Euler Hermes Economic Research

Country Risk Analysis

Ghana

Oil adds to gold and cocoa resources

General Information

Form of state	USD39.2bn (World ranking 85, World Bank 2011)
Population	24.97 millions (World ranking 47, World Bank 2011)
Form of state	Constitutional Democracy
Head of government	John Dramani MAHAMA
Next elections	2016, presidential and legislative

Strengths

- Established track record of good governance, with a functioning democratic system and peaceful transfer of power among political parties.
- Natural resource base (cocoa, gold, forestry etc.) now supplemented by discovery of commercially-exploitable oil reserves – output from 2011.
- Market-oriented policy framework.
- Positive relations with the IFIs.

Weaknesses

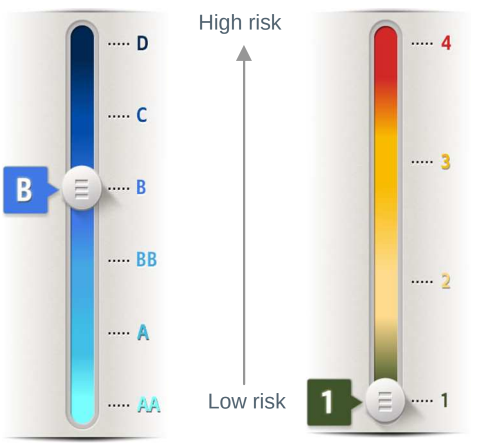
- While some safeguards are established, the ability and capacity to manage oil wealth is yet to be tested fully.
- Continuing twin deficits (fiscal and current account) require careful management.
- Although per capita incomes have improved, poverty remains pervasive in some rural areas.
- Regional instability and uncertainties, including in Côte d'Ivoire, Nigeria and Mali.

Country Rating

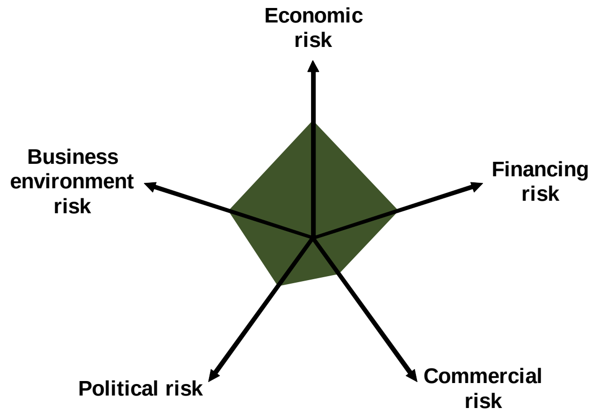
B1

Country Grade

Country Risk Level

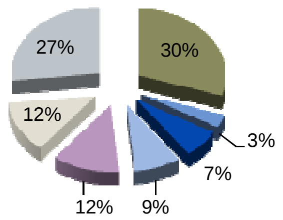


Risk Dimensions



Economic structure

GDP breakdown (% of total, 2010)



Sources: Chelem, UnctadStat, IHS Global Insight, Euler Hermes

Trade structure (% of total, 2010)

By destination/origin

Exports		Rank		Imports
France	19%	1	20%	China
Netherlands	10%	2	12%	Nigeria
Italy	8%	3	8%	United States
United States	8%	4	5%	Netherlands
United Kingdom	5%	5	5%	India

By product

Exports (% of total)		Rank		Imports (% of total)
Coffee, tea, cocoa, spices, and manufactures thereof	33%	1	12%	Road vehicles
Petroleum, petroleum products and related materials	30%	2	7%	Miscellaneous manufactured articles, n.e.s.
Gold, non-monetary (excluding gold ores and concentrates)	6%	3	6%	Specialised machinery
Vegetables and fruits	5%	4	5%	Iron and steel
Metalliferous ores and metal scrap	5%	5	5%	Cereals and cereal preparations

Economic Forecasts

	Average 2000-08	2009	2010	2011	2012f	2013f	2014f
GDP growth (% change)	5.4	4.0	8.0	14.4	8.0	7.0	7.5
Inflation (%, end-year)	18.8	16.0	8.6	8.6	9.2	9.1	8.9
Fiscal balance (% of GDP)	-4.9	-5.8	-7.2	-4.1	-3.1	-3.1	-3.4
Public debt (% of GDP)	65.6	36.2	46.3	43.4	51.6	52.2	49.6
Current account (% of GDP)	-8.6	-10.5	-14.1	-12.2	-12.7	-10.5	-9.1
External debt (% of GDP)	79.7	44.8	48.6	49.6	38.6	40.4	39.2

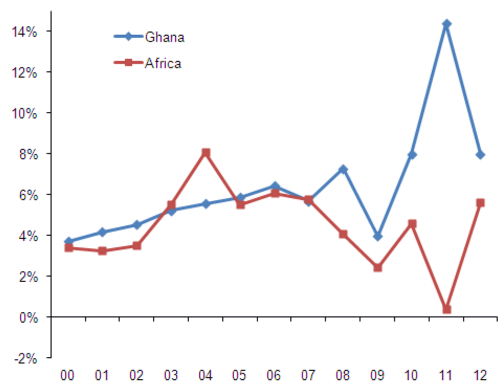
Sources: IHS Global Insight, National sources, Euler Hermes

Economic Overview

Annual average GDP growth was above +5% in 2000-08, a relatively good rate of expansion but around the pace required to make positive advances in socio-economic development for a country like Ghana. In that period, growth largely reflected the performances in the gold, cocoa and forestry industries and associated exports. However, growth of GDP accelerated in 2011, boosted by the energy sector as oil output came on stream at the Jubilee oilfield in that year, when GDP expanded by over 14%. The impetus from that significant economic development was not maintained last year but GDP growth is estimated to have grown by a still substantial +8%.

EH forecasts GDP growth to slow but, at +7% in 2013 and +7.5% in 2014, it will remain above the average for Sub-Saharan Africa. While the Jubilee oilfield is now producing crude oil, other fields have yet to be developed fully and natural gas output holds further potential. Accordingly, high GDP growth rates could be maintained into the medium term, at least.

GDP growth (annual, %)



Sources: IHS Global Insight, Euler Hermes

Large current account deficits (annual average -8.6% of GDP in 2000-08) were recorded before oil output came on stream and exports of crude oil have now boosted the trade balance. However, imports of energy-related capital goods will maintain large current account deficits in 2013 and 2014. After that, with machinery and other oil-industry inputs largely in place and export earnings increasing, current account deficits should be lower. Before then deficits will be covered largely by significant inflows of FDI. Foreign exchange reserves provide a current import cover of 3.3 months but FX levels will increase into the medium term. Foreign debt levels and repayment obligations are comfortable.

Economic management appears sound, partly reflecting relative consistency in recent years of pro-market policy formulation adopted by governments of varying political allegiance. Even so, twin deficits on the fiscal and current accounts require careful management. In recent years, governments have opened the economy further to bilateral assistance, as well as multilateral support, and this is most noticeable in the involvement in the country of China. There are current plans to access a further USD3 billion in financial assistance from the China Development Bank. The lending programme is designed to facilitate large infrastructure projects, including in the energy, transport (road, rail and ports) and agriculture sectors.

Relative to other countries in Sub-Saharan Africa, Ghana consistently ranks highly in the World Bank’s Ease of Doing Business surveys, with only Mauritius, South Africa, Rwanda and Botswana higher ranked in 2013.

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