rising internet penetration and mobile connectivity, digital services, e-commerce, and fintech innovation continue to uphold data and telecommunication services, presenting opportunities for ICT companies to drive economic growth and enhance social inclusion.</p>
<p>Financial Institutions and Real Estate (Developers & Managers)</p>			<ul style="list-style-type: none"> • 	<p>The banking sector is anticipated to face ongoing challenges due to the debt exchange program, leading to further strain on liquidity, capital adequacy, and profitability ratios in 2024. Despite the Capital Adequacy Ratio (CAR) declining to 13.9% in 2023, it remained above the prudential minimum of 13%, albeit lower than the 16.6% recorded in the previous year due to mark-to-market losses from the domestic debt exchange program. We foresee additional negative impacts with the expected completion of the external debt exchange program by the first half of 2024.</p> <p>It is worth highlighting the Bank of Ghana's commitment to ensuring access to the Financial Stability Fund for entities facing liquidity challenges.</p> <p>Efforts to diversify portfolios and provide funding to viable ventures in the real sector are also expected. However, credit risk remains a significant concern, with non-performing loans remaining elevated at 20.6% at the end of 2023. Recent announcements adjusting banks' cash reserve ratio based on their lending profile suggest increased efforts towards lending to viable segments in the real sector.</p> <p>Furthermore, tighter regulatory oversight by the Bank of Ghana is anticipated to continue limiting non-interest income</p>

	Insurance		•	Whilst there is increasing awareness of risk management mitigants as insurance companies drive innovation in product offering, distribution channels and customer engagement, disposable income of businesses and households have impacted this industry. In addition, the dearth of investment-grade assets and volatile returns constrain the insurance business model, accentuating the inability to meet big-ticket claims. Investment portfolios continue to be skewed towards government securities.
	Savings & Loans		•	An increase in small loan applications is expected due to sluggish economic activity. Savings levels will also be impacted by lower disposable income.
	Broker Dealers		•	Innovation is required to maintain strong trading income levels, particularly concerning foreign exchange and fixed-income trading. The sluggish post-debt exchange market, relative stability of FX rates and the typical slowdown in business activity in an election year for foreign investors will reduce earnings.
	Asset Managers		•	Creative investment strategies and demonstrated performance are required to ensure significant value is not eroded or loss of clients, given the squeeze in real returns and the level of competition in the asset management space.
	Financing Vehicles (REITs, etc)		•	The average volume of transactions is expected to decline as market participants remain cautious of risk/return dynamics and the liquidity crunch. Nonetheless pockets of opportunity exist evidenced by the recent acquisition of One Airport Square in Accra by Sentinel Commercial Real Estate Investment Trust with funding from Nedbank CIB Property Finance.
Industrial and Manufacturing	Construction		•	The construction industry has faced significant challenges, including contracting throughout 2023. Soaring costs of building materials (including iron ore and steel from major supplier Ukraine), high cost of credit, and significantly lower purchasing power of off-takers have been the main contributory factors. Government-steered infrastructure development has upheld the segment somewhat, albeit marginally, given fiscal constraints. Opportunities, however, exist in the Public-Private Partnership space for infrastructure and housing projects.
	Chemicals	•		Tepid rebound of manufacturing processes that require chemicals continues to impact this segment.
	Agri-Processing	•		Global supply chain challenges and reduced import ability as a nation have spurred increased local production. Ghana's agri-processing industry presents cautious investment opportunities, driven by increasing demand for value-added agricultural products and export opportunities. Challenges such as supply chain disruptions, input cost volatility, and market competition continue to constrain the industry.

