Country Insight Report
Ghana

December 2017

Written 16 November 2017

Table of Contents

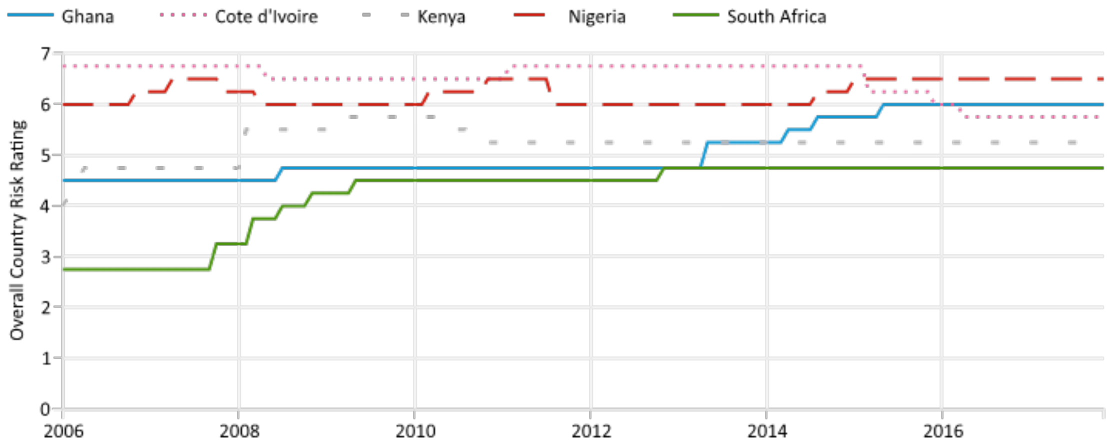
OVERALL COUNTRY RISK RATING: DB6a

R

Very high risk : Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.

Rating Outlook: Deteriorating

Rating History



Source : Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

KEY HEADLINES

CREDIT ENVIRONMENT OUTLOOK

R

Trend: Deteriorating

- Inflation will remain in double-digit figures by the end of 2017; improving in 2018.
- External debt levels remain high; external debt remains at 68.6% of GDP.
- The Central Bank has raised the capital requirement for banks.

SUPPLY ENVIRONMENT OUTLOOK

R

Trend: Deteriorating

- Ghana's infrastructure is generally poor, but infrastructure development and improvements to energy supply remain central policy objectives.
- Disaster risk is very low, but flooding can disrupt transport; the most exposed areas are in the north and north-east of the country.
- The government has committed to improving rail infrastructure in eastern and central areas, but is also focusing on improving western links to the port of Takoradi.

MARKET ENVIRONMENT OUTLOOK

R

Trend: Deteriorating ↘

- Corruption remains an operational hindrance to doing business.
- The One District One Factory project has begun, with the prospect of improving employment.
- Ghana remains open to trade and direct investment and FDI figures remain robust.

POLITICAL ENVIRONMENT OUTLOOK

R

Trend: Stable →

- Terrorist activity in Burkina Faso has raised the possibility of an attack in Ghana given porous borders.
- The government has agreed to an extension of the IMF credit facility.

KEY RECOMMENDATIONS

- Anticipate the continuation of local currency volatility and price pressures heading into 2018.
- Expect solid growth in 2017 and 2018 as the economy remains buoyed by oil exports.
- Monitor the progress of the ECOWAS continental free-trade area (CFTA) in order to assess if this will affect trade and investment.
- Monitor the government's progress in handling fiscal consolidation as this will affect inflation.
- Seek CLC terms for all business dealings to mitigate payment delays and the risk of default.

GLOBAL INSIGHT

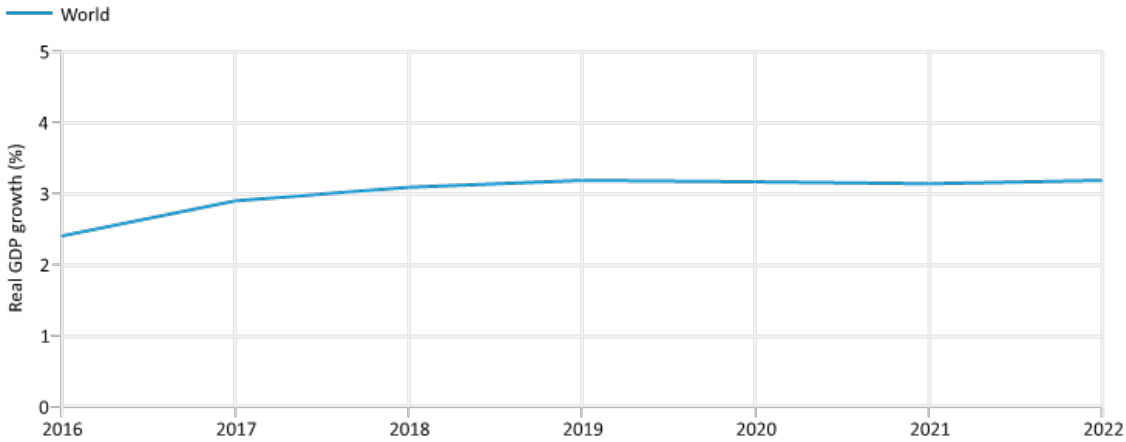
Trend: Stable

Headline Global Issues

- We forecast a gentle acceleration in global economic growth going into 2018.
- Markets appear to have priced in policy-normalisation steps comfortably.
- The global recovery seems resilient to political risks for the time being.

GLOBAL OUTLOOK

Global Growth Forecast



Source : Haver Analytics/Dun & Bradstreet

Global Economic Outlook: Growth prospects improving into 2018

Global growth for 2017 is set to come in at 2.9%, the highest level since 2011, and will improve further to 3.1% in both 2018 and 2019. Our positive view is supported by the IMF's October upgrade of its forecasts. Furthermore, the WTO also sharply revised upwards its forecasts for world trade in 2017 on the back of a strong first half performance. More generally, employment data are strong, and commodity prices have rebounded from their 2016 lows. The latter favours the outlook for commodity-exporting countries but also the incentive for inventory-building globally; inventory growth in Q3 in the US was a sizeable boost to the real GDP growth first estimate of 3% (annualised). Markets also appear to have built in fairly stable expectations around the normalisation of central bank policy as quantitative easing is wound down and interest rates rise, as shown by the neutral FX and stock response to the ECB policy announcement in October.

Meanwhile, political risk, although remaining elevated, has eased to a degree since the start of 2017. In particular, the checks and balances of the US political system have ensured more policy certainty than initially predicted following the election of President Trump. Although Brexit negotiations are proving inconclusive at present, businesses continue to operate under existing EU rules, ensuring stability in our short-term forecast period; while the apocalyptic prospect of a US-North Korea nuclear war seems delayed as both consider their how their interests lie in détente, even as President Trump's visit to Asia in November sees a US military build-up in the region.

Commodity Prices

Commodity	Jul 2017	Aug 2017	Sep 2017	2017f	2018f	2019f	2020f	2021f	2022f
Aluminium (USD/tonne)	1,903	2,030	2,100	1,970	2,200	2,175	1,950	1,900	2,000
Copper (USD/tonne)	5,978	6,478	6,583	6,220	5,960	6,000	6,010	6,015	6,100
Gold (USD/ounce)	1,236	1,282	1,315	1,244	1,262	1,281	1,310	1,323	1,340
Oil (USD/barrel)	49.3	51.9	55.4	52.5	53.1	56.0	63.0	75.0	87.0
Cocoa (USD/tonne)	2,201	2,246	2,232	2,200	1,945	2,020	2,032	2,032	2,032
Coffee (US cents/lb)	152.3	155.5	151.7	155.0	162.0	163.0	162.0	160.0	160.0
Phosphate (USD/tonne)	88	87	85	98	103	107	109	113	117
Platinum (USD/ounce)	918	972	966	1,009	1,028	1,040	1,046	1,059	1,065
Soybeans (USD/tonne)	408	390	397	398	376	377	378	378	377

Source : World Bank/Dun & Bradstreet

Exchange and Interest Rates

Metric	Jul 2017	Aug 2017	Sep 2017	2018f	2019f	2020f	2021f	2022f
EUR-USD	0.87	0.85	0.84	0.83	0.81	0.83	1.2	1.22
JPY-USD	112.42	109.83	110.78	105.0	105.0	100.0	105.0	110.0
GBP-USD	0.77	0.77	0.75	0.75	0.76	0.73	0.74	0.73
BRL-USD	3.2	3.15	3.13	3.35	3.44	3.56	3.65	3.68
CNY-USD	6.77	6.67	6.57	6.85	6.9	7.0	7.0	7.0
BOJ Interest Rate (EOP)	-0.06	-0.07	-0.06	-0.1	0.1	0.3	0.5	0.5
ECB Key Interest Rate (EOP)	0.0	0.0	0.0	0.1	0.5	1.0	1.5	2.25
US Federal Funds Rate (avg)	1.13	1.13	1.13	2.5	3.25	3.5	3.75	4.0

Source : Dun & Bradstreet, Haver Analytics, Federal Reserve Board, European Central Bank, Bank of Japan

Key Risk: Confidence is not complacency

The steady flow of reassuring economic data amid gradual policy normalisation steps, ten years after the crisis, has made it harder to take a negative view; indeed, caution would already seem contrarian. Despite uncertainty about how leading economies will address lower post-crisis productivity growth and poor demographics, the success of the quantitative easing approaches kick-started in 2008 seems undoubted. Since former US central banker Ben Bernanke's memoir *The Courage to Act: A Memoir of a Crisis and Its Aftermath* came out in hardback edition in 2015, the confidence of investors, businesses and households in the US and globally has recovered further.

However, while the outlook is stable, notes of caution are not just footnotes. The US has failed to hit a 3% rate of growth since the crisis; the latest Q3 figure is unlikely to be sustained. Four advanced country central banks own a fifth of all their governments' debt. Meanwhile, China's own central banker, himself approaching retirement, warned in October of a 'Minsky moment', where fundamentals impose a sharp correction on debt markets and growth. All should hope that a (second) crisis nervously awaited may never come; the lessons in greater caution learned in the wake of the 2007 shock may themselves assist in precluding another sudden blow to the world economy.

Recommendations

- Note that short-term volatility due to political risk factors may be a poor guide to medium-term trends.
- Assess the contribution of demographic trends to the viability of your medium-term strategic sales plans.
- Look for opportunities in markets with good country risk fundamentals that were left behind by the boom of 2010-15.
- Maintain underwriting standards and limit medium-term exposure, even if your sector exhibits historically low volatility.
- Factor in exchange rate volatility to both receivables management and assessment of customer cashflow.

REGIONAL INSIGHT

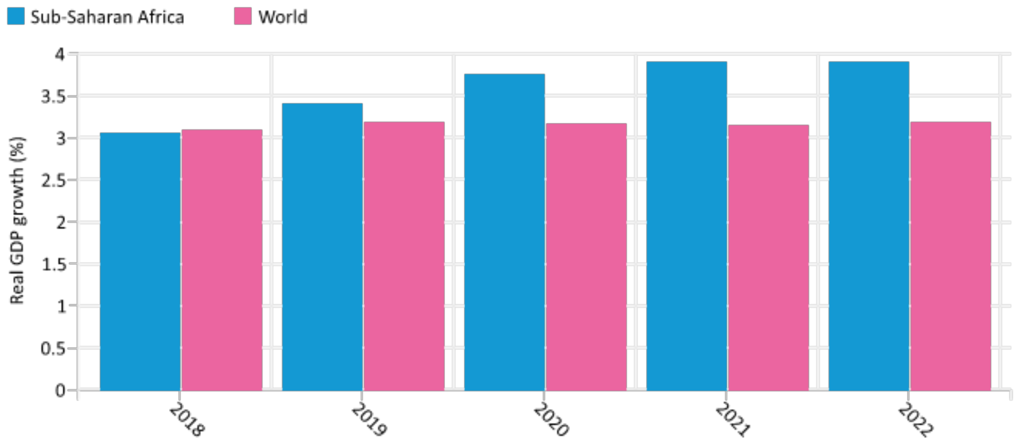
Trend:	Stable

Headline Regional Issues

- The region continues its slow, steady trajectory back to +3% growth for the first time in three years.
- A synchronous improvement in global growth adds upside to the region's outlook.
- As major central banks like the US Federal Reserve and the Bank of England raise rates, and global financial conditions tighten, regional economies may suffer periods of capital outflow and weaker currencies.
- Political risk has increased, and sporadic episodes of civil disorder could hamper the region's return to faster growth.

REGIONAL OUTLOOK

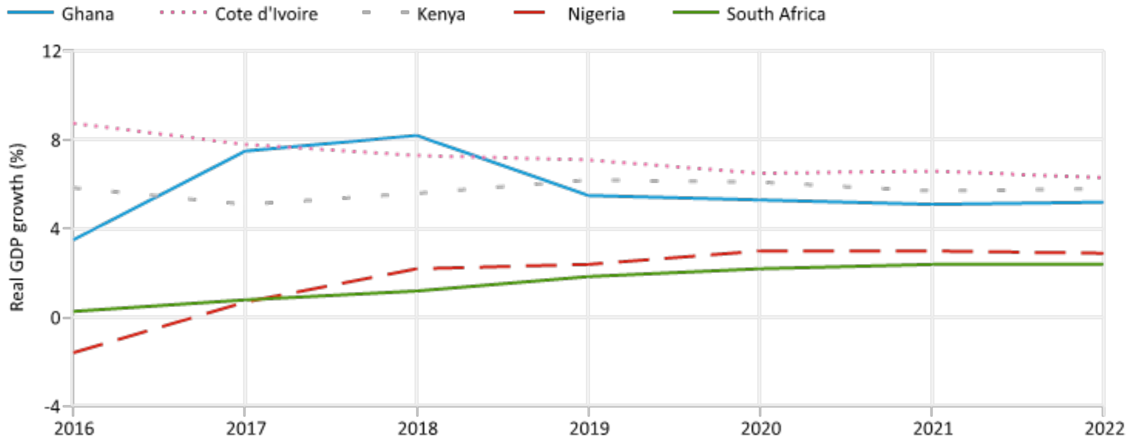
Regional Growth Forecast



Source : Haver Analytics/Dun & Bradstreet

The region is benefitting from the synchronous improvement in global growth. Most countries, and regions, of the global economy are currently performing measurably better than they were a year ago. Furthermore, growth prospects are also marginally brighter for all regions, due to a variety of factors. However, there are underlying risks that could weigh on growth; in line with the rest of the global economy, much of the disruption in sub-Saharan Africa could stem from increased political risk. For example, Cameroon is the largest and most diverse economy in Central Africa and is posting reasonably-strong economic growth rates. But the economy is suffering from security issues associated with terrorist attacks by Boko Haram militants in the north that are disrupting trade and investment in the affected provinces, while the largely anglophone provinces in the west, bordering Nigeria, are suffering from political instability and demonstrations. The government is implementing some pro-business reforms, although progress is slow and patchy. We advise caution when dealing with Cameroon-based counterparties; CLC remain our minimum recommended terms.

