

# GHANA

## General information

Capital city:	Accra
Surface area:	239,000 km <sup>2</sup>
Official language:	English
Population:	29,555,000 (2018)
Head of State:	H.E. Nana Addo Dankwa Akufo-Addo

## GDP and inflation

Annual change of real GDP (percent)				Inflation: Annual Change in Consumer Prices (percent)			
2015	2016	2017	2018	2015	2016	2017	2018
2.2	3.4	8.1	6.2	17.2	17.4	12.4	9.8

Source: IMF, World Economic Outlook, October 2019

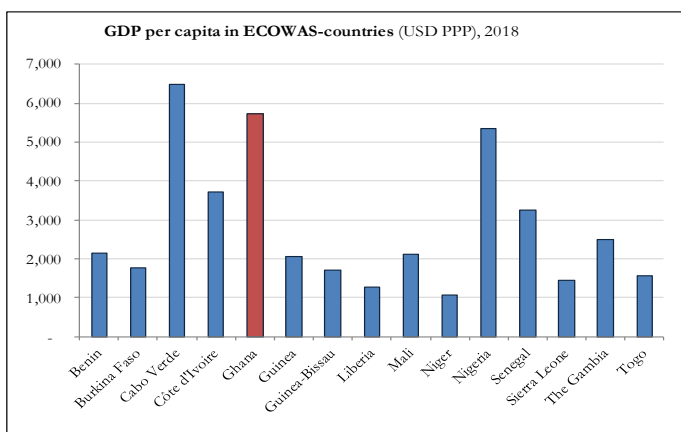
## Key numbers for 2019

Indicators 2019 (percent)	Indicators 2019 (percent)								
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
Inflation (% y/y)	9.3	9.5	9.4	9.1	9.4	7.8	7.6	7.7	
Inter-bank interest rate (%)	16.1	15.6	15.2	15.2	15.2	-	-	-	
Bank of Ghana interest rate (%)	16	16	16	16	16	16	16	16	
DKK/GHS rate, average	1.27	1.30	1.30	1.26	1.06	1.27	1.28	1.27	

Source: Bank of Ghana and Ghana Statistical Service, 2019

## Strengths

Ghana is one of the most politically stable countries in Sub-Saharan Africa. A key focus for the current political administration is the "Ghana Beyond Aid" agenda, which seeks to harness the economic potential of Ghana, represented by initiatives such as the One-District-One-Factory policy and the Planting for Food and Jobs



Source: IMF, World Economic Outlook, October 2019

Programme. The oil and gas industry has boosted Ghana's growth for the last few years and is expected to continue to do so in the future. The resolution of the production challenges of the Jubilee field and recent resolution of a boundary-dispute with Cote d'Ivoire have paved the way for a well-functioning industry.

Finally, Ghana has been selected to host the secretariat for the newly agreed African Continental Free Trade Area (AfCFTA). This makes Ghana an obvious entrance point to the African market and a key player in ensuring that the trade deal is implemented to its fullest potential.

## Challenges

Recurrent budget deficits pose a major problem for the Ghanaian economy. Ongoing efforts to mobilize revenues and consolidate expenditures need continued attention.

Furthermore, many Ghanaian industries are not adequately equipped to compete in global markets. Some parts of the agricultural sector lag behind compared to neighbouring countries and Ghana's infrastructure holds plenty of room for improvement. Piracy in the Gulf of Guinea remains a significant regional maritime issue and poses a risk for trading by sea.

## Economic overview

In 2010, Ghana transitioned achieved status as lower-middle income country. According to IMF, Ghana had an estimated GDP of USD 65.19bn and an estimated GDP per capita of (current, not PPP) USD 2,216.8 in 2018, which makes the country one of the biggest economies in Sub-Saharan Africa.