	Packaging	•			The packaging segment has and continues to be upheld by the current local production drive. Companies in this industry however face raw material price fluctuations.
Consumer Business and Transportation	Retailers (including Supermarket chains and Oil & Gas Retail Outlets)			•	Higher cost of goods, supply chain disruptions and elevated operating expenses will continue to impact this capital/cash flow intensive segment. Financing will be required amidst lower demand and margin pressures. In addition given competitive pressures, a differentiated value proposition is essential including scale and outlet network.
	Travel, Leisure and Hospitality		•		These sub-segments still haven't fully recovered from pandemic-induced lulls and subdued economic activity. Inflationary pressures also have a significant impact on operating expenses. Thus, margins will continue to be stifled in the short-term, considering tighter social purses. Growth potential is tied to tourism arrivals, enhancing infrastructure development and ensuring revenue stream diversity.
	Transportation (including Aviation & Haulage Business)		•		Ghana's transportation sector's growth potential is hinged on infrastructure investments and logistics demand. Risks such as fuel price volatility, infrastructure bottlenecks remain as constraints. Though improved volumes/activity has been seen compared to pandemic levels, high operating costs threaten operators who continue to pass these on to customers in an already constrained purchasing power environment.
	Fast Moving Consumer Goods, Food, Beverage and Breweries	•			Stable demand for essentials continues to uphold these segments, though a margin squeeze as cost of raw materials & machinery, finance costs and operating expenses remain elevated. Close monitoring of consumer patters is essential.
	SMEs			•	SME business models must be tailored to accommodate the availability of affordable financing, competition, scalability and changing regulations. Operators must follow consumer spending patterns as a guide to product/service offerings to survive and thrive.
Agriculture	Crops	•			This is a priority segment because of the goal of achieving food security. Government and development finance initiatives spanning input finance, off-taker arrangements, irrigation projects, storage facility building and transportation have encouraged growth in recent years. Weather volatility, input cost fluctuations, and market price dynamics are challenges. Operators must focus on crops with stable demand and strong export potential in order to thrive.
	Livestock	•			With traditionally strong demand for meat and dairy products, the livestock segment has a natural growth hedge. In addition, this food security priority segment benefits from government and development finance initiatives.

	By Products		•	Off-taker arrangements will be instrumental to agriculture by-product output, survival and expansion.	
Public Sector and Capital Products	Utilities		•	The government's commitment to keeping utility providers afloat is a key positive factor for the sector. Ability to collect supply debt owed has however undermined profitability. This is in addition to regulatory uncertainties, tariff pressures, and operational challenges and financial management lapses. Demand nonetheless upholds the various segments of the utilities sector presenting investment and public-private partnership opportunities.	
	Education		•	Growth potential of the education sector is tied to demographic trends and rising demand for quality education. With the cash-flow-intensive nature of the industry, achieving this hinged on access to affordable financing. Government initiatives geared at providing free education have suffered major fiscal setbacks, thereby propping up the private education segment in terms of participation at the low fee-paying level. Mid- to higher-end fee-paying institutions are expected to remain stable with recent trends noted regarding funding needs for expansion.	
	Airports		•	Improved passenger travel, particularly regional visitors, is expected to largely uphold airports and associated services. However, business and seasonal tourist travel have not returned to pre-pandemic levels and are unlikely to in the near term.	
	Seaports and Harbours		•	Trade activity is expected to remain relatively at par with 2023, driven by lukewarm trade activity.	
	Railway			•	Financing for infrastructure modernisation & expansion, regulatory complexities and operational risks continue to plague the railways segment.
	Non-Profits			•	Constrained funding and allocation globally and locally may impact activities. For Ghana, risks such as funding volatility, governance challenges, and program sustainability are particular challenges.

Source: Sarpong Capital Research

Investor Participation

Debt Market Trends – Government Securities

Following the implementation of the Domestic Debt Exchange Program (DDEP), there has been a pronounced deterioration in the new domestic bonds' attractiveness, in addition to the exclusion of offshore investors from participating at the short-end of the curve. At the same time, demand for treasury bills has surged. This trend is particularly significant given the substantial presence of offshore investors in the market. Consequently, the government must devise strategies to enhance the appeal of the new local bonds to investors. Failure to address this may lead to a prolonged market lull.

The impact on market participation has been stark, with 2023 volumes and values of 98.4 billion and GHS 80.00 billion, significantly down from 399,522 trades being well below 2022 volume and values of 230.3 billion and GHS 220.76 billion, respectively, from a total of 528,188 trades. The volume of treasury bills traded, on the other hand, jumped to 57.73 billion compared to the prior year, which was 17.25 billion, reflecting the aforementioned post-domestic debt exchange trend.