Outlook for Key Regional Countries



Source : Haver Analytics/Dun & Bradstreet

The largest regional economy, South Africa, is passing through a period of intense political in-fighting and subdued economic growth. President Zuma faces growing dissent in the ruling ANC over his presidency and allegations of corruption, which could result in a further vote of no-confidence matched by cabinet reshuffles. On the plus side, mining output picked up to 6.9% y/y in August; the sector has benefitted from slightly-stronger external demand for a range of solid minerals and industrial metals. The August increase was the highest in six months; this took mining growth to 4.0% y/y for the first eight months of 2017. However, mining activity remains under threat from future strike action, political instability and regulatory uncertainty. The Nigerian economy, the second largest, has emerged from recession, but remains burdened by stretched national finances, relatively-low oil-export revenues, and policy uncertainty. The government is pursuing investment to promote infrastructure development and non-oil business activity, although spending plans will be restricted by weak public finances and a large external debt burden. The country is also faced with a period of heightened political instability and ongoing security concerns. There are serious doubts over the ability of President Buhari to complete his four-year term in office.

Ethiopia is among the fastest-growing economies in Africa, but it is not without its challenges; the National Bank of Ethiopia (NBE) devalued the exchange rate of the local currency (the birr) by around 15% against the USD in October - the largest devaluation in several years. The rate was adjusted in an effort to improve international competitiveness and boost export volumes, as well as to help attract further investment to its export-oriented manufacturing sector. At the same time, the NBE raised the interest rate on deposits from 5.0% to 7.0% in an effort to offset any increase in inflationary pressures brought about by the exchange rate adjustment. Similarly, the Kenyan economy is passing through a soft patch owing to election-related uncertainties and the resulting impact on confidence levels. Private sector activity has been unsettled by the disputed elections, as highlighted in the Stanbic Bank Purchasing Managers Index (PMI), which fell from 42.0 in August to 40.9 in September (below 50 indicates contraction), the lowest reading since the survey began in 2014. The disputed August presidential election - and the decision by the Supreme Court to void the outcome and order a re-run (which the incumbent won) - will weigh heavily on economic data in H2 2017.

Recommendations

- Companies in resource extraction should expect payment delays to stabilise.
- Investors should beware of forced contract renewals as governments attempt to maximise returns, with resource nationalism rising in the face of dwindling revenues.
- We advise applying stricter trade terms for local counterparties.
- Monitor FX liquidity in countries with balance-of-payment difficulties and weak currencies.

COUNTRY INSIGHT HEADLINES

CREDIT ENVIRONMENT OUTLOOK

R

Trend: Deteriorating

Current Issues

- Inflation is hovering around 12% and the cedi remains weak.
- High external debt levels (68.6% of GDP) mean that the country remains vulnerable to external shocks.
- Government revenues and the FX reserve position will remain erratic, given volatile commodity prices.

Risks and Opportunities

- Although showing signs of improvement, the cedi will remain weak heading into 2018 and will be a burden on firms with large FX-denominated debts.
- Price pressures will remain stubbornly high heading into 2018, given the weakness of the cedi and challenges to improve the fiscal position.

Trade Terms

Description	
Minimum Terms	LC
Recommended Terms	CLC
Usual Terms	60-90 days

Source : Dun & Bradstreet

Export Credit Cover

Agency	Cover
US Eximbank	Full cover available, restrictions may apply
Atradius	Cover available subject to approved LC, no discretionary limits. Enquire for LT cover
ECGD	Enquire for both ST and LT
Euler Hermes UK	Full ST cover available

Source : Export Credit Agencies

Recommendations

- Monitor the inflation rate, as it will continue to determine local borrowing costs.
- Be prepared for further exchange-rate volatility.
- Anticipate higher growth in 2017 and 2018.
- Seek CLC terms on all business dealings.

SUPPLY ENVIRONMENT OUTLOOK

R

Trend: Deteriorating

Current Issues

- Ghana's infrastructure is generally poor, including energy infrastructure, and power shortages can be expected.
- However, investment in energy, oil and gas infrastructure should improve the supply outlook in the next few years.
- The government continues to take steps to improve the power supply, but demand will continue to exceed supply in 2018.

Risks and Opportunities

- Railways, airports and roads all require significant investment.
- Ghana's logistics index is low, and local supplier quality is a little below that of regional peers.
- Infrastructure development is a central policy objective, and upgrades to transport and electricity networks will continue to provide opportunities.

Natural Disaster Impact

Source : D. Guha-Sapir, R. Below, Ph. Hoyois - EM-DAT: International Disaster Database – www.emdat.be – Université Catholique de Louvain

Recommendations

- Expect an ample pool of unskilled labour, but shortages of skilled labour.
- Plan for disruption due to power outage and logistical delays.
- Ensure considerations for infrastructure development; plans are in place for long-term investment planning.

MARKET ENVIRONMENT OUTLOOK

R

Trend: Deteriorating

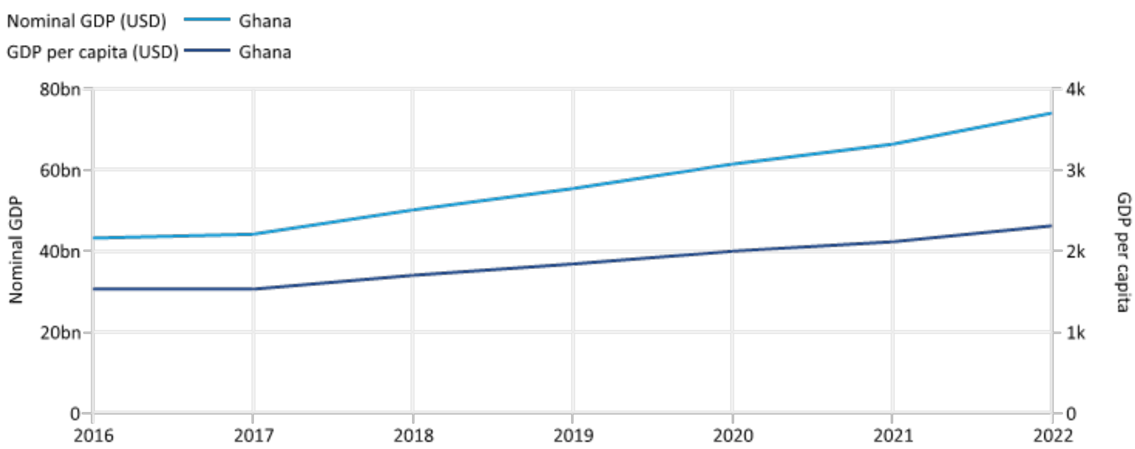
Current Issues

- The NPP government continues to assess a public-private partnership (PPP) framework to ensure transparency and accountability for such projects.
- Ghana continues to attract overseas investment from a variety of countries.
- The One District One Factory project has commenced which will generate employment across the country.

Risks and Opportunities

- Ghana has few restrictions on FDI inflows, and the country features only infrequently in international trade or investment disputes.
- Reform of the energy sector should present opportunities, as the government may seek to liberalise ownership of state-controlled organisations.
- Banking and telecommunications will continue to expand in the next decade.
- Migration to the capital and southern parts of the country should boost domestic consumer demand for goods.

Nominal GDP and GDP per capita



Source : Haver Analytics/Dun & Bradstreet

Recommendations

- The economy should continue to expand in the long term.
- Investors should check for changes to import tariffs, as Ghana appears to have implemented the ECOWAS common external tariff.
- Monitor developments in discussions related to the CFTA arrangement.

POLITICAL ENVIRONMENT OUTLOOK

R

Trend: Stable →

Current Issues

- The NPP government agreed to an extension of the IMF extended credit facility.
- Fiscal consolidation may yet lead to social unrest as the government attempts to rein in public spending.
- Terrorist activity in Burkina Faso has raised the possibility of an attack in Ghana given porous borders.

Risks and Opportunities

- The NPP government may seek to privatise state-owned assets in a bid to reduce government expenditure and improve the pace of fiscal consolidation.
- Political disputes could lead to instability but are unlikely to cause significant difficulties, as Ghana has a robust democratic system.

Political Freedom

Location	Electoral Process	Pluralism and Particip.	Function'g of Govt.	Freedom of Express'n and Belief	Assoc. and Org. Rights	Rule of Law	Personal Autonomy and Individual Rights
Ghana	12	15	10	14	11	11	10
Sub-Saharan Africa	7	9	6	11	7	7	8
OECD Average	12	15	11	15	11	14	14

Source : Freedom House

Higher score = greater degree of freedom

Recommendations

- Take out adequate insurance to cover political and security risk.
- Insure goods against theft; shippers report that thefts are common at the ports of Takoradi and Tema. Travelling by road at night is also not recommended.
- Armed robbery and home invasions have been reportedly rising in Accra; monitor the situation.

DETAILED ANALYSIS

The following sections analyse in more detail the nine core elements that influence the risks and opportunities involved when doing business in/with a given country.

The core categories that we analyse as part of our broader risks and opportunities model are as follows:

- Short-Term Economic Outlook
- Long-Term Economic Potential
- Market Potential
- FX Risk
- Transfer Risk
- Business Regulatory Environment
- Business Continuity
- Political/Insecurity Risk
- Expropriation/Nationalisation Risk

Descriptions for each of these categories can be found in the User Guide section of this report.

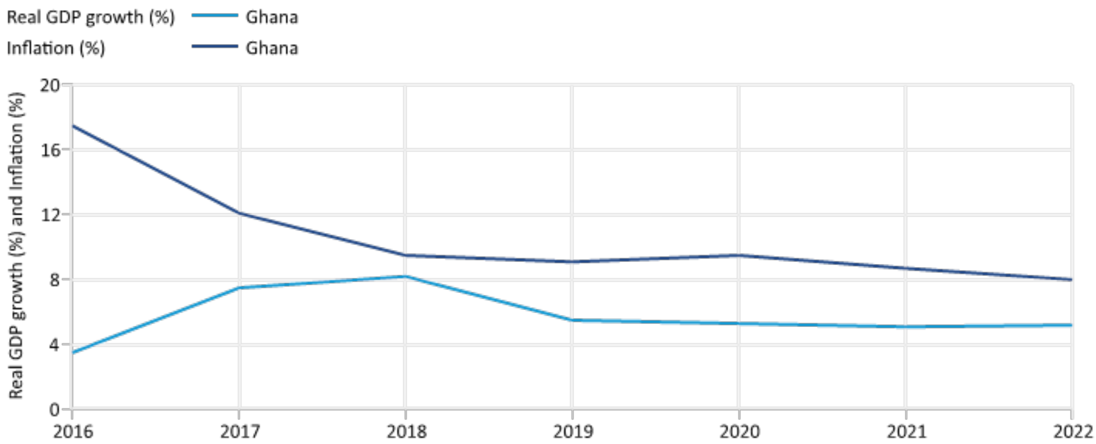
SHORT-TERM ECONOMIC OUTLOOK

Growth is likely to be robust in 2017 and 2018, buoyed by increased oil production. Recent figures indicate that the economy expanded by 9% y/y in Q2 2017, with the industry sector recording solid growth especially from mining and quarrying. We have revised our real GDP figure upward for 2017 from 6.1% to 7.5%. Inflation remains high, and the cedi is relatively weak despite improvement in the external balance. The NPP government has promised to tackle the fiscal deficit and is aiming to ensure a reduction in 2017 from 8.7% recorded in 2016. As of July, the deficit was assessed at 4%. Despite improvements to conditions for growth, macroeconomic stability will continue to be challenged by a volatile currency and relatively high inflation heading into 2018. Real GDP growth is likely to rise to 8.2% in 2018 as inflation falls and small and medium-sized enterprises gain access to funds as the main policy rate is lowered. The government has agreed to an extension of the IMF credit facility – this will help with fiscal consolidation measures in 2018.

Risks and Opportunities

- Growth should improve in 2017 and 2018, with increased oil production and a slight improvement in inflation levels.
- Transport and power infrastructure should continue to attract international investment.
- However, household and business confidence will remain fairly muted given that growth is led by oil exports.

