



Republic of GHANA

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INTRODUCING

COUNTRY PROFILE – FACTS AND FINDINGS GHANA ECONOMIC OUTLOOK



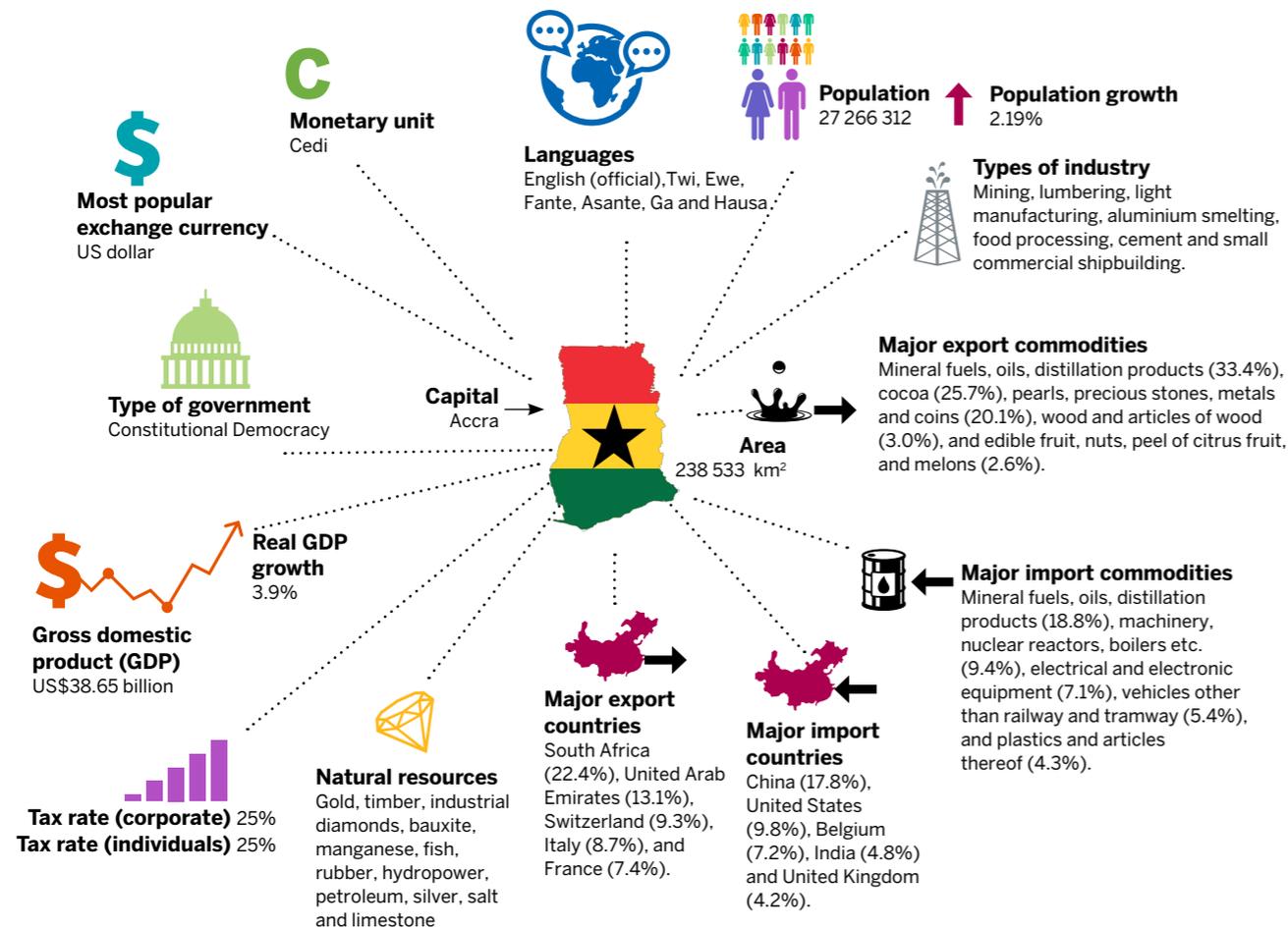
Ghana, formerly known as the Gold Coast, is located along the Atlantic Ocean and is found in the southern part of West Africa. It is bordered by Côte d'Ivoire to the west, Burkina Faso to the north, Togo to the east and the Atlantic Ocean to the south. The Greenwich Meridian passes through a city in Ghana called Tema, making it one of the few cities at the centre of the earth. The name 'Ghana' was derived from the ancient Ghanaian Empire and means 'Warrior King'.