A noticeable decline in foreign and domestic investor participation was recorded in 2023, given uncertainties around debt restructuring and overall macroeconomic fundamentals. Buy trades by foreign investors declined from GHS 24.8 billion in 2022 to GHS 5.1 billion in 2023. Sell trades by foreign investors also declined from GHS 29.9 billion in 2022 to GHS 3.5 billion in 2023. Domestic investors' sell-side values also more than halved from GHS 190.1 billion in 2022 to GHS 71.8 billion in 2023 while buy-side values dipped from GHS 195.2 billion in 2022 to GHS 70.2 billion in 2023. After year end, a pick up as been noted both on the sell and buy side for foreign and domestic investors alike compared with 2023 performance.

Table 9: Debt Market Volume and Value Data

	2022	2023	Q1 2024
Trade Volume	200.2	89.7	40.7
Trade Value	GHS 192.9 billion	GHS 76.1 billion	GHS 32.6 billion
Number of trades	463,783	396,173	106,225
Outstanding Securities	GHS 160.3 billion	GHS 309.0 billion	GHS 311.6 billion

Sources: BOG, GSE, GFIM, CSD & Sarpong Capital Research

Table 10: Domestic Debt Instruments (Monthly Average Rates)

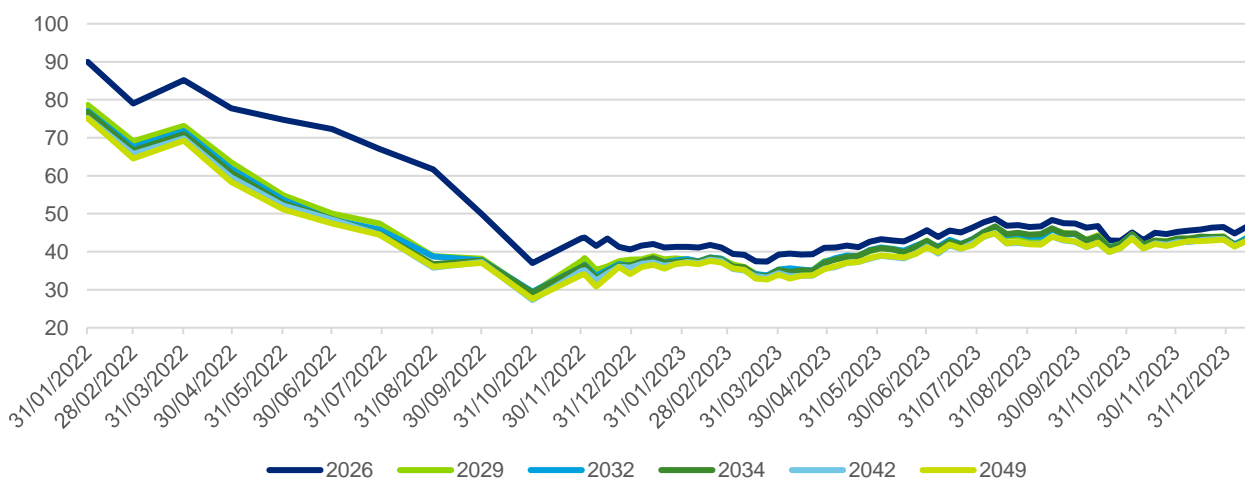
Treasury Instruments (Interest Equivalent)	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
91-Day Bill	35.67%	20.38%	19.67%	20.40%	21.77%	24.64%	26.35%	28.80%	29.40%	29.72%	29.39%	28.93%	27.87%
182-Day Bill	35.73%	23.01%	22.29%	23.10%	24.58%	26.44%	27.84%	30.92%	31.37%	31.88%	31.70%	31.44%	30.34%
364-Day Bill	34.92%	26.67%	27.04%	27.66%	30.00%	30.88%	32.82%	32.82%	33.16%	33.45%	32.97%	32.05%	30.90%
2-YR Note	19.75%												
3-YR Bond	16.32%												
5-YR Bond	16.68%												
6-YR Bond	19.35%												
7-YR Bond	19.13%												
10-YR Bond	20.21%												
15-YR Bond	20.03%												
20-YR Bond	20.74%												