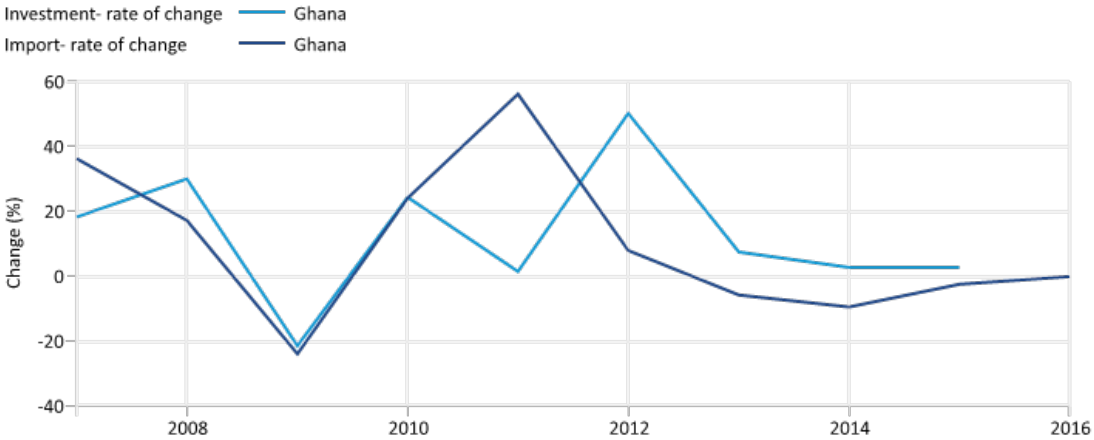
Real GDP Growth and Inflation



Source : Haver Analytics/Dun & Bradstreet

While we expect real GDP growth to rebound to 7.5% in 2017, the economy will continue to struggle with a weak cedi and high inflation rate. Although inflation fell in Q2/Q3, there has been a recent uptick driven by fuel price increases which are likely to linger in Q4 2017. The CPI stood at 12.2% y/y in September 2017. The central bank recently decided to maintain the main policy rate at 21.0%, noting the recent increase of inflationary levels despite improved economic activity and consumer/business sentiment. Inflation however should recede in 2018, improving as the economy strengthens and fiscal consolidation gains pace.

Investment and Imports



Source : Dun & Bradstreet, Haver Analytics/Dun & Bradstreet

Ghana continues to attract investment, but this has been driven by government spending, which reflects the large budget deficit. The One District One Factory project was launched in July/August, with the assistance of overseas investment given the efforts to improve the fiscal deficit. The government has also had to extend the IMF agreement by a year. An improvement in growth in 2017, along with loosening monetary policy, may help to improve consumer demand heading into 2018. The government is seeking to ease the dependence on imports in the long term by diversifying the economy away from the export of commodities. However, demand for imports will remain relatively high in the coming years despite the current account deficit narrowing in 2017 in response to increased exports of gold and oil.

Recommendations

- Be aware that, despite improvement in inflation rates, local borrowing costs will remain high heading into 2018.
- Seek CLC terms for all business dealings to help mitigate payment delays and the risk of default.
- Note that business opportunities should continue to present themselves in the energy and infrastructure sectors.

LONG-TERM ECONOMIC POTENTIAL

Ghana has the potential to record modest real GDP growth of 4.0-7.0% in the medium to long term, but this is largely dependent on exports of commodities such as oil, gold and cocoa. The NPP government is seeking to diversify the economy. It has focused on sustainable growth shifting from taxation to productivity in order to reduce reliance on commodities. Although the high budget deficit is assisting with rising debt levels, fiscal consolidation should improve, as it has now become a matter of importance for the newly-elected NPP government, while export-led growth will assist with improving the position through revenue generation. Inflation will remain high in the coming years, but should fall as the fiscal position improves. Meanwhile, the government has shown commitment to dealing with power supply shortages and ensuring investment in key infrastructure. Elsewhere, oil production should rise in 2017-18, in line with output from the TEN project and Sankofa-Gye Nyame oil fields, and this will contribute to an increase in economic growth. Positively, a recent maritime border dispute with Cote d'Ivoire was settled in favour of Ghana and ensures that the TEN project will continue to generate revenue for the country.

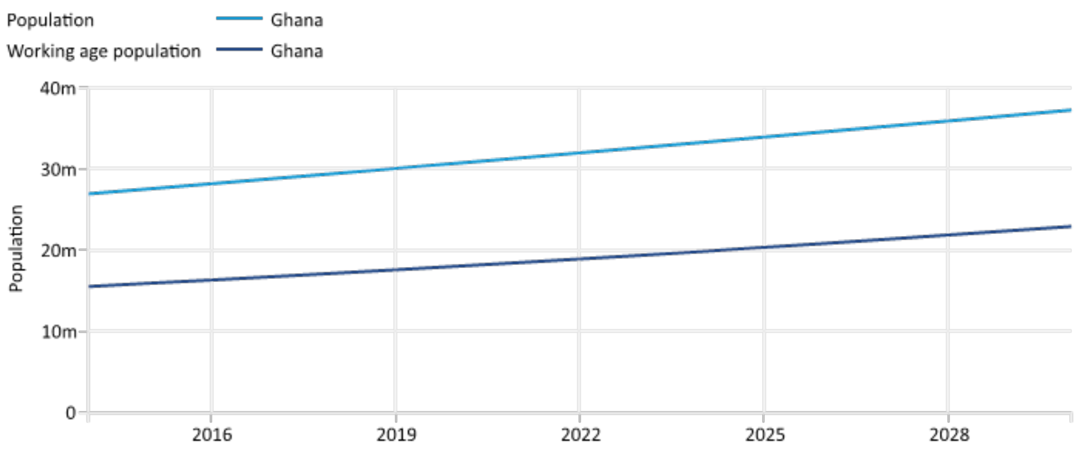
Policies are becoming predominantly business-friendly (although implementation is often incomplete), the political environment is relatively stable, the population very young, and the country’s large natural resources provide a strong foundation for future economic growth. Ghana does not suffer from the inter-ethnic and tribal conflicts that have derailed many African countries’ development, but the provision of education and youth unemployment remain challenging to the long-term outlook.

Risks and Opportunities

- Labour laws are generally employer-friendly. English is spoken widely, especially in cities, but illiteracy rates are high (23% according to the UN) and unskilled labour is abundant.
- We expect Ghana to secure substantial investment in infrastructure during the next decade, further improving its attractiveness as an investment destination.
- Reliance on commodity exports and prices will probably be a significant risk in the medium term.
- Power shortages are likely to remain a key medium-term to long-term risk.

Human Capital

Population Dynamics



Source : UNPOP

Ghana has an enviable demographic age profile, but needs better education policies and healthcare standards to fully benefit from its very young population. The favourable age structure will be maintained for decades, which will support a gradual increase of the working-age population.

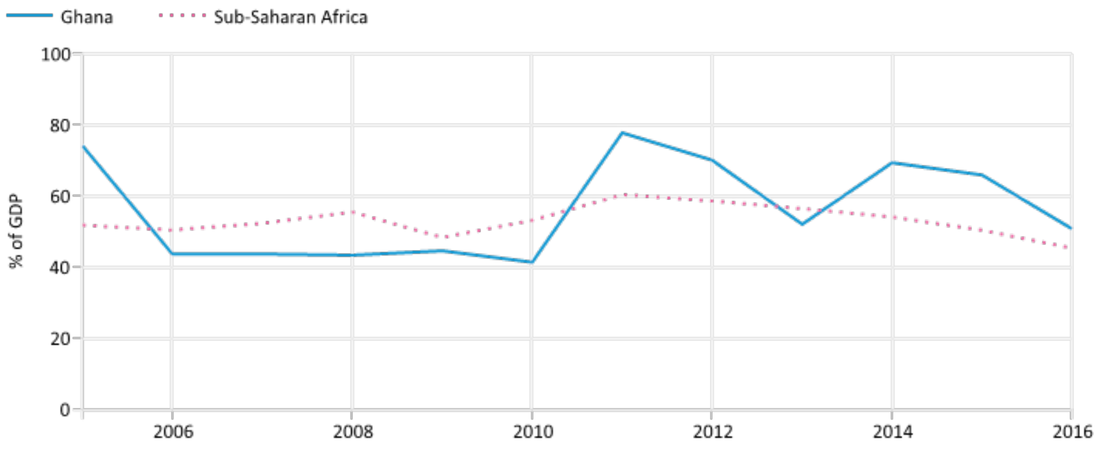
The World Bank estimates a 55% enrolment rate for both sexes at secondary school level, while 16% of males and females enter tertiary education after leaving secondary school. A number of factors will contribute to what should be a significant increase in Ghana's human capital in the coming decades: improved access to education for women (primary and secondary education is free and compulsory in Ghana for all, but the participation rates for women are lower at each stage, with much lower tertiary education rates than men); a higher standard of living, which will allow more children to be sent to school rather than earning money; and wider access to education for rural communities.

Physical Capital

Ghana has a very weak infrastructure base, which is generally aged or outdated and in need of renewal. The NPP government is likely to remain committed to improving infrastructure and has the means to attract investment or utilise revenues from commodity exports. Both the rail network and roads require investment. Telecommunications also require investment as, although the country has internet access, connectivity to rural areas is limited. However, competition amongst mobile cellular providers is spurring growth and inter-connectivity.

Openness

Exports and Imports



Source : IMFDOT/Haver

Ghana is relatively open in terms of trade and investment. However, due to a reliance on commodities (such as oil, gold and cocoa) it is also subject to shocks emanating from falls in prices and associated falls in export volumes and sources of government revenue. It is considering the possibility of a free-trade zone within West Africa and has recently implemented a common external tariff. The government has also recently signed an interim Economic Partnership Agreement (EPA) with the EU, which could further open its markets to trade.

Competitiveness/Institutional Strength

The government has taken action to improve the regulatory environment in order to attract investment, but the bureaucratic process remains slow. Ghana also remains subject to hindrance from corruption, and the judiciary is subject to political influence. Nevertheless, it remains a stable democracy in West Africa and features strong civil society institutions, along with a stable legislature and executive.

Recommendations

- Ghana provides access to the ECOWAS market.
- Energy shortages and power outages should be factored into long-term operational strategy.
- Multinational partners should remain engaged with energy supply and development plans for the foreseeable future.

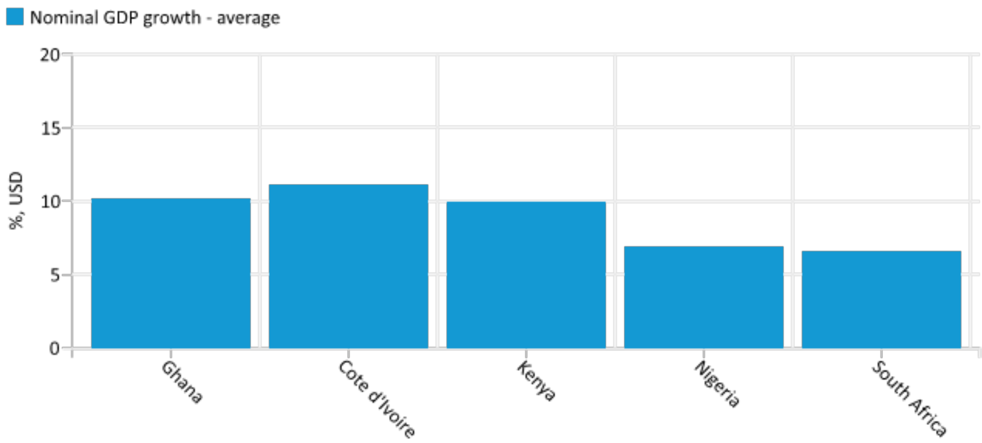
MARKET POTENTIAL

Ghana is more stable and more open to trade and investments than peer regional economies, but it suffers from logistical and infrastructure deficiencies, and market potential is stifled by problems with energy supply. However, it has taken steps, as a member of ECOWAS, to sign an interim EPA with the EU that will open the country up to trade. It also continues to explore the establishment of the CFTA for the West African region (discussions are now under way). Ghana has implemented the Common External Tariff (CET), as agreed by members of ECOWAS. A PPP legal framework should boost investments in infrastructure, as Ghana suffers from weak transport and utilities networks (the draft law is currently before cabinet), and the government has developed a national infrastructure plan. Despite the short-term economic outlook, long-term growth should boost discretionary incomes and widen the local consumer market in the years ahead. The urban population accounts for over 50% of the total population and migration to the capital and south of the country is likely to boost domestic demand for fast-moving consumer goods.

Risks and Opportunities

- Local supplier quality is a little better than regional peer Nigeria; Ghana is ranked 81st in the 2017-18 *Global Competitiveness Report*, compared with Nigeria at 110th.
- Ghana continues to successfully attract FDI.
- The government has commenced the One District One Factory project that should assist with increasing employment across the country.
- ECOWAS and the EU should finalise and ratify the EPA that will open up markets in West Africa to EU trade.

Average Nominal GDP Expansion, 2018-22



Source : Dun & Bradstreet

Despite challenges to the short-term outlook, nominal GDP should increase, as Ghana's economy is expected to grow during 2017-19 in response to the increasing production of oil, which is expected to double to 250,000 barrels per day (b/d) by 2021. Ghana is also taking part in the CFTA scheduled for implementation in 2018. The CFTA aims to link intra-regional trade via the removal of tariffs for most goods for African countries.

Main Restrictions on Imports

Tariff Barriers	Ghana	Cote d'Ivoire	Kenya	Nigeria	S. Africa
Overall Weighted Mean Tariff	10.0	10.6	7.6	9.8	4.2
Manufactures Weighted Mean Tariff	8.7	9.5	7.7	9.6	5.2
Primary Products Weighted Mean Tariffs	14.4	13.5	7.5	10.1	1.8
Overall MFN Tariff	41.0	42.1	36.1	39.9	21.6
Manufactures MFN Tariff	35.7	40.3	34.2	39.1	22.7
Primary Products MFN Tariff	70.8	53.6	48.9	45.6	13.4
Services Restrictiveness Index	18.4	26.4	29.5	27.1	34.5

Source : Haver Analytics/World Bank

Ghana’s tariff barriers for merchandise goods are low compared with its regional peers. The country is a member of the WTO, where it features infrequently in trade disputes. According to the World Bank's *Services Trade Restrictions Index*, Ghana’s services sector is also more open than that of other major African states. ECOWAS has implemented a CET structure to ensure the creation of a common market in West Africa. The CET has five tariff bands: essential goods have a zero rate; basic goods and raw materials have a 5.0% rate; intermediate goods have a 10% rate; final consumer goods have a 20% rate; and specific goods for economic development have a 35% rate. The government has also announced the implementation of a 0.2% import tariff on goods purchased outside the members of the African Union. The levy has been introduced (in addition to Rwanda and Nigeria) with the aim of reducing foreign aid funding of the African Union. This may affect importers of goods into Ghana who will have to either absorb the cost of the levy and reduce profit margins, or pass it on in their prices.

