

COUNTRY PROFILE:

REPUBLIC OF GHANA

DATED:

MARCH 2009

CREDIT GUARANTEE:

IES/02: ATTACHMENT A

Recent Political Highlights

- ❑ Chief of state since January 2009 has been President John Evans Atta-Mills. The president and vice president are elected by popular vote for a four-year term.

Recent Economic Highlights

- ❑ Like most developing countries, 2009 is expected to be a very challenging year for Ghana. Reports claim that the economy is currently being held together with bailing wire and glue with escalating challenges including food and medical nightmares. Corruption is also rife and to exacerbate matters, interest rates are up to 18.5% in response to rising inflation.
- ❑ If the impact of the crisis is not adequately addressed, over 16m children could be undernourished by 2020 in sub-Saharan Africa during which time rice prices are expected to rise by 13%, wheat by 15% and maize by 27%.
- ❑ The IMF has called on the international community to prevent the devastating effects of the financial crisis on Ghana. The Fund stated that Ghana and other low income countries were in need of over \$25bn this year. The World Bank has agreed to provide Ghana with a \$1.2bn interest free loan to help cushion it against the global downturn. The funds would be channeled towards the water and sanitation sectors, agriculture and fisheries, energy, natural resource management, transport and budget support. The Government of Spain will provide additional relief in the form of debt-to-development to Ghana and is estimated at \$44.6m. It will be provided over a seven-year period and is expected to contribute towards socio-economic development. Japan granted \$3.5m to Ghana under the Multi-Donor Budget Support (MDBS) programme.
- ❑ Fitch Ratings revised the outlook on the long-term foreign and local currency Issuer Default Ratings (IDRs) of Ghana from stable to negative, on the back of new data pointing to twin fiscal and current account deficits of 15% and 24% of GDP respectively in 2008 and double digit inflation. Annual credit growth was at 44% at the end of 2008 and inflation rose 19.9% year-on-year in January 2009.
- ❑ The minister of finance said that domestic debt management would be one of the critical aspects of Government's economic programme during this fiscal year and in the medium term. The size of domestic debt and its debt service burden has been increasing. The minister hopes that debt management strategies will be supported by falling interest rates, a stable exchange rate environment and a reduction in the fiscal deficit. He noted that the reserves built in 2006-07 served the country well with the oil and food price shocks in 2008. He also expected exports to fall 7.6% to \$4874.06m this year. Cocoa exports are expected to decline 2.8% to \$1459.58m, reflecting a price decline of about 9%. Gold export receipts are also expected to decline 11.8% as a result of significant decline in gold export prices of 16%. Overall imports are also expected to fall 16% to \$8605.2m, reflecting a 15% slow down in non-oil imports and a 20% slow down in oil imports. He expects GDP growth of at least 7% from 6.2% in 2008, inflation of 7% (from 18% in 2008) and international reserves equivalent to three months of import cover in 2009.
- ❑ The ruling National Democratic Congress has been called to speed up the action it promised during its election campaign to bring sanity to the fishing industry. A non-Governmental organisation has called on the president to strengthen monitoring, control and surveillance activities in the industry to eliminate negative and illegal practices such as pair trawling and fishing with dangerous chemicals like DDT, carbide and dynamite. The lack of control has resulted in the depletion of marine fish stocks. The industry is a source of livelihood for coastal communities and employment for many Ghanaians and should be protected and sustained at all costs for future generations.

Latest Trade Developments

- ❑ Main export commodities: gold, cocoa, timber, tuna, bauxite, aluminium, manganese ore, diamonds and horticulture
- ❑ Main import commodities: capital equipment, petroleum and food.
- ❑ Major trading partners: Netherlands, UK, France, US, Germany, Belgium, Nigeria and China.
- ❑ SA's exports to the Ghana totaled R2.1bn in 2007 and R3.2bn in 2008.

Lily Maharaj – Economic Services