Treasury Instruments (Interest Equivalent)	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
4-YR Bond		8.87%	9.77%	15.49%	11.98%	12.32%	19.32%	16.13%	25.14%	14.75%	17.14%	18.51%	23.36%
5-YR Bond		9.01%	9.34%	15.37%	12.18%	14.48%	18.29%	26.52%	16.98%	21.08%	21.36%	16.35%	23.40%
6-YR Bond		8.82%	9.41%	14.29%	15.40%	12.50%	18.27%	25.03%	18.95%	14.74%	14.73%	23.98%	23.33%
7-YR Bond		9.39%	9.49%	15.13%	15.29%	12.58%	18.34%	23.94%	27.85%	20.30%	14.97%	24.87%	23.36%
8-YR Bond		9.14%	9.57%	14.52%	10.84%	12.68%	18.35%	23.32%	19.45%	14.63%	16.20%	24.79%	23.32%
9-YR Bond		9.34%	9.65%	13.92%	14.90%	12.72%	18.34%	22.94%	13.69%	14.36%	29.11%	19.44%	23.29%
10-YR Bond		9.60%	9.65%	14.85%	15.14%	12.84%	19.90%	23.53%	26.33%	14.49%	14.89%	19.46%	23.35%
11-YR Bond		9.77%	9.97%	14.08%	14.84%	12.84%	19.90%	22.53%	13.80%	14.48%	16.00%	22.36%	20.49%
12-YR Bond		9.97%	9.87%	14.13%	11.21%	13.72%	20.82%	22.43%	15.10%	14.55%	15.95%	25.37%	25.37%
13-YR Bond		10.35%	9.96%	13.78%	14.67%	13.00%	19.89%	22.42%	13.88%	14.53%	14.80%	13.64%	12.95%
14-YR Bond		10.57%	10.02%	15.01%	14.95%	13.05%	19.86%	22.39%	13.91%	14.55%	14.96%	26.31%	21.15%
15-YR Bond		10.24%	9.46%	14.16%	14.89%	13.18%	15.10%	22.44%	13.98%	14.61%	15.29%	22.50%	22.50%
Volume Traded (billion GHS)	9.17	5.57	5.7	5	5.4	5.5	5.3	7.5	9.7	12.8	16.8	14.9	13.2

Sources: BOG, GSE, GFIM, CSD & Sarpong Capital Research

Ghana’s Eurobond market nonetheless remains adversely affected by the suspension of coupon payments since December 2022, as well as the external debt exchange programme that has yet to be concluded. Eurobonds have seen small demand and price upticks in 2024 so far, albeit muted, in the days following news of an agreement with official creditors, and a clearer path on commercial creditor terms. Some investors have also opted to retain their holding where a sale was previously considered. Whilst the emerging clarity on commercial creditor terms has improved sentiments, some drawbacks contributing to muted performance include the anticipated 4-year moratorium on any pay-outs till 2026 and the magnitude of losses already incurred.

Figure 16: Eurobond Pricing Trend (cents on the dollar)



Source: Bloomberg

Overall, investor sentiment through 2023 and into 2024 in the fixed income market has shifted significantly towards risk aversion and efforts to prevent erosion in value, a shift from the yield-seeking behaviour observed in the first half of 2022 that drove investors to Ghana.

Debt Market Trends – Corporate Securities

The corporate debt market, listed on the Ghana Fixed Income Market (GFIM), consisted of 7 entities with 34 outstanding securities as of December 2023. By the end of February 2024, this increased to 8 entities and 36 outstanding securities. These entities include Letshego Ghana Plc, Bayport Savings and Loans Plc, Izwe Savings and Loans Plc, Quantum Terminal Plc, the government-backed Ghana Cocoa Board, ESLA and Daakye Trust, and the recent addition, Kasapreko Company Plc. The total outstanding value amounted to GHS 9.7 billion at the end of 2023, rising to GHS 9.8 billion by February 2024, following Kasapreko Company's two issuances totalling GHS 151.2 million with a coupon rate of 26.0% for both tranches, from a GHS 600 million program.

Accounting for a low 0.8% of total trades in 2023 and 4.7% of total value traded as reported by GFIM, there continues to be a shallow corporate securities market, further subdued by macroeconomic headwinds impacting the ability of corporates to tap the bond market successfully. Approximately GHS 21.0 billion has been raised since inception of the market.