Data from the Ghana Statistical Service Bank from 2018 shows that the agricultural sector accounts around 20% of GDP, while this share for the service sector and the industry sector is around 46% and 34% respectively. With its newly acquired status as an oil-producing nation, revenues from crude oil have been an important growth factor in the economy for the last few years. Estimated oil reserves have jumped to almost 700 million barrels. Today, output averages around 195,000 barrels a day, while this number was 115,000 in 2015. This is projected to hit 500,000 barrels a day by 2024.

Even though Ghana to some extent has been able to consolidate public finances with a decreasing public deficit the last couple of years, public debt increased from 57.3 % of GDP in 2017 to 59.6 % in 2018. The rising debt raises concern as the financial conditions may tighten through a higher interest rate in the global markets. Organizations such as the IMF and the World Bank assess this as a key risk factor for Ghana and recommend that the fiscal budgets are consolidated. This is of particular importance, because of the upcoming election, as increased government spending and fiscal indiscipline in the year prior to elections often has been the case. Even though the government projects the budget deficit for 2020 to be 4.7 % of GDP, previous governments have adjusted this in election years. For instance, the previous government had a target of 3.9 % of GDP, and this number slipped to 6.5 %.

Another key macroeconomic indicator, the inflation rate, has slow-



# EMBASSY OF DENMARK

## THE TRADE COUNCIL

Embassy of Denmark, Ghana  
67, Dr. Isert Street  
North Ridge  
Accra, Ghana  
accamb@um.dk  
www.ghana.um.dk /commercial-services

ed further down throughout 2019 as headline inflations has remained within the  $8\% \pm 2$  percentage point band the last one and a half years. However, the inflation outlook raises concern and continues to impose constraints on the monetary policy to ease economic activity. The Bank of Ghana has for the last two years shut down numerous of weak banks, which has increased soundness in the sector. They have extended their efforts to clean up the banking sector and introduced new capital requirements, which overall has furthermore increased soundness in the sector. To avoid a repeat of a sector clean-up, the Bank of Ghana has employed more staff and acquired a new IT system to monitor the banking sector's compliance with the regulations.

### EPA and Other Trade Agreements

Ghana signed the Economic Partnership Agreement (EPA) with the EU in 2016. The deal applies asymmetrically, with the EU breaking down trade barriers immediately (except for arms and ammunition) and Ghana gradually removing 80% of tariffs on exports from the EU to Ghana up until 2029. In November 2019, Ghana and the EU endorsed the full market schedule and Ghana will start liberalise its market for the EU product by first quarter 2020.

Furthermore, Ghana is a member of both the World Trade Organisation (WTO) and the Economic Community of West African States (ECOWAS). Founded in 1975, the ECOWAS consists of 15 member countries with a combined population of 381 million people in 2019. In 1990, a free trade area was established in the community and in 2015, a common external tariff was adopted. The tariffs between the ECOWAS member states have, however, only to a limited extent been eliminated.

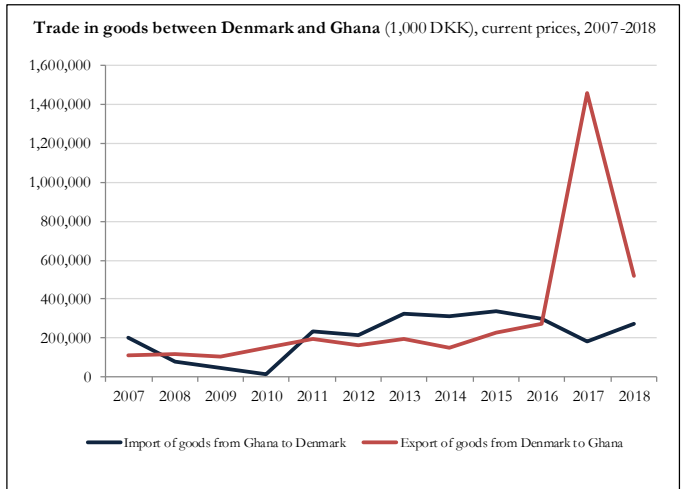
Another noteworthy development was the announcement in July 2019 that Ghana is to host the secretariat of the new African Continental Free Trade Area (AfCFTA). The AfCFTA agreement was put into action in July 2019 and as of November 2019, 54 of 55 African Union members have signed the deal, making the agreement cover the biggest free trade area since the establishment of the WTO. The agreement seeks to gradually break down trade barriers between the African countries to increase intra-African trade. With its dual role as both host of the secretariat and stakeholder in the trade area, Ghana has a unique role similar to Switzerland in the WTO.