Recommendations

- Investors seeking import substitution opportunities should check details of the CET.
- Make plans to mitigate interruptions to utility services.
- Expect the market in Ghana to expand in the long term; rewards seem reasonable for the level of risk faced when operating in the country.

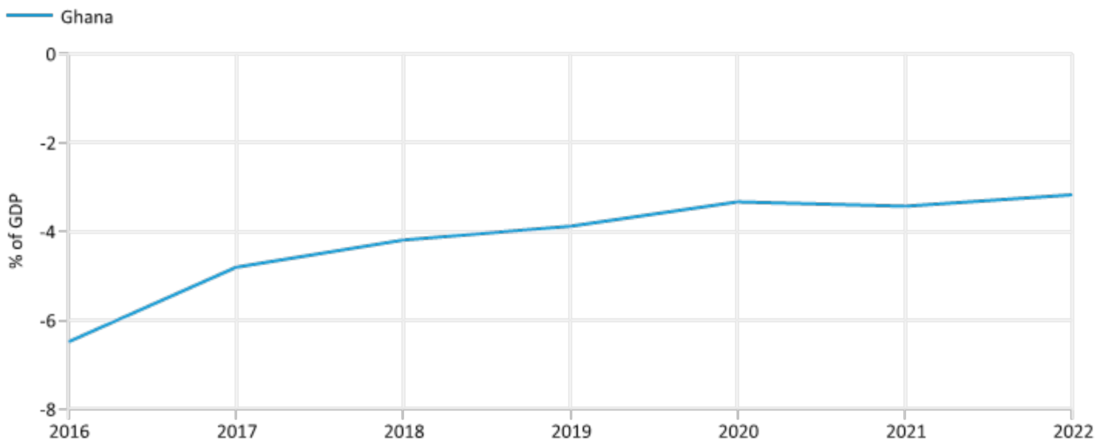
FX RISK

FX risk will remain high in Ghana in 2017 given the instability of the cedi and fluctuating FX reserves. Despite increased demand for oil and gold exports, the cedi remains volatile; it has fallen from GHC4.22:USD in April 2017 to GHC4.37:USD in October 2017. Sustained FDI inflows in the mining and oil sectors and assistance from the IMF and World Bank will continue to support the cedi, but the current high fiscal and external deficits will continue to constitute downside risks. The cedi should remain relatively weak heading into 2018, despite the onset of oil production from the TEN project and IMF assistance with ensuring fiscal consolidation. Meanwhile, official sources recently revealed that FX reserves were USD5.1bn in August 2017 and that the level of import cover is at 3 months (meeting the IMF's recommended minimum of 3.0 months). An improvement in oil prices and oil production in 2017 will continue to impact on the level of FX reserves in the near term.

Risks and Opportunities

- Fiscal consolidation should improve in 2018 and support the cedi.
- However, further cedi weakness should be expected heading into 2018, creating an additional burden on firms with large FX-denominated debts and repayment requirements.
- An estimated 50% of government debt is foreign currency-denominated, increasing Ghana's vulnerability to a sudden global capital flight to safety or a negative economic shock.

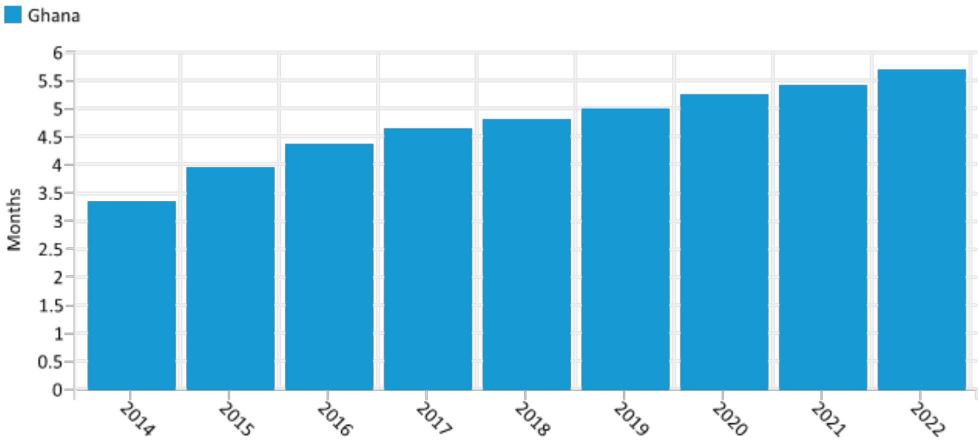
Current Account Balance



Source : Haver Analytics/Dun & Bradstreet

Concerns have emerged that Ghana is struggling to cover external financing requirements, despite respectable FDI inflows; we expect inflows to fluctuate given the short-term economic outlook. The *World Investment Report 2017* indicated that Ghana features among the top five recipients of FDI inflows into West Africa in 2016, with investments up by 9.0% on the previous year, to USD3.9bn. The large current account deficit is broadly covered by FDI inflows. Hydrocarbon reserves will continue to attract foreign investors. It will also make it easier for the Ghanaian authorities to contract financing for infrastructure projects. The current account balance of 6.5% in 2016 is likely to narrow to 4.8% as exports increase in 2017, given increased oil production. Imports dropped slightly in August 2017, by 12.3% y/y, but are likely to rise as conditions for growth improve and domestic demand picks up heading into 2018.

Import Cover



Source : Haver Analytics/Dun & Bradstreet

According to official estimates, FX reserves were USD5.1bn in July 2017; this provides 3 months of import cover. While economic growth is moderate, the external situation continues to pose downside risks, as Ghana's current account balance is more susceptible than most to volatility in global resource prices, due to the dominance of commodities in exports, investor sentiment, and the government's increasing financing needs. Downward pressures on the cedi are unlikely to subside while there is a high inflation rate differential versus major international currencies and a high current account deficit.

Recommendations

- Monitor oil, gold and cocoa prices, as falls will adversely affect the cedi and external risk.
- Hedge against exchange-rate movements.
- Monitor fiscal developments, as the exchange rate is correlated with the government's ability to bring the budget deficit under control.

TRANSFER RISK

Ghana accepts the obligations of IMF Article VIII (General Obligations of Members). Countries that do so agree not to impose restrictions on current payments or discriminatory currency practices, and to maintain the convertibility of foreign-held balances and furnish information such as data on FX reserves consistent with IMF requirements. Some capital controls are in place, but under the Ghana Investment Promotion Centre (GIPC) Act, investors are guaranteed free transfer of profits, interest, fees, charges, loan repayments and liquidation proceeds (provided they have proof of how the funds were acquired). The government is not reported to have used documentation requirements to hinder investors' transfers of funds. The country's banking system is open with providers ranging from deposit banks, commercial institutions and rural and micro-finance institutions. There have been concerns about the banking system, given the rise in government debt, weak currency and fiscal deficit. The central bank moved to shore up the banking system due to liquidity issues. Both UT Bank and Capital Bank collapsed due to issues with capital adequacy and were taken over by GCB Bank. The central bank has also raised the minimum capital requirement from GHS120m to GHS400m. The sector may face further consolidation in the event of this rise.

Risks and Opportunities

- The risk of unexpected exchange controls is low in the short term, despite the economic outlook.
- The Bank of Ghana has introduced a new law on repatriation of export receipts for residents, ensuring that export proceeds have to be stored with local banks in Ghana.
- The increase of the minimum capital requirement may lead to further consolidation in the banking sector.

Transfer Situation

Type	Delay
FX/Bank Delays	0-2 months
Local Delays	0-1 month

Source : Dun & Bradstreet

Financial Sector/Capital Flows Provisions

Provision	Active
Restrictions on Inward Direct Investment	Yes
Special Treatment for Deposits held by Non-Residents	No
Special Treatment for Deposits in Foreign Currency	No
Special Treatment for Lending to Non-Residents	No

Source : International Monetary Fund

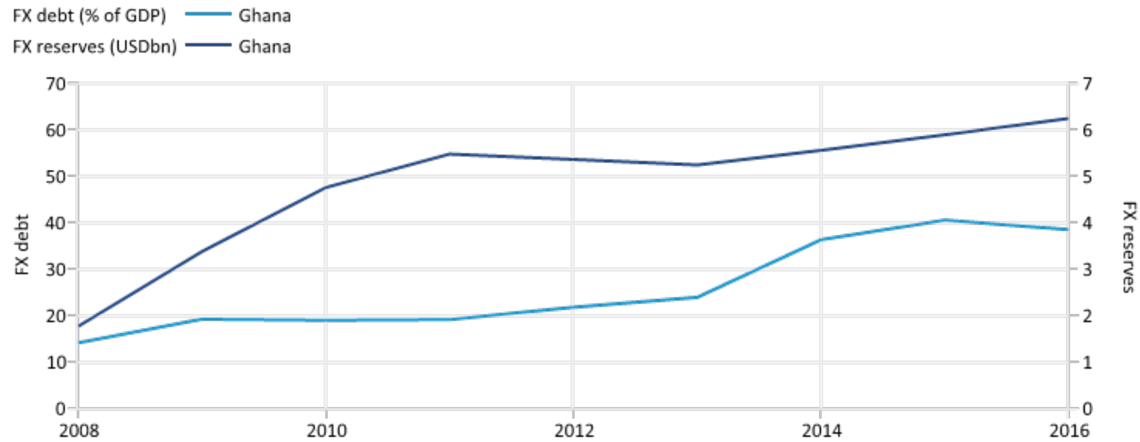
Trade Payment Restrictions

Trade Payment Restriction	Ghana	Sub-Saharan Africa	OECD Average
Restrictions on non-Residents' Accounts	0	0.24	0.06
Restrictions on Payments for Imports	1	1.29	0.06
Restrictions on Payments for Invisible and other Current Transfers	2	1.81	0.35

Source : International Monetary Fund

Those capital controls and restrictions that exist for foreign investors and/or exporters are mostly related to being able to demonstrate the origin and destination of funds in order to obtain approval from the relevant institution (generally the Bank of Ghana or the GIPC); in practice, this is always given. Restrictions are in place on capital inflows in banking and mining due to limits on foreign ownership in those sectors. Non-resident investors can invest in the stock market with no limits or prior approval. Greater regional integration via ECOWAS could ease the burden of cross-border transactions.

Total Foreign Debt and Foreign Reserves



Source : Haver Analytics/Dun & Bradstreet

Ghana's level of external debt continues to climb. According to recent official statistics, total public debt climbed from GHS119.9bn in November 2016 to GHS137.2bn in June 2017: this figure represents 68.6% of GDP. The continued depreciation of the cedi has contributed to higher debt-servicing costs, along with fiscal expenditure overruns. This debt figure is likely to remain high in the short term, as the NPP government is likely to struggle with servicing debt costs. The fiscal deficit target of 5.3% was missed in 2016; official figures confirmed that the deficit was 8.7%. The NPP government has committed to reducing the deficit to 6.5% in 2017 and has outlined different strategies for ensuring fiscal consolidation, such as cleaning wage bills and improving transparency around public finance management. Revenues from oil are also likely to assist with reducing the deficit. However, to improve debt levels, the government may need to ensure additional adjustment. It is has agreed to extend the IMF extended credit facility agreement from April 2018 to December 2018. The government is also seeking to issue a USD2.5bn eurobond to clear energy sector debts; however, this is likely to be classed as sovereign debt and will add to external debt.

Recommendations

- Monitor central bank statements for any changes in FX policy; the central bank maintained the main policy rate at 21.0% in Q4 2017.
- Anticipate consolidation in the banking sector.
- Monitor the government's fiscal consolidation programme; this will impact on debt levels.

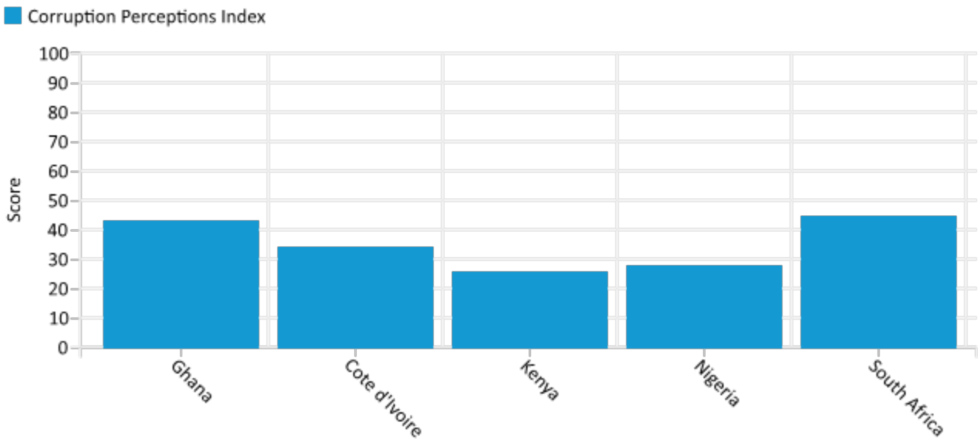
BUSINESS REGULATORY ENVIRONMENT

Ghana has made efforts in recent years to create a more business-friendly regulatory environment; total tax rates as a percentage of profits are relatively low and compliance is more straightforward than in regional peer economies. Corruption, however, remains a problem. The creation of fast-track courts has resulted in faster judicial action, but it still falls short of the six-month official target; enforcement of verdicts is not always guaranteed either. The World Economic Forum's 2017-18 *Global Competitiveness Report* ranks Ghana 111th of 137 countries and found that access to financing, tax rates (following recent tax hikes by the NPP government in 2017) and corruption were the most problematic factors for doing business. The World Bank's Doing Business Report for 2018 indicates that Ghana has improved transparency around obtaining construction permits but getting electricity remains problematic. However, the country is ranked higher overall in terms of the ease of doing business (120th out of 190 countries) than regional rivals Cote d'Ivoire (139th) and Nigeria (145th).