Table 11: Corporate Securities Trading Data

	2022	2023	Q1 2024
Trade Volume	30.1	8.7	0.8
Trade Value	GHS 27.8 billion	GHS 3.9 billion	GHS 0.7 billion
Number of trades	64,405	3,349	268
Outstanding Securities	GHS 12.3 billion	GHS 9.7 billion	GHS 9.9 billion

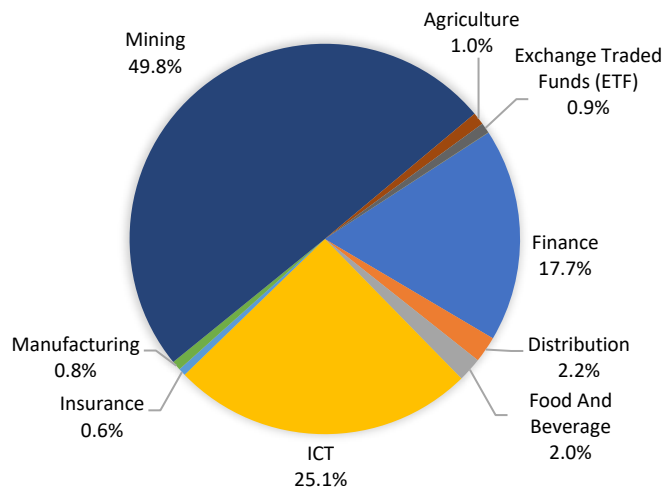
Sources: BOG, GSE, GFIM, CSD & Sarpong Capital Research

Limited corporate access to the market persists, largely due to the size and complexity of the Ghanaian fixed-income market, which is predominantly composed of government securities. Nevertheless, corporations are increasingly turning to bond and commercial paper issuances as alternatives to traditional bank financing. Discussions regarding the establishment of a fully functioning commercial paper market to facilitate short-term working capital funding for corporations and institutions have gained momentum. However, challenges remain, including managing pricing and attracting investor interest in viable investments. The growth of the corporate securities debt market faces obstacles such as differing levels of credit risk, investor disinterest, and overall market liquidity concerns.

Equities

As of December 2023, the market capitalization of the Ghana Stock Exchange reached GHS 73.8 billion, indicative of a 14.55% rise from GHS 64.5 billion at the close of 2022. The substantial increase was driven by high share prices and an increase in the total number of shares issued in the Mining, ICT, and Finance sectors. The sectors mentioned above contributed approximately 50%, 25%, and 18%, respectively with names like Anglo-Gold Ashanti and Asante Gold Corporation Benso Oil Palm and Unilever contributing to the overall upswing in market capitalisation through price gains. In addition, the cumulative number of shares issued reached 48.14 billion by December 2023, an increase from the 47.2 billion shares recorded in 2022 driven by Finance sector issuances as well as ICT and mining sector issuances.

Figure 17: Sectoral Distribution of Market Capitalization



Source: Ghana Stock Exchange

Between January and December 2023, foreign investors accounted for 52% of trades in the equity market, a decline from the 62% recorded for the same period in 2022. Concurrently, pension funds contributed 18% to equity market trades between January and December 2023, showing an increase from the 7% reported for the corresponding period in 2022.

Table 12: Distribution of trades by client type 2023

Client Type	Value Traded	Market Share	Volume Traded	Market Share
Foreign Company	843,810,395.19	51.57%	572,750,214	49.40%
Local Company	428,383,512.39	26.18%	285,342,510	24.61%
Pension Funds	300,409,736.63	18.36%	228,891,519	19.74%
Local Individual	60,753,388.29	3.71%	69,845,891	6.02%
Foreign Individual	1,623,298.85	0.10%	1,308,747	0.11%
Foreign Resident	1,062,384.46	0.06%	952,595	0.08%
Joint Account	229,498.06	0.01%	209,774	0.02%
Broker	124,952.77	0.01%	47,815	0.00%
Local Minor	1,895.26	0.00%	1,565	0.00%
TOTAL	1,636,399,061.90	100%	1,159,350,630	100%

Source: Ghana Stock Exchange

The total volume and value of equities traded in 2023 dropped from 1.3 billion to 579.6 million and GHS 1.6 billion to GHS 818.1 million, respectively. The initial months of the year, particularly in January, they witnessed lower trading activity, reflecting uncertainties about market trajectory following the debt exchange announcements. However, a seasonal buzz of activity was noted in March, following year-end 2022 financial report releases, before reverting to somewhat muted activity on the exchange as investors awaited a clear path to macroeconomic stability.