Following a difficult period for the economy from 2014 to 2015, a moderate recovery in economic growth is expected in 2016. Election-related tensions and high inflation will keep dampening local confidence. Prospects for 2017 to 2018 are better, with the onset of full production at the Tweneboa-Enyenra-Ntomme (TEN) oilfields. Growth in 2018 to 2019 will be helped along by the onset of gas production from the Sankofa fields. Overall, however, infrastructure and financial challenges will probably mean that gas sector development will be slower than the government hopes.

Development of business-critical infrastructure throughout the economy is likely to be slow. This is due to bureaucratic bottlenecks, lower public spending amid fiscal tightening, and nervousness from potential foreign investors over emerging-market prospects as growth in China slows.

A threat to the growth picture for 2017 to 2018 in particular is the maritime border dispute with Côte d'Ivoire; the TEN project is in waters that the Ivorian government considers to be part of its territory. This uncertainty will delay other projects in the disputed area (Sankofa is outside this region) while the matter is settled by arbitration. If Côte d'Ivoire should win the dispute (considered unlikely), TEN production would probably not contribute at all to Ghanaian growth.

GHANA: IN A NUTSHELL



CHAMBERS/ASSOCIATIONS

Ghana is a member of the African, Caribbean and Pacific Group of States, African Union (AU), Economic Community of West African States (ECOWAS), United Nations (UN), World Trade Organisation, Trade Association and Chamber of Commerce in the Commonwealth, International Chamber of Commerce and Export Trade Association; and it is home to the Ghana National Chamber of Commerce and Industry.

POLITICAL

- Ghana is a democratic country which gained its independence in 1957.
- Ghana's constitution, approved in 1992, is based on the United States model.
- Ghana has a relatively stable political environment.
- President John Dramani Mahama has been the president since July 2012. Presidents serve a four-year term and are eligible for a second term. The next election will be held by December 2016.
- The main political parties include the National Democratic Congress (NDC), the New Patriotic Party (NPP) and the Progressive People's Party.

ECONOMIC

- Ghana is one of the fastest-growing economies in Africa. The country's economy depends heavily on two commodities, gold and cocoa, but it has recently started exporting oil and gas as well. It will remain vulnerable to fluctuations in world commodity prices.
- Ghana recently implemented a tighter monetary policy, but the inflation rate remains very high. Large fiscal shortfalls in recent years have contributed to high inflation, a weakening domestic currency and rising public debt levels.
- High interest rates can attract high capital inflows from foreign portfolio investors, while domestic portfolio investors will be discouraged by the high inflation rate. Even though the interest rate (nominal) is high, real returns will be low for domestic as compared to foreign investors. Ghana's currency will remain volatile due to high foreign portfolio capital inflows, because this capital can leave the country at any time if there are better returns in other countries.

- Electricity supply constraints have also held back the economic growth rates.
- Ghana boasts vast untapped natural resources such as arable land, forests, and substantial deposits of crude oil, gold, diamonds, manganese and bauxite.

ECONOMIC GROWTH: CURRENT VS OUTLOOK

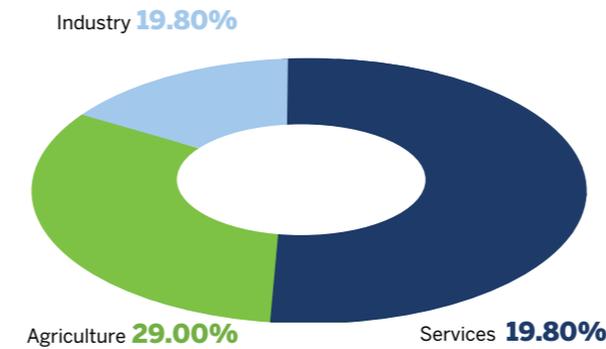
Economic growth (%)						
	2014	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽¹⁾	2018 ⁽¹⁾	2019 ⁽¹⁾
Economic Intelligence Unit (EIU) ⁽¹⁾		3.4	4.1	8.4	7.7	6.7
- Agriculture		1.3	1.6	3.3	2.9	3.2
- Industry		2.6	5.2	14.0	9.1	7.0
- Services		4.8	4.7	7.7	8.9	7.9
BMI Research	4	3.5	5.4	5.9	6.3	6.7
The World Bank	4	3.4	5.9	8.2	8.2	
Inflation (%)						
EIU (Y-o-y average)	15.5	17.2	17.0	11.5	10.1	8.8
BMI Research (Y-o-y, average)	15.5	16.1	13.7	12.4	11.1	9.4
Central bank policy rate						
BMI Research (End of period)	21	22	21	20	18	18
Sources: ⁽¹⁾ EIU: Country Report, generated 23 February 2016; ⁽²⁾ BMI Research: Ghana Country Risk Report 2015; ⁽³⁾ World Bank						