Risks and Opportunities

- The World Bank's *Doing Business 2018* report ranks Ghana 116th out of 190 countries in terms of success in enforcing contracts, and 96th in terms of protecting minority investors.
- The depth of credit information (publicly and privately available) is good relative to the region.
- Ghana is also ranked very low in terms of resolving insolvency; the *Doing Business* report ranks it 158th in the world, with a recovery rate of just 22.8 cents per US dollar.

Corruption Perceptions Index, 2016

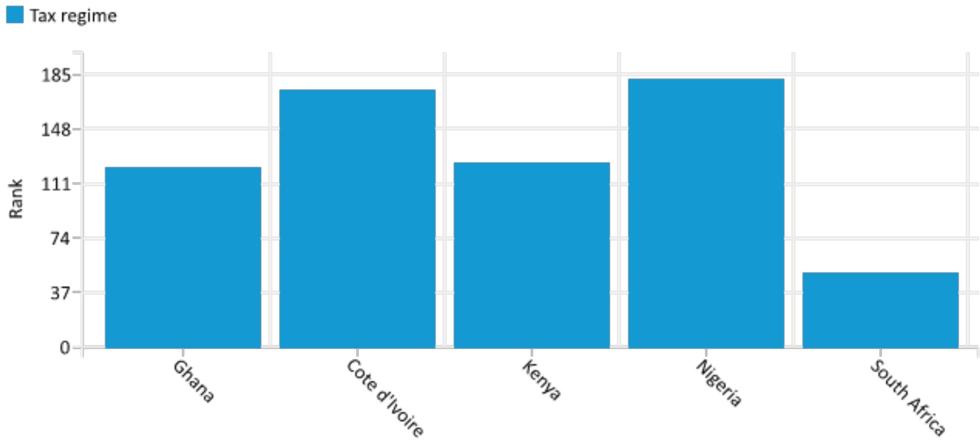


Source : Transparency International, 'Corruption Perceptions Index'

Note: 100 = least corrupt, 0 = most corrupt.

Corruption remains a major issue in Ghana, and has been highlighted by the newly-elected NPP government as an area that requires action. This is reflected in Transparency International's 2016 *Corruption Perceptions Index*. Ghana is ranked 70th (out of 176 countries), placing it below South Africa and Senegal. Companies cite corruption as an operational hindrance for doing business in Ghana, which highlights the lack of progress in this area. Corruption creates compliance risk for foreign firms; a number of US firms have reported that they are asked for ethically or legally questionable favours in return for business contracts. Ghana is not a signatory to the OECD Convention on Combating Bribery.

Ease of Paying Taxes, 2017



Source : World Bank, 'Doing Business Report'

Ranking: Low score = best, High score = worst

At 33.2% of total profits, Ghana's taxes are comparatively low; the regional average is 46.8% and the OECD average is 40.1%. The country also performs far better than the regional average in terms of how long it takes to comply with tax regulations (224.0 hours versus 280.8). The corporate tax rate is 25%. The mining tax regime is considered particularly business-friendly, but may be subject to changes in the near term.

Recommendations

- Companies from countries that have anti-corruption legislation applicable to acts of corruption committed on foreign soil should be discriminating when adopting local practices.
- Transparency in public procurement is lacking, and corruption could be a factor in the tender process.
- Hire specialist tax advisers, as Ghana's tax code provides for numerous exemptions and special regimes that considerably reduce the total tax rate.
- Vet third-party intermediaries to ensure that they do not break the law.

BUSINESS CONTINUITY

Ghana has a relatively low natural disaster risk for businesses, but the risk to business continuity is high given the quality of infrastructure in Ghana. The transport network is very poor, with the government targeting improvements in rail networks a way of improving economic interconnectedness. Electricity generation and supply are also problematic and present risks to operations in the country. Demand exceeds supply, with capacity needing to increase to 4200MW by 2026. However, we expect significant improvements across all areas of infrastructure (including energy, oil and gas infrastructure) in the coming years. The Sankofa-Gye Nyame oil and gas projects should assist with boosting energy and power security. Oil extraction has begun and peak production of 80,000 b/d is expected by 2019 (the main Sankofa field is online ahead of schedule). More importantly, the project will provide the domestic gas supply to Ghana's thermal power plants and reduce the power deficit. The project will deliver 170m cubic feet of gas per day and it is expected to generate an additional 1,100MW of power for Ghana. Telecommunication services are improving amid competition among mobile networks. Internet connectivity is improving; the government has invested in building fibre infrastructure in the eastern and western corridors.

Risks and Opportunities

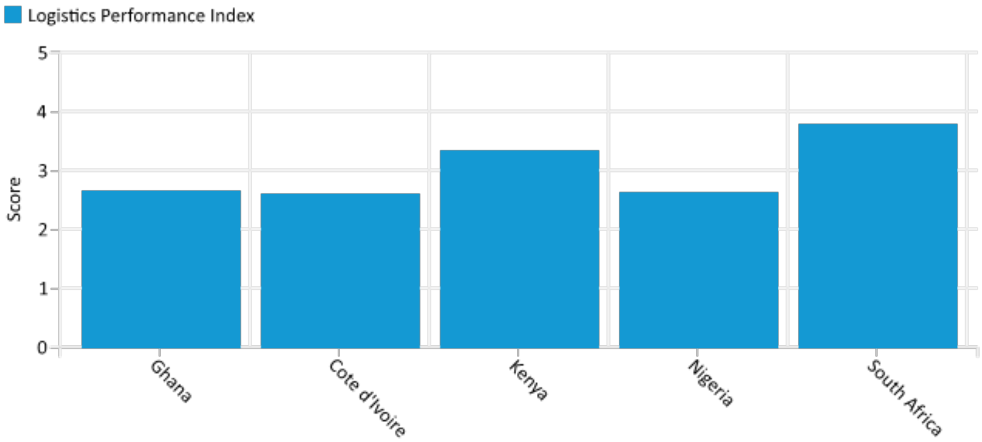
- Supply disruptions are likely to happen when floods occur after heavy rain.
- Risk control is poor; there has been a number of transport/industrial accidents, resulting in hundreds of casualties in the last decade alone.
- The logistics environment remains hindered by corruption and bureaucracy.

Natural Disaster Impact

Source : D. Guha-Sapir, R. Below, Ph. Hoyois - EM-DAT: International Disaster Database – www.emdat.be – Université Catholique de Louvain

Natural Disaster Risk: Ghana has a relatively low incidence of natural disasters but features 46th out of 171 countries in the UN's *Natural Disaster Risk Index*. The index indicates that although the country is only mildly susceptible to natural disasters, it does not have the ability to cope with them. Ghana is mainly exposed to floods, particularly in the Upper West, Upper East and Northern regions during March-November (the rainy season). When flooding does occur, infrastructure is highly likely to be affected, and travelling within the above-mentioned regions will be difficult or impossible during episodes of intense rain. Even so (and despite flooding in Accra in June 2015), casualties of flooding have numbered fewer than 200 in the last ten years, and economic costs have been negligible relative to GDP. Epidemics have exerted a marginally higher toll on the population in the same interval, but the risk to foreign businesses is considered minimal. The World Economic Forum's health-related indicators are among those where Ghana has the lowest scores (the country is ranked 50th in the world in terms of the business impact of malaria and 104th in terms of the business impact of HIV/AIDS).

Logistics Performance Index, 2016



Source : World Bank

Note: 1 = worse performance, 5 = better performance

Logistics and Infrastructure: Ghana fares poorly in the World Bank's 2016 *Logistics Performance Index,* with a ranking of 88th in the world, below many other African nations but above regional peers Nigeria and Cote d'Ivoire. Infrastructure, efficiency of customs and the competency of logistical services are below the regional average; only timeliness of shipments reaching their destinations is above the regional average. The World Economic Forum ranked Ghana's overall infrastructure 85th in the world in 2017 (out of 137 countries), with roads 78th (as the strongest), and railroads (93rd) and airports (94th) the weakest. In terms of electricity supply, Ghana has a far lower ranking of 111th. We believe that government initiatives, such as the national plan for PPPs, the country's improved political stability, and FDI inflows should help to bolster infrastructure in the long term. However, difficulties with the supply of energy may continue in 2018.

Recommendations

- Some Ghanaian airlines are banned from EU airspace due to sub-par safety standards; firms should conduct due diligence on local carriers before using them.
- Businesses should monitor weather reports and make contingency plans in the event of flooding.
- Monitor legislative changes, as the laws governing private sector involvement in infrastructure projects are changing to allow increased participation.
- Expect logistics delays and disruption.

POLITICAL/INSECURITY RISK

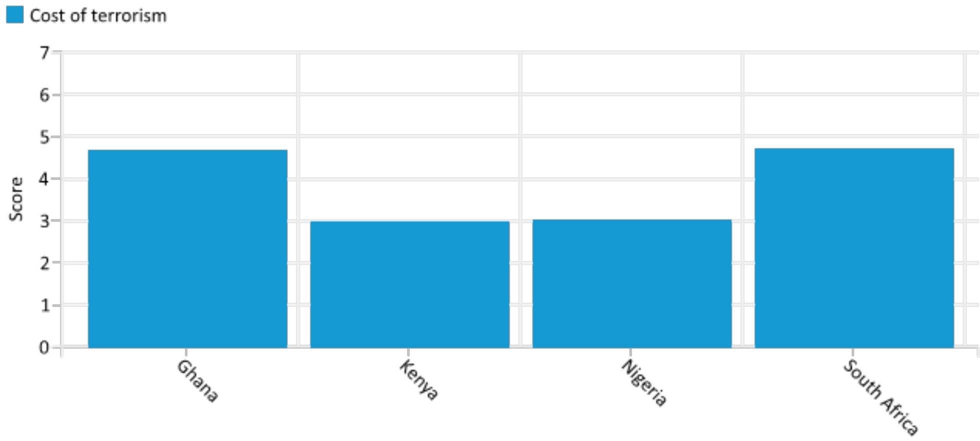
Since 2011, the World Bank has formally classified Ghana as a lower-middle income country; an acknowledgement that is reflected in the country's risk profile. However, despite low levels of political risk, the NPP government has inherited a difficult economic environment, and are working to restore stability and improve living standards that eroded over the past four years of NDC rule. Ghana is by far one of the safest countries in Africa, but an underlying threat of terrorism does exist. Recent terrorist activity in Burkina Faso has led to reports that Ghana might be under threat from terrorism; the government increased border security as a result. The government has also moved to boost maritime security by signing an MOU with Nigeria to combat piracy.

Crime and theft are non-negligible: Western nationals have been targeted in armed robberies in Tema and Accra. The north of the country, the Upper East and the Volta regions experience sporadic ethnic unrest, and businesses should ensure that they have access to timely information about violent incidents in regions of interest.

Risks and Opportunities

- Ethnic conflicts may occur, as the Muslim-dominated north of the country is poorer than the mostly Christian south; high-risk areas are Bawku, Tamale, Yendi and Bimbilla.
- Monitor the domestic security situation as Ghana suffers from porous borders.
- Major civil unrest is unlikely to occur heading into 2018, but expect trade unions to provide opposition, should the government attempt to reduce the public-sector wage bill.

Business Cost of Terrorism, 2017-18

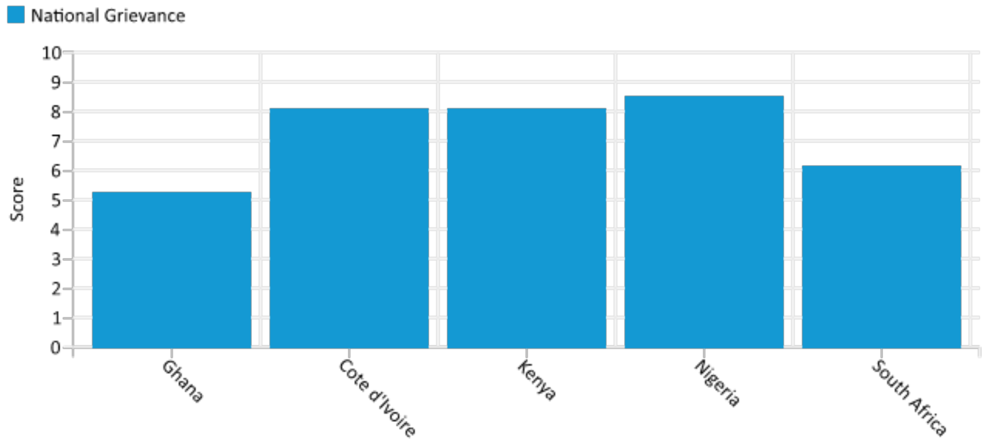


Source : World Economic Forum, 'Global Competitiveness Report'

Note: 1.0 = highest cost imposed, 7.0 = lowest cost imposed

According to the World Economic Forum's 2017-18 *Global Competitiveness Report*, the business cost of terrorism is considerable in Ghana. The country is ranked 95th (the US ranks 86th); however, most Western foreign offices consider the risk of terrorism to be an underlying threat rather than a high threat. Despite terrorist incidents in Burkina Faso in 2016 and 2017, Ghana has yet to experience an attack of similar magnitude. In late 2012, improved legislation led to Ghana's removal from the financial action task force's list of high-risk money-laundering and terrorist-financing countries. Businesses are more likely to be the victims of crime and theft (the country is ranked 85th in terms of the business cost of crime and violence). The reliability of police forces is ranked a (regionally high) 48th out of 139 countries.