Table 13: Key GSE Metrics

	2020	2021	2022	2023	Q1 2024
Market Capitalization	GHS 54.3 billion	GHS 64.4 billion	GHS 64.5 billion	GHS 73.8 billion	GHS 77.7 billion
<i>YTD Change</i>	-4.25%	18.61%	0.02%	14.4%	5.15%
Traded volume	695.3 million	486.5 million	1,335.2 million	579.6 million	254.2 million
Traded value	GHS 575.2 million	GHS 533.2 million	GHS 1,639.7 million	GHS 818.1 million	GHS 365.9 million

Source: Ghana Stock Exchange

The sectoral distribution of trading activities throughout the year highlights the persistent skew in favour of the ICT sector. This sector accounted for 84.8% of total trade volumes and 70.5% of total trade value. Apart from the ICT sector, significant contributions to the overall trade volume came from the Food and Beverage sector, prominently led by HORDS Limited (HORDS) and Guinness Ghana Breweries PLC (GGBL), as well as the Finance sector, where companies like Ghana Commercial Bank (GCB) and CalBank (CAL) played prominent roles.

Figure 18: 2023 Sectoral Distribution of Trade Volumes

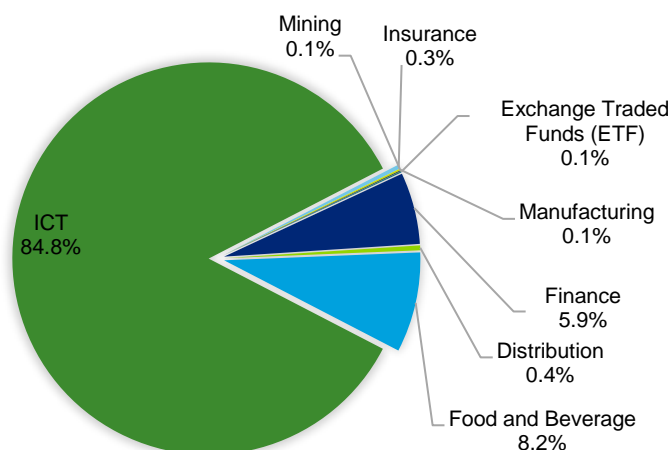
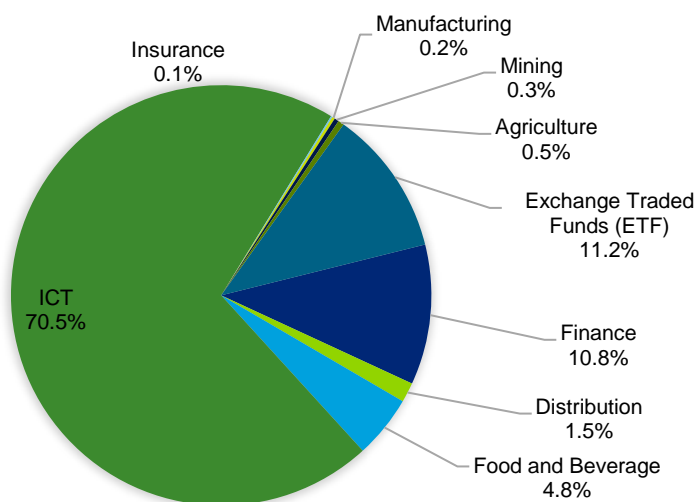


Figure 19: 2023 Sectoral Distribution of Trade Values



Source: Ghana Stock Exchange

In terms of share performance, AngloGold Ashanti (AGA) claimed the top spot price-wise, Benso Oil Palm Plantation Limited (BOPP) gained the most in percentage terms. Standard Chartered Bank (SCB) was positioned as the earnings per share leader while Trust Bank Limited (TBL) offered the best dividend yield.