### International Trade

According to the World Bank, Ghana's total imports and exports of goods in 2017 were estimated at USD 14.4bn and USD 12.7bn respectively. Ghana is mainly exporting goods to India (18.7 % of total exports), China (16.6 %) and Switzerland(11.6 %), while the country's biggest import partners are China (16.8 %), United States (9.4%), and United Kingdom (8.6 %). Ghana's export of services in 2017 are USD 6.6bn, while the imports of services are USD 9.5bn.

Denmark and Ghana share a long standing relationship of trade and commercial cooperation. For the first half of the period from 2010, Ghana had a trade surplus with Denmark. However, due to a big order on Danish oil and gas pipelines, Ghanaian imports hiked in 2017 and the first part of 2018. Total Danish imports of goods from

Ghana in 2018 were valued at DKK 274m (approx. USD 40m), while total export of goods from Denmark to Ghana were worth DKK 521m (approx. USD 75m). Besides oil and gas pipelines,



Source: Statistics Denmark 2019

Note: As the numbers are in current prices, the graph does not correct for price changes.

major Danish exports to Ghana include machinery and transport equipment, chemicals, and food products. Major Danish imports from Ghana are cocoa, oil seeds, fruits, and biomass.

### Political Stability and Safety/Security

Since the introduction of constitutional democracy in 1992, Ghana has been a stable democracy with a multi-party system. The country is widely regarded as a rapidly maturing democracy and change of government between the two dominant parties, National Democratic Congress (NDC) and the New Patriotic Party (NPP), has overall been smooth since 1992. The last election was generally free, fair, and peaceful with Nana Addo Dankwa Akufo-Addo from the NPP emerging as the winner with an overwhelming majority vote. The government is running for a second term in the upcoming election, scheduled for December 2020. Peace and security in Ghana risk being challenged by increasing regional instability, a growing terror threat across Sahel, as well as internal forces challenging Ghana's tradition for peaceful coexistence across religious and political divides. Furthermore, the degree of wealth inequality is considered a risk factor. However, violent protests are uncommon.

### Business Competitiveness

Ghana was placed 106th out of 140 in global competitiveness as reported in the January 2018 'Global Competitiveness Report' by the World Economic Forum. However, the country ranks 59 on the institutional ranking. Infrastructure levels still trail international benchmarks as Ghana is placed 116 in this category.

Overall, Ghana's access to credit is limited compared to international standards. As of 2019, Ghana's ratings by Fitch, S&P and Moody's are a B, B and B3 respectively. S&P upgraded the credit rating from a B- in September 2019, as a result of increased monetary effectiveness. Denmark's Official Export Credit Agency (EKF) ranks Ghana 6 on scale from 1-7 in their risk assessment

(with 7 being most risky).

The World Bank's 'Ease of Doing Business' report by the World Bank released in 2019, ranked Ghana 114 out of 190 countries, a marginal decrease compared to last year's ranking. The report singles out Ghana as the best place to do business in the ECOWAS region.

New Companies Act, passed in August 2019, intends to improve the ease of doing business, as it amongst other things introduces a separate Registrar Office for companies.

The Danish Business Community in Ghana consists of approximately 60 Danish and affiliated companies.