Level of National Grievance, 2017



Source : Fund for Peace, 'Failed States Index'

Note: 1.0 = lowest grievance, 10.0 = highest grievance

The *National Grievance Index* (sourced from the Fund for Peace's annual reports on the *Failed States Index*) uses the level of public disaffection with public services and the population's material situation as a proxy for Ghana's risk profile. The country's score is 5.1, above the level for most developed nations, but far lower than its regional peers. Conflicts may arise over the struggle to control limited resources (such as mineral resources and food), but these are likely to be localised. Democratic credentials are strong, as the country has held six peaceful and largely fair elections since 1992, most recently in 2016.

Recommendations

- Monitor the domestic security situation.
- Insure goods against theft; shippers report that theft is common at the ports of Takoradi and Tema.
- Travelling by road at night is not recommended.
- Despite low incidents of crime, monitor the recent upsurge in armed robberies occurring in Accra.

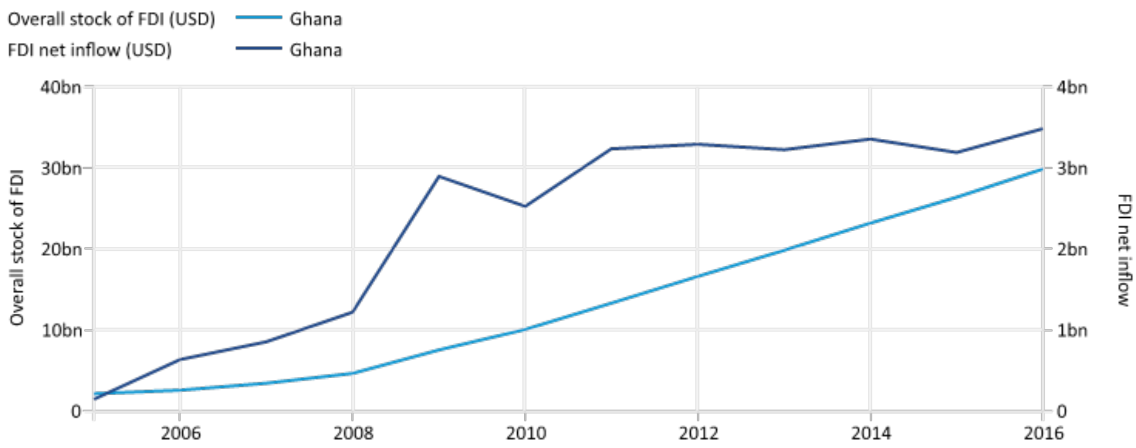
EXPROPRIATION/NATIONALISATION RISK

There have been no recent cases of nationalisation or expropriation and the political climate does not suggest an appetite for such action. The government is keen to attract foreign investment and the nearly-completed privatisation programme highlights the commitment of successive governments to private ownership. Foreign investors enjoy equal treatment to domestic investors in most sectors; as such, most grievances of foreign businesses relate to time-consuming and cumbersome regulations rather than to discriminatory treatment.

Risks and Opportunities

- The NPP government is likely to continue with drafting laws on PPPs that aim to increase private-sector involvement in infrastructure and the delivery of public services.
- The protection of intellectual property rights is an evolving field; piracy is common, but copyright infringement cases are rare and are not given priority.

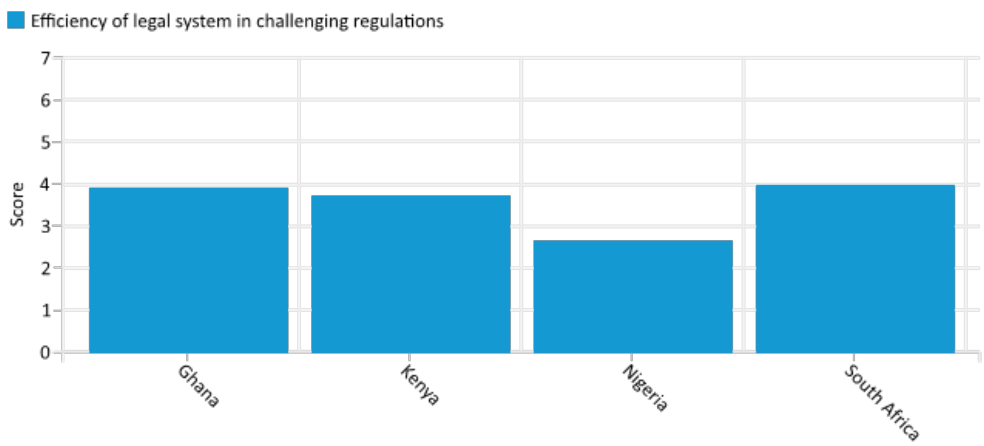
Foreign Direct Investment



Source : UNCTAD

Ghana has become one of the most attractive investment destinations in Africa due to its natural resources and improved political stability. The recent UNCTAD *World Investment Report 2017* highlighted that FDI rose by 9.0% in Ghana in 2016, largely related to fluctuations in commodity prices. FDI stock continued to rise in the country, reaching USD29.0bn by the end of 2016. The legal framework is generally FDI-friendly in that foreign investors are granted the same treatment as domestic investors, except in banking, fishing, mining and real estate (where restrictions, such as having a local partner, apply). The Ghana Investment Promotion Centre (GIPC) is keen to attract investment, especially in areas such as tourism and manufacturing.

Efficiency of Legal System in Challenging Government Regulations, 2017-18



Source : World Economic Forum, 'Global Competitiveness Report'

Note: 1 = Extremely inefficient, 7 = Highly efficient

Ghana is a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, the Convention on the Settlement of Investment Disputes between States and Nationals of Other States ('Washington Convention'), and the World Bank Multilateral Investment Guarantee Association. As of 2017, Ghana had signed around 27 bilateral investment treaties (BITs) with countries such as the UK, France, Germany and China. In 2012, Ghana began BIT negotiations with the US: this agreement was signed but is awaiting ratification.

Ghana features only infrequently in investor state disputes as a respondent: by 2017, only two international arbitration cases (utilising the International Centre for Settlement of Investment Disputes, ICSID) had been registered against the state in the last 20 years. Both were resolved without financial penalty for the country. However, the South African-owned Anglo Gold Ashanti mining company recently filed a case with ICSID, accusing Ghana of improperly withdrawing military protection from the Obuasi mine and allowing illegal miners to take control of areas that hold its richest deposits. This case is currently pending.

The independence of the judiciary, as assessed by the World Economic Forum in the *Global Competitiveness Index 2017-18*, is well above the regional average, being ranked 43rd (out of 139 countries). Government intervention in court cases is more likely in politically-charged cases than in commercial ones. In terms of the efficiency of the legal framework in challenging regulations, the country is ranked 38th out of 139 countries.

Recommendations

- Be aware that land records can be incomplete, and the process of obtaining clear title over land is cumbersome and lengthy.
- Expect the government to maintain a commitment to policies that promote inward FDI from overseas investors.

PERSPECTIVES

The following sections provide an overview of the broader/longer-term factors that influence the way that business is done in Ghana. These factors provide the foundations upon which the economy is built and the frameworks within which business is done, and provide a richer insight into the background influences that lie beyond the raw data and focused insight that is supplied elsewhere in the report.

THE ECONOMY

Economic Overview

Under the auspices of donor-funded reform programmes, Ghana's economy has transformed into one of Africa's rising stars. Establishing and maintaining macroeconomic stability has been a key policy goal and a number of structural reforms have been put in place. However, corruption, infrastructure bottlenecks (such as energy and water), and an ineffective judicial system that remains vulnerable to political interference are the main challenges.

Ghana has a rich and diverse resource base that includes gold, diamonds, manganese ore, bauxite and oil. Agriculture is the main source of employment, accounting for close to 45% of formal employment and around 19% of GDP; cocoa and cocoa products are key cash-crops, providing about one third of export revenue. Other products include timber, coconuts and other palm products, shea nuts, and coffee; less traditional products include pineapples, cashews and peppers. Locally produced foodstuffs include cassava, yams, plantains, corn, rice, peanuts, millet and sorghum.

Industry is relatively well-developed compared with other African countries and represents about 27% of GDP. Key industries include textiles, apparel, steel, tyres, oil-refining, flour-milling, beverages, tobacco and vehicle assembly. Services account for about 54% of GDP. The country is taking steps to establish itself as a major tourism destination in Africa, and the sector has already become a key foreign-income earner.

Economic Framework

Industrial Relations and the Labour Market

The unemployment rate in Ghana is relatively high; we estimate it at 40% of the total workforce. There is also a lack of relevant skills in the majority of the workforce. Labour relations are reasonably sound and union militancy is uncommon (although recent economic conditions have sparked some protest). However, the cost of firing a worker is high.

Fiscal Framework

Ghana has recorded budget deficits in recent years, reflecting structural weaknesses in the fiscal account, poor public expenditure management (low central control over expenditures) and a narrow tax base. The country's newly-acquired status as a lower-middle-income country is reducing the inflow of grants. Under IMF guidance, the authorities aim to limit the budget deficit to 8.0% of GDP in the short term and to 3.0-5.0% in the medium term. Under the guidance of the IMF, the NDC government took steps to improve tax collection, clean up public-sector wage bills and collect additional revenues. However, the NDC government struggled to reduce the public-sector wage bill and increase revenue streams to lower the budget deficit (it is estimated that it stood at 8.7% of GDP in 2016, up from 6.7% of GDP in 2015). It is likely that the NPP government will be constrained by this fiscal overrun in 2017, but increased oil production should assist with revenue and tackling the deficit in 2017/18.

Monetary Regime

Price stability is the primary goal of monetary policy. A numerical target is announced alongside the annual budget, and the Bank of Ghana communicates its decisions on a regular basis to the public and the market. The bank's short- to medium-term inflation target is to achieve single-digit inflation, but this goal has proved challenging due to currency depreciation, high oil and food prices, and the lack of a strong and credible monetary tradition to influence inflation expectations and liquidity.

Exchange Rate Regime

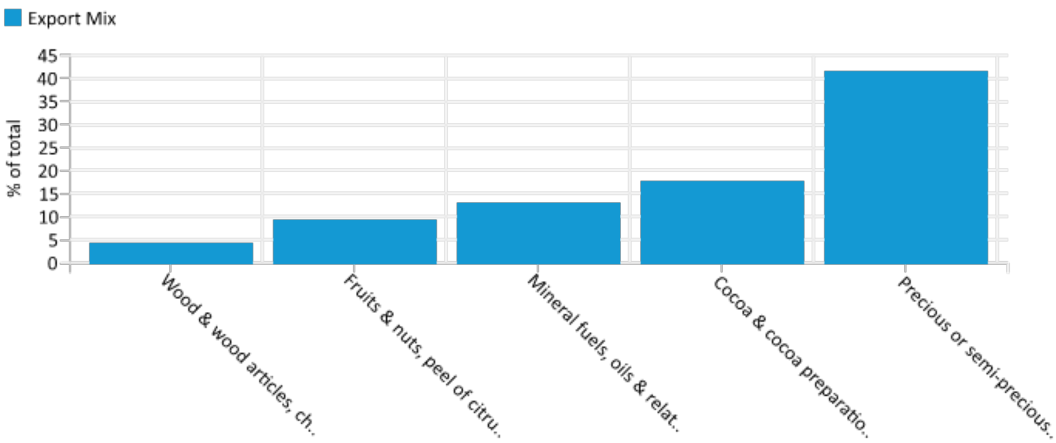
Ghana operates a managed float, which enables the nominal and real exchange rates to adjust freely to changing economic circumstances. The Bank of Ghana re-denominated the cedi in 2007, set at 10,000 old cedi to 1 new cedi, in order to streamline the economy, facilitate transactions and book-keeping, and eradicate the inconvenience associated with the old denomination. The re-denomination was largely successful. However, the central bank has been less involved in the level of transactions as the FX market has deepened, which has effectively led to a more market-determined exchange rate.

Export Profile

Ghana remains dependent on commodities for most of its export earnings. The mining sector benefited from increased global demand for gold, thus reducing exposure to volatility in the global equities market and adverse weather effects on other (predominantly food) commodity prices. However, the economy remains vulnerable in the event of falling commodity prices, as witnessed by the recent fall in the price of oil.

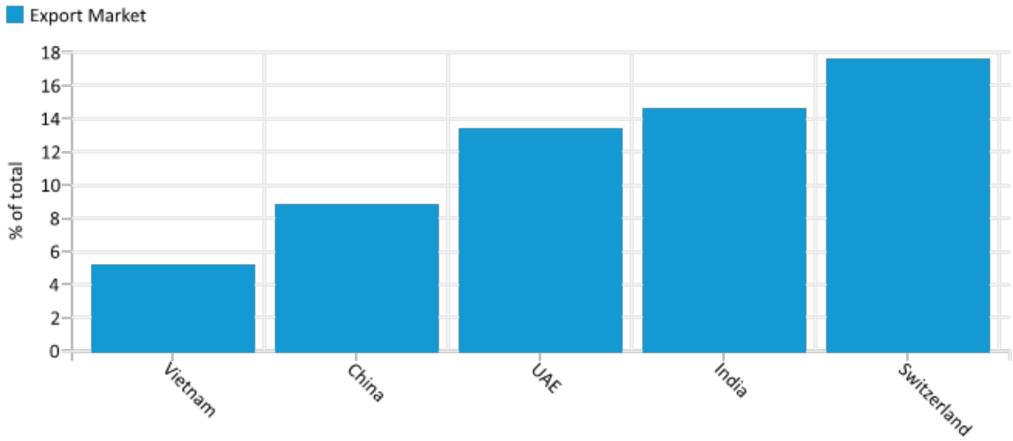
The euro zone is Ghana's main regional export market. Prolonged stagnation of economic activity in the EU will weaken the country's traditional sources of external demand and affect Ghana's export prospects. It is likely to enter into negotiations with the UK regarding trade once the UK exit from the EU has been completed.