Table 14: 2023 Performance of Listed Entities

	1	2	3	4	5
Issued Shares	ETI 24,067.7 m	MTNGH 13,236.1 m	CPC 2,038.07 m	TLW 1,450.04 m	RBGH 851.97 m
Market Capitalization	MTNGH GHS 18,530 m	TLW GHS 17,284 m	AGA GHS 15,489 m	ASG GHS 3,956 m	ETI GHS 3,610 m
Share Price Leaders	GLD ETF GHS 217.80	AGA GHS 37.00	BOPP GHS 22.00	SCB GHS 17.55	TLW GHS 11.92
Share Price Gainers	BOPP 187.58%	TOTAL 125.00%	UNIL 109.02%	GGBL 65.85%	MTNGH 59.09%
Share Price Losers	CAL -26.15%	EGL -25.31%	SIC -22.58%	SOGEGH -18.00%	EGH -17.17%
EPS Leaders	SCB GHS 5.23	ASG GHS 4.81	BOPP GHS 4.18	AADS GHS 4.03	ACCESS GHS 3.49
Dividend Yield	TBL 13.56%	ETI 6.19%	BOPP 6.02%	GOIL 3.73%	MTNGH 3.57%
Price/Earnings Ratio	ADB 645.43	GGBL 24.61	CLYD 21.60	FML 16.83	AADS 10.17

Source: Ghana Stock Exchange

Table 15: Q1 2024 Performance of Listed Entities

	1	2	3	4	5
Issued Shares	ETI 24,067.75 m	MTNGH 13,236.18 m	CPC 2,038.07 m	TLW 1,452.82 m	RBGH 851.97 m
Market Capitalization	MTNGH GHS 20,913 m	TLW GHS 17,317 m	AGA GHS 15,494 m	ASG GHS 3,956 m	ETI GHS 3,610 m
Share Price Leaders	GLD ETF GHS 105.50	AGA GHS 37.00	BOPP GHS 21.53	SCB GHS 19.25	TLW GHS 11.92
Share Price Gainers	UNIL 46.12%	ACCESS 30.88%	GGBL 30.59%	IIL (GAX) 25.00%	MTNGH 12.86%
Share Price Losers	GLD ETF 51.56%	SOGEGH -47.77%	CAL -12.50%	DASPHARMA -5.00%	BOPP -2.14%
EPS Leaders	SCB GHS 5.23	GCB GHS 3.81	ACCESS GHS 3.49	BOPP GHS 2.92	UNIL GHS 2.86
Dividend Yield	MTNGH 14.24%	NA	NA	NA	NA
Price/Earnings Ratio	GGBL 24.37	FML 13.60	BOPP 7.38	TLW 6.85	TOTAL 6.25

Source: Ghana Stock Exchange

Subsequent to year-end, similar trends have been noted with the ICT sector, and specifically, listed operator MTNGH dominating trading activity in Q1 2024, in terms of both volumes and value. In addition Newgold Exchange Tradeable Funds (GLD) continues to drive turnover on the Ghana Stock Exchange. Our outlook for the equities market remains positive for 2024 and into 2025, particularly as the debt market faces a lull owing to the Domestic Debt Restructuring and outstanding External Debt restructuring. The equities market is expected to see continued interest in the Mining, Agricultural, Financial and Manufacturing Sectors. In addition, we anticipate increased activity in the banking segment of the Finance sector as entities embark on recapitalisation exercises where necessary.

Conclusion

The macroeconomic landscape of Ghana in 2024, coupled with the upcoming general elections, poses significant challenges for the government, businesses, and households. Economic pressures such as reduced purchasing power, high operating costs, and liquidity constraints necessitate innovative strategies to navigate effectively.

In terms of profitability, despite the projected inflation decline, challenges persist. Elevated global fuel prices drive up transport costs, potentially squeezing profit margins for fuel-intensive businesses. Uncertainties surrounding post-election policies add complexity to profitability forecasts.

Regarding liquidity, while cedi stability is expected, uncertainties in debt restructuring and the election may cause exchange rate fluctuations. High operating costs due to inflation could strain liquidity, affecting short-term obligations and investment capabilities.

Shareholder value may suffer as profitability and liquidity challenges persist, impacting stock prices and investor confidence. Mitigating these risks requires cost optimisation, proactive risk management, and strategic technology and talent development investments.

Businesses must prioritize financial planning, conducting sensitivity analyses and scenario planning to adapt to economic fluctuations. Incorporating inflation forecasts into budget projections is crucial for aligning pricing strategies and revenue targets.

Overall, businesses in Ghana must adopt proactive and adaptive approaches, leveraging innovation and risk management to navigate economic uncertainties and sustain long-term growth.

Disclosures Appendix

Regulatory Disclosure:

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