### **Demographic Overview**

As a result of significant urbanization and rising middle-class income, Ghanaian consumption patterns have changed towards a higher demand for goods and services contributing to the overall well-being of society and a change of lifestyle in the large youthful population. Increasing urbanization in Ghana has resulted in higher pressure on both infrastructure and housing capacity in urban areas. It is estimated that there is an excess demand of around 2 million houses. The housing supply challenges have led to an increased focus on affordable and sustainable housing. This creates possibilities for foreign companies. However, land acquisition remains an obstacle when investing in housing projects in Ghana.

### **Corruption**

The 2018 Global Corruption Perception Index released by Transparency International, ranked Ghana 78 out of 180 countries, which is a marginal improvement from the previous year, where Ghana ranked 84. This is the first time, Ghana has improved its position since 2014, where it was placed 61th out of 174 countries. Ghana is placed 9th in the Sub-Saharan Region out of 49 countries. The Government of Ghana is putting in measures to address the problem, where one key intervention has been the establishment of the Office of the Special Prosecutor (OSP). The impact on corruption of the office remains yet to be seen.

### **Key Trade Council priority areas in Ghana**

#### ***Food and Agriculture***

57% of the land in Ghana is classified as "agricultural land area" and the economic impact of the agricultural sector is big with an average annual growth rate of the sector above 8%. Almost 45% of the labour force is employed in the sector. Agriculture is important both domestically and in a trade perspective. Firstly is a key factor for food prices in Ghana and employment in the rural areas. Secondly is an engine driving Ghana's exports. Ghana is the world's largest cocoa producer after Côte D'Ivoire. Together the countries account for around 65% of world cocoa production. In addition, soya bean and rice production have increased substantially and Ghana is on track to become self-sufficient in the production of the two crops in 2020 and 2023 respectively.

However, the sector faces a series of challenges. A large part of the labour force in Ghana's agricultural sector is underemployed and working in the informal sector. Many of the workers are illiterate and the sector is characterised by a low level of technology. This has a

serious impact on total factor productivity growth, which has been low for many years, although this has been the case for most Sub-Saharan countries. Ghana's underdeveloped infrastructure combined with the sector's weak cold chain and lack of access to finance are further constraints on the sector. When combined, all these factors help explain why Ghana is outcompeted in key agricultural products, like for instance tomatoes from Burkina Faso, which are still imported from Bukina Faso. The issues call for major public investments in the agricultural sector, which to some extent have been both low and poorly targeted.

The current government has to some extent been able to increase focus on this with initiatives such as the Planting for Food and Jobs initiative and the Rearing for Food and Jobs campaign.

#### ***Water and Sanitation***

According to an USAID 2017 report on sanitation in Ghana only 11% of the population have access to adequate sanitation despite Ghana making progress in this regard. Water access has been declining the last couple of years, as just over 60% have access to water. The Water Sector Strategic Development Plan, which was put into place by the former government, aims to provide water to all Ghanaians by 2025. It will cost USD 5,417m and 41.5% of the total costs is financed through annual budgetary allocations.

Danish companies are actively engaged in the water sector in Ghana and the Embassy of Denmark in Ghana is in the process of establishing a business club for Danish businesses in the water and sanitation sector located in Ghana.

#### ***Energy and Infrastructure***

According to the Ghanaian Ministry of Energy, Ghana's power supply sources are from Hydro (38%), Thermal (61%) and Solar (less than 1%). Electricity access rate is around 84%, the second-highest level in Sub-Saharan Africa next to South Africa. Ghana also exports power to Togo, Benin and Burkina Faso through the West African Power Pool and ongoing grid expansions would allow further exports to other neighbouring countries in the sub-region. Key constraints in Ghana's energy sector is unreliability and cost of electric power as well as the energy sector's significant financial deficit.

After years of facing problems with power outages, Ghana has been experiencing an excess capacity of electricity, where currently only 40% of the power capacity available in the country is being used. The overcapacity is problematic due to the take-or-pay contracts, which were agreed to by the former government at the height of the power crisis, as well as due to a lack of infrastructure to export the energy to neighbouring countries who could otherwise benefit.