Export Mix (Top 5)



Source : Comtrade/Dun & Bradstreet

Export Markets (Top 5)

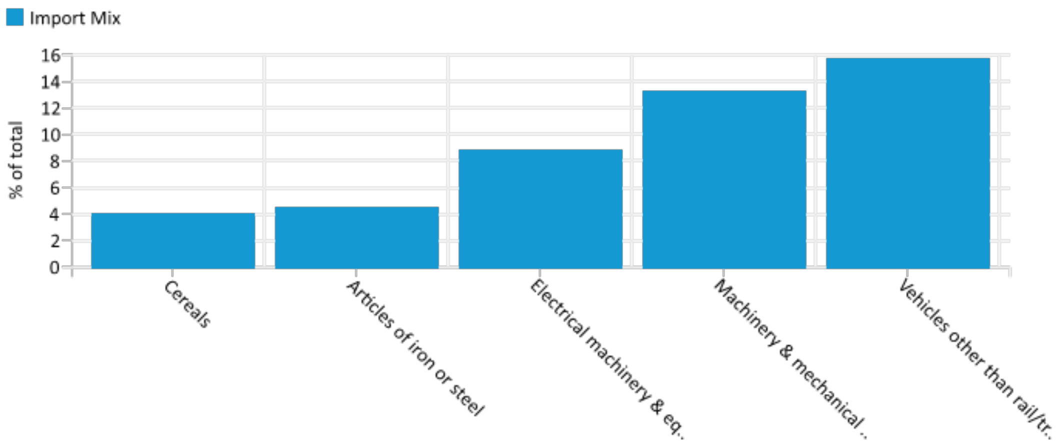


Source : IMF DOTS/Dun & Bradstreet

Import Profile

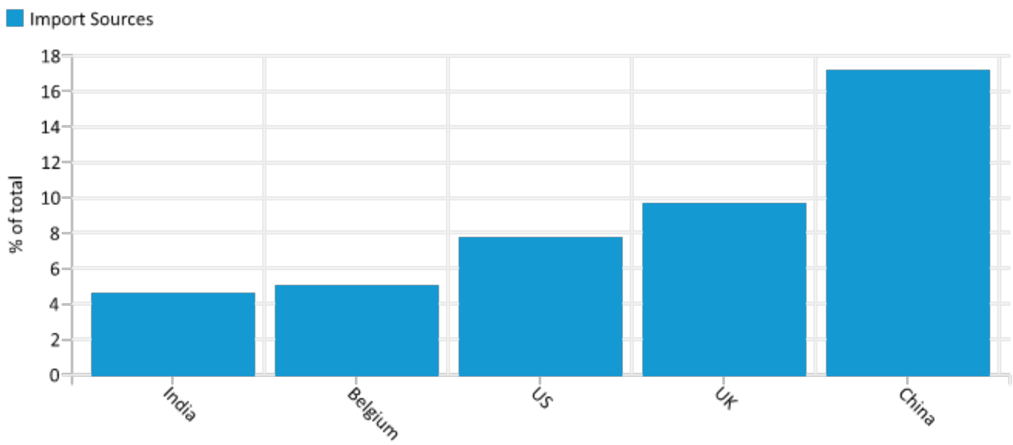
Liberalisation of policies, an expanding economy and an increase in development projects have boosted imports. Non-oil imports (predominantly capital and intermediate goods) dominate the import profile. As a non-oil producer, oil imports have typically accounted for around one-fifth of total imports, increasing Ghana's vulnerability to oil-price shocks; in turn, this elevates Ghana's import bill, while widening the trade deficit. We expect oil imports to decrease over the short term as domestic oil output increases. Ghana's import-supplier profile is relatively diverse, with sources of imports spread across suppliers in Europe, China, Africa, the US and Asia.

Import Mix (Top 5)



Source : Comtrade/Dun & Bradstreet

Import Sources (Top 5)



Source : IMF DOTS/Dun & Bradstreet

POLITICS

Ghana gained independence from the UK in 1957, the first Sub-Saharan African country to do so; the first president, Kwame Nkrumah, is a revered figure across the African continent. Ghana had a promising future as a rich, successful and politically mature country. Per capita income was relatively high, economic growth was satisfactory and macroeconomic stability was reasonably assured. However, post-independence Ghana failed to realise its potential. For much of the post-independence period, the country suffered from economic and political instability due to a succession of inept and often corrupt military and civilian regimes. Indeed, there have been four successful coups since independence.

The lack of tribalism in modern Ghanaian politics is marked; the country has managed to avoid the serious ethnic divisions that have plagued neighbouring countries such as Nigeria and Liberia. Ghana's current level of political stability and relatively low levels of corruption continue to distinguish it from its neighbours. The most recent election process (December 2016) was a demonstration of Ghana's political maturity. Indeed, since 1992, Ghanaians have been to the polls six times in elections that have been democratic and peaceful, consolidating Ghana's credentials as one of Africa's truly functioning democracies, effectively reducing political risk, and strengthening the country's risk outlook.

Constitutional Arrangements

Ghana's constitution provides the basis for a US-style presidential system of government, with a multi-party parliament and an independent judiciary. It declares Ghana to be a unitary republic, with sovereignty residing with the Ghanaian people. Given the country's history of political coups and dictatorships, it is based on the concept of power-sharing and calls for a system of checks and balances, with power shared between the president, a unicameral parliament, an advisory council of state, and an independent judiciary.

Legislature

The 230-member parliament is elected by direct vote. Parliament is increasingly holding the executive accountable for its actions. In particular, the use of a committee system in the legislature has increased scrutiny of policy changes. Nevertheless, parliament is seldom responsible for initiating legislation. The members of the legislature are often drawn from professionals in the upper-middle classes and tend to be more sympathetic to the needs of business. MPs are elected for a four-year term.

Executive

The president is elected by direct universal suffrage and serves a maximum of two four-year terms. The president has considerable power as head of government and head of state. As Ghana's democratic institutions mature, so does the (previously) autocratic nature of the executive, which is being reduced. The president appoints the 25-member council of ministers (cabinet), although nominations are subject to parliamentary approval.

Political Parties

Two parties dominate the political landscape: the National Democratic Congress (NDC) and the National Patriotic Party (NPP). The NDC is a social democratic party and claimed victory in the 2008 election with John Atta Mills as president. The NPP is a liberal democratic party. The NDC candidate, John Mahama, won the closely contested 2012 election, while the NPP candidate, Nana Akufo-Addo, won the most recent election in 2016.

Interest Groups

Political Factions

Over 75 languages and dialects are spoken in Ghana. The main ethnic groups are the Akan, Moshi-Dagomba, Ewe and the Ga-Adangbe. The Akan appears to be the dominant ethnic group. Post-independence efforts to build a nation have perhaps made the issue of ethnicity less influential than in many other African states, but support for the major parties shows signs of following ethnic leanings. The NPP traditionally has stronger Ashanti support, with former leaders originating from that ethnic group. Meanwhile, the NDC draws much support from the Ewe. However, this trend has not led to ethnic violence.

Religion

About 69% of the population are Christian, while around 15% are Muslim; the remainder practice indigenous animist faiths. Christians tend to dominate the government.

Rural Influence

The agricultural lobby retains considerable political influence, as most Ghanaians are still tied to rural communities. In particular, the state marketing boards, especially for cocoa, have in the past proved an important means of generating political patronage.

International Environment

Ghana is regarded in Western chancelleries as an outpost of democracy and civil society in a volatile region. Indeed, US State Department officials describe Ghana as one of their most trusted partners in Sub-Saharan Africa. This vote of confidence highlights the impressive level of international political capital on which the government could draw if needed, all but ensuring that concessionary financial flows will continue unabated.

Ghana benefits from a three-year IMF-funded poverty reduction and growth facility arrangement, and a three-year extended credit facility programme; in addition, the US is funding training programmes, including the international military education and training programme, and the African contingency operations training and assistance programme.

Reflecting the degree of donor confidence in the country, the IMF decided in 2009 to establish its second regional technical assistance centre in Ghana; the centre will provide targeted regional technical assistance to Ghana and five other countries, while introducing best practices in a range of economic management systems.

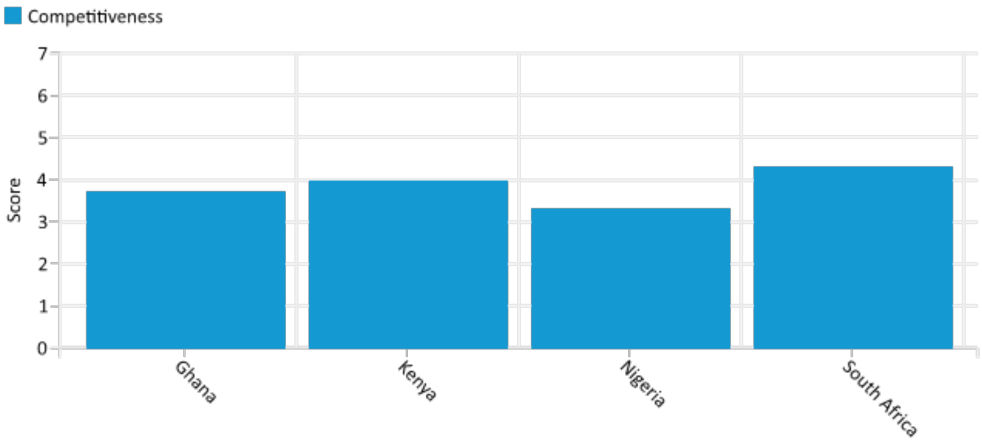
Elsewhere, despite a turbulent political past, Ghana has helped to promote peace and stability on a global scale: it contributes military and police personnel to UN peacekeeping operations both within and outside Africa. Within Africa, the country currently has over 3,000 peacekeepers deployed to UN operations in Chad, the Democratic Republic of Congo, Liberia, Cote d'Ivoire, Sudan and the Western Sahara. Outside Africa, it has contributed nearly 900 military and police personnel to the UN Interim Force in Lebanon and Georgia.

Ghana belongs to several international organisations, including the Commonwealth. In recognition of Ghana's strong commitment to African causes and its active involvement in the General Assembly, Ghana became one of the African countries elected to a non-permanent seat in the UN Security Council during 1986-87.

COMMERCIAL CULTURE

The commercial environment remains challenging and can undermine prospects for attracting long-term foreign investment. However, improvements have been made in the areas of obtaining credit, paying taxes, and enforcing contracts. Nonetheless, the procedures involved in starting a business, obtaining trading licences, registering property, protecting investors, trading across borders and paying taxes remain onerous.

Competitiveness, 2017-18



Source : World Economic Forum, 'Global Competitiveness Report'

Note: 0 = least competitive, 7 = most competitive

Infrastructure

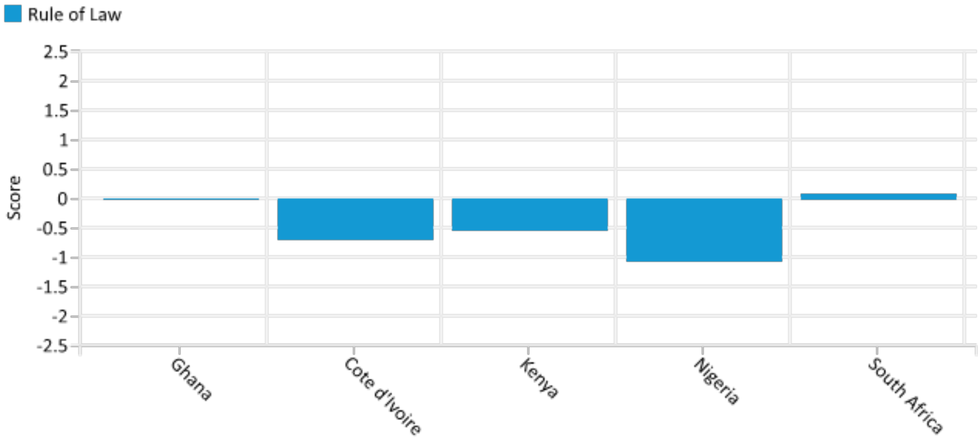
Ghana has a very weak infrastructure base that is generally aged or outdated and in need of renewal. Much of the infrastructure was built in the early 20th century to support the colonial administration and has not been updated much since. However, the government is committed to improving infrastructure, and is seeking to utilise revenues as part of ongoing efforts to make such improvements. Upgrading transport networks is a key facilitator to achieving socioeconomic growth.

About a third of the road network is paved and the rest is made of gravel; the road network has been damaged by the increase in truck journeys resulting from higher levels of traffic through Ghana's ports. Most of the railway network is narrow gauge and single track; the network is inefficient and has increasingly lost out to road transport. However, the government has made improvement of the railway network a priority.

Despite foreign donors' investment, hydroelectricity is the only source of power, which traditionally supplies almost all electricity needs. Total dependence on hydroelectricity makes Ghana vulnerable to variations in rainfall, and to resultant power shortages. However, there are plans to build a number of oil- and gas-fired power plants, given the recent discovery of oil. The government is committed to improving power supply and diversifying sources of power. It is seeking to ensure the supply of gas to reduce reliance on imported gas and to improve general power supply with the Western Corridor gas infrastructure development project (as well as the Sankofa project). The telephone system has internet access but many rural communities are not yet connected. An expansion of services is under way and there has been a rapid increase in mobile phone coverage.

Legal and Regulatory Environment

Rule of Law, 2016



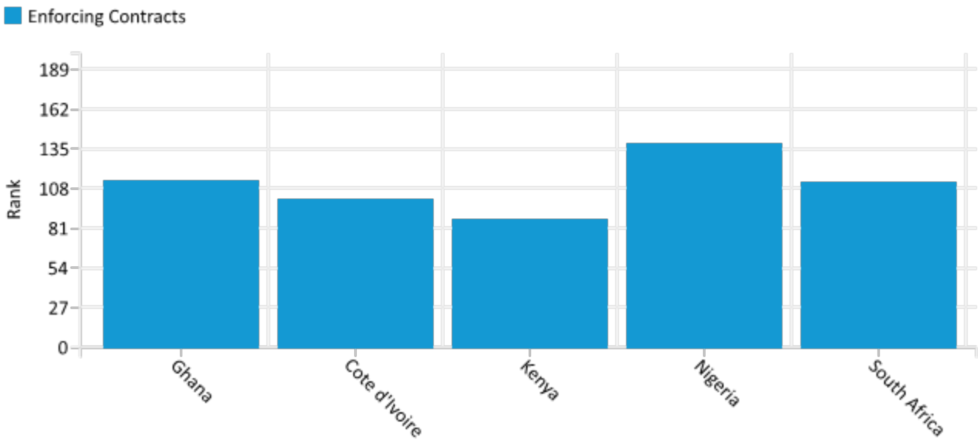
Source : World Governance Indicators/World Bank

Note: -2.5 = worse performance, +2.5 = better performance

The government has taken significant steps to attract foreign investment by improving the regulatory environment for the private sector, but bureaucratic processes remain relatively slow. Although Ghana's judicial system compares favourably with many other countries in the region, it suffers from corruption and is subject to political influence. Resource constraints and institutional inefficiencies also slow proceedings as they pass through the law courts and make it difficult to enforce decisions. Foreign companies may settle commercial disputes through international arbitration bodies. Ghana is a signatory to the Convention on the Settlement of Investment Disputes, which allows for arbitration under the International Centre for the Settlement of Investment Disputes (ICSID). Ghana is also a signatory and contracting state of the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Enforcement of Contracts / Arbitration

Enforcing Contracts, 2017



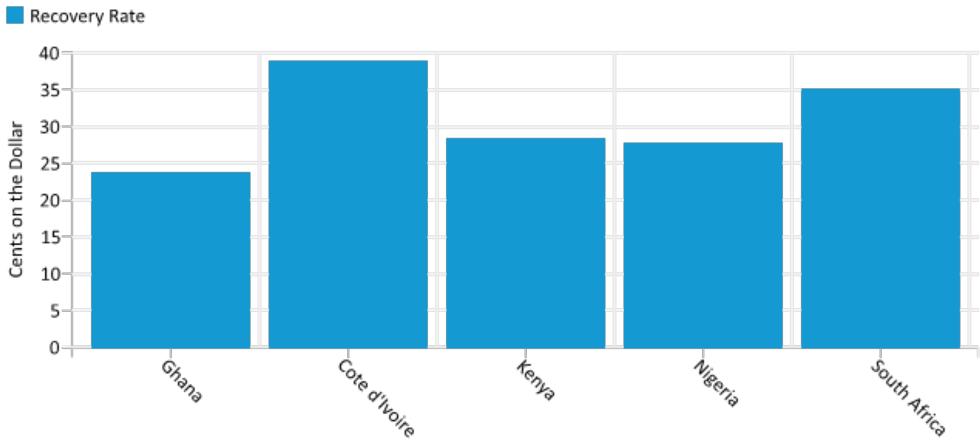
Source : World Bank 'Doing Business Report'

Ranking: Low score = best, High score = worst

The World Bank's *Doing Business 2017* report ranks Ghana 116th out of 190 countries for success in enforcing contracts. The time taken to resolve disputes in Ghana ranks at 710 days compared to the Sub-Saharan average of 656.8 days. The *Quality of Judicial Processes Index* (which ranks the efficiency of the court system) score for Ghana is 6.5; above the Sub-Saharan average of 6.5 but below the OECD average of 11.0. This reflects the inefficiency and bureaucracy of the legal system. However, the cost of court attorney fees as a percentage of their debt value is 23.0% for Ghana; relatively low in comparison to the Sub-Saharan average of 44% but in line with the OECD average of 21.5%.

Bankruptcy and Insolvency

Recovery Rate, 2017



Source : World Bank, 'Doing Business Report'

The Ghanaian legal system provides a mechanism for insolvency. According to the World Bank's *Doing Business 2017* report, on average it takes just under two years to wind down an insolvent business, which compares favourably with the OECD average of 1.7 years and regional Sub-Saharan average of 2.9 years. Creditors of insolvent businesses can expect to recover just 22.8 cents on the dollar, compared with the OECD average of 71.2.

Corporate Governance

The administrative procedures related to starting a company are slightly higher in number and incur greater cost than OECD countries, but Ghana's process compares favourably with the region. Meanwhile, the Companies Code of 1963 is the legal regime governing corporate entities. The code applies to most companies formed in Ghana and thus recognises sector-specific laws, including those on insurance, banking and mining. Enforcement of the code has, however, been relatively poor. Problems include: incompetent governing boards; weak parliamentary, ministerial and public oversight; and excessive presidential and other kinds of political interference in the running of public boards.

Corruption

The general inefficiency of the government and the civil service generates a moderate degree of corruption, but less so than in most regional peers. Ghana is not a signatory to the OECD Convention on Combating Bribery, although steps have been taken to amend laws on public financial administration and procurement. In 2014, the government announced the launch of a code of ethics for ministers and other political appointees. However, corruption remains a hindrance to doing business in Ghana and will need to be targeted by the NPP government.

Sanctions

The UK has placed restrictions on the import and export, as well as the manufacture, of light arms and weapons from Ghana.

STATISTICAL REFERENCE

Key Indicators and Forecasts

Historical Data

Metric	2013	2014	2015	2016	2017f
Real GDP growth (%)	7.3	4.0	3.9	3.5	7.5
Nominal GDP in USDbn	49	39	37	43	44
Nominal GDP in local currency (bn)	93	113	139	169	203
GDP per Capita in USD	1,866	1,455	1,360	1,534	1,533
Population (year-end, m)	26.3	27.0	27.6	28.2	28.8
Exchange rate (yr avge, USD-LCU)	1.9	2.9	3.7	3.9	4.6
Current Account in USDbn	-5.8	-3.7	-2.8	-2.8	-2.1
Current Account (% of GDP)	-11.8	-9.4	-7.5	-6.5	-4.8
FX reserves (year-end, USDbn)	5.2	5.6	5.9	6.3	6.6
Import Cover (months)	2.9	3.3	3.9	4.4	4.6
Inflation (annual avge, %)	11.6	15.5	17.1	17.5	12.1
Govt Balance (% GDP)	-10.1	-9.4	-6.7	-8.7	-7.0

Source : Haver Analytics/Dun & Bradstreet

Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	8.2	5.5	5.3	5.1	5.2
Nominal GDP in USDbn	50	55	61	66	74
Nominal GDP in local currency (bn)	241	277	320	365	415
GDP per Capita in USD	1,703	1,843	2,001	2,117	2,315
Population (year-end, m)	29.5	30.1	30.7	31.4	32.0
Exchange rate (yr avge, USD-LCU)	4.8	5.0	5.2	5.5	5.6
Current Account in USDbn	-2.1	-2.1	-2.0	-2.3	-2.3
Current Account (% of GDP)	-4.2	-3.9	-3.3	-3.4	-3.2
FX reserves (year-end, USDbn)	7.0	7.4	7.9	8.4	8.9
Import Cover (months)	4.8	5.0	5.2	5.4	5.7
Inflation (annual avge, %)	9.5	9.1	9.5	8.7	8.0
Govt Balance (% GDP)	-5.5	-4.2	-5.0	-4.5	-4.3

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Ghana	Cote d'Ivoire	Kenya	Nigeria	S. Africa
Income per Capita (USD)	1,533	1,602	1,586	1,941	5,937
Country Population (m)	28.8	24.3	49.7	198.5	56.7
Internet users (% of population)	34.7	26.5	26.0	25.7	54.0
Real GDP Growth (% p.a., 2018 - 2027)	4.5 - 5.5	5.5 - 7.5	4.5 - 6.0	5.5 - 7.0	1.5 - 2.5

Source : Various sources/Dun & Bradstreet

USER GUIDE

Ratings and Indicators

Traffic Light System

The traffic light system used in this report gives you a speedy way of assessing the balance of risks and opportunities in a given country or category of analysis for that country. Three traffic lights are used:

G Green: indicates that positive factors/influences dominate.

A Amber: indicates that there is a balanced mixture of negative/positive factors/influences.

R Red: indicates that negative factors/influences dominate.

The traffic light indicators act as a quick guide to the overall balance between the detailed analytical components covered elsewhere in the report. This allows you to rapidly identify areas of concern or promise, which you can then explore further, either elsewhere in the report or via the content of the other products in our portfolio. You should always use the more detailed analysis as the basis for any further investigation/assessment/decision-making.

Dun & Bradstreet Risk Indicator

Dun & Bradstreet's Country Risk Indicator provides a comparative, cross-border assessment of the risk of doing business in a country. The risk indicator is divided into seven bands, ranging from DB1 to DB7. Each band is subdivided into quartiles (a-d), with 'a' representing slightly less risk than 'b' (and so on). Only the DB7 indicator is not divided into quartiles.

The individual DB risk indicators denote the following degrees of risk:

DB1	Lowest Risk	Lowest degree of uncertainty associated with expected returns, such as export payments and foreign debt and equity servicing.
DB2	Low Risk	Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.
DB3	Slight Risk	Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.
DB4	Moderate Risk	Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.
DB5	High Risk	Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high-return transactions only.
DB6	Very High Risk	Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.
DB7	Highest Risk	Returns are almost impossible to predict with any accuracy. Business infrastructure has, in effect, broken down.

HEADLINE CATEGORY DESCRIPTIONS

These headline categories combine the analysis from a number of detailed categories in order to provide focused analysis of business-critical issues.

Credit Environment Outlook

This category assesses the factors that affect the country's credit environment, and helps cross-border traders and investors understand the level of risk related to non-payment or delayed payment.

Supply Environment Outlook

This category covers the factors that could disrupt supply chains associated with the country, thus allowing cross-border traders and investors to assess risks in this area.

Market Environment Outlook

This category provides an assessment of the factors affecting the market environment over the short- to long-term; this assessment will help businesses involved in cross-border trade and/or investment to make informed decisions about increasing, maintaining or decreasing business links in a country.

Political Environment Outlook

This category helps cross-border traders and investors to understand the risks associated with expropriation/nationalisation, and also takes account of intentional human actions that could affect the quality of the business environment.

DETAILED ANALYTICAL CATEGORY DESCRIPTIONS

These analytical categories provide our most detailed, in-depth coverage of the core components of risks and opportunities associated with a given country. Together, they embody our broadest, deepest assessment of a country's risk and opportunity environment.

Short-term Economic Outlook

Analyses the economy/business cycle over the next 2-8 quarters, identifying recession, recovery, growth or stagnation. Helps businesses anticipate the impact of short-term developments in the sphere of aggregate supply and demand.

Long-term Economic Potential

Assesses long-term economic prospects over the next 5-15 years on the basis of trends in the physical environment, natural and human capital, and demographics and labour supply. Helps businesses foresee the long-term impacts on market potential of factors such as ageing, resource depletion and innovation.

Market Potential

Covers the ability of foreign providers of goods and services to access a target country's markets. This helps businesses understand the practical and regulatory barriers, as well as incentives and opportunities.

FX Risk

Looks at the risk of lack of FX, significant devaluation or depreciation, or any instability of the exchange rate over the next 90-180 days. This helps businesses anticipate the pressures facing customers billed in foreign currency, or the risks if their receivables are in local currency.

Transfer Risk

Covers the risk of existing or new regulations, requirements or other government actions preventing, delaying or burdening cross-border transactions. This helps businesses to anticipate risks related to cross-border payments arising from the regulatory environment.

Business Regulatory Environment

Assesses the risks and opportunities in the business environment associated with regulations, institutions and business culture. This helps businesses assess how intangible aspects of the business environment can facilitate business operations or otherwise.

Business Continuity

This category looks at factors that could affect the physical supply chain due to the effects of natural phenomena or other unintended consequences. This helps businesses anticipate the likely/current impacts of extreme weather, seismic activity and inadequate/improved infrastructure.

Political / Insecurity Risk

This covers the risk of disruption of business operations and the services of a functioning economy due to the negative effects of intentional human action on civil peace and internal/cross-border security. This helps businesses to understand the context and risk spectrum for threats arising from social and political disturbances.

Expropriation / Nationalisation Risk

This category assesses the risk of forcible/compulsory, full/partial loss of control or ownership of assets at the hands of a sovereign government, and whether or not there is compensation or judicial redress. This helps businesses understand the country's track record in this respect and highlights the risks posed by acts of expropriation/nationalisation.

LINKS

Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com
Telephone
UK: +44 (0)1628 492700
US: +1 800 234 3867
Rest of World
contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet
Marlow International
Parkway
Marlow
Bucks SL7 1AJ
United Kingdom
Tel: 01628 492000
Fax: 01628 492929
Email: countryinsight@dnb.com

Dun & Bradstreet provides information relating to more than 240m companies worldwide. Visit www.dnb.com for details. Additional information relevant to country risk can be found in the: *International Risk & Payment Review* : Provides timely and concise economic, political and commercial information and analysis on 132 countries. Available as a subscription-based internet service (www.dnbcountryrisk.com) and monthly update journal, the IRPR carries essential information on payment terms and delays. It also includes the unique D&B Country Risk Indicator to help monitor changing market conditions.

Legal and Copyright Notices

Disclaimer