AGRICULTURAL SECTOR

- Agriculture is an important sector of the economy, as a large proportion of the population makes their livelihoods from it.
- Ghana is the second-largest producer of cocoa in the world after Ivory Coast. Cocoa contributed about 19.8% to Ghana's total exports in 2014. Other contributions to the sector include logging, fishing and livestock.
- The sector is dominated by diversified smallholder farming systems. There are also a number of large commercial operations, particularly for rubber, palm oil, coconut and, to a lesser extent, rice, maize and fruits.
- Ghana is relatively food-secure. Food security is a concern in the northern parts of the country where smallholder operations focus mostly on subsistence farming.
- The production of cassava was stimulated by introducing new varieties which require little extra inputs. This has helped to bring down hunger levels in the country. The government also increased market opportunities for smallholder farmers to encourage production.

THE STRUCTURE OF THE ECONOMY

Sector contribution to GDP



INDUSTRIAL SECTOR

- Industries include textiles, apparel, steel, tyres, oil refining, flour milling, beverages, tobacco, consumer goods, and car, truck and bus assembly.
- Crude oil: Ghana discovered its first large-scale commercially viable oil field in June 2007. It took three and a half years from the time of the discovery before production started in December 2010. The start of oil production has increased the importance of the industrial sector in the country.
- Mining: Gold is the most important mineral. It accounts for roughly 41.7% of total annual export earnings from 2008 to 2013. This fell to 33.2% in 2014. Bauxite, manganese and diamonds are other important minerals.

- Manufacturing accounts for about 7.2% of factor cost GDP, construction for 8.9%, and crude oil and mining for 8.7%.
- Power shortages have been blamed on low water levels at the Akosombo hydroelectric dam and too little natural gas flowing to thermal plants. Old and poorly maintained power plants are also contributing to the shortage of power.

SERVICES SECTOR

- The services sector is relatively diversified. The most important sub-sectors include banking and insurance, trade, hotels and restaurants, tourism, transport and telecommunications.
- Tourism: Ghana has pristine beaches and unique natural, cultural, historical and heritage resources. There is still scope to expand the tourism industry in the country. Tourism contributed close to 2.9% to Ghana's GDP in 2014 and provided employment to 122 000 people.
- Telecommunications: This sector is fairly well developed and has grown fast over the past decade. Companies operating in this sector include Vodafone, MTN, Tigo, Airtel and Expresso Telecom (owned by Sudatel). A fifth submarine cable – the Africa Coast to Europe (ACE) – came on stream in May 2013. This helped to reduce bandwidth costs to a tenth of what they were in 2007.
- Retail: Ghana's modern retail sector is restricted mainly to Accra, with some recent activity in Kumasi. Most Ghanaians still do their weekly shopping at street markets, as the middle class, who typically visit the modern shopping malls, is still small. Companies with manufacturing facilities in the country include Unilever, PZ Cussons, and Denmark's Fan Milk Group. Retailers can therefore buy a variety of products locally rather than import them. The rapidly growing demand for shopping

- options is outpacing the supply of viable modern shopping spaces in the West African nation, where retail rents have pushed to levels as high as \$60/m². A number of South African retailers have said they want to expand their presence in Ghana. These include Shoprite, Game, Foschini, Mr Price, Spur, Truworths, Woolworths, Edgars, Famous Brands and Pick n Pay.
- Finance and banking: As at the end of 2014, Ghana's financial sector consisted of 28 Class 1 commercial banks, 60 non-bank financial institutions, 138 rural and community banks and 503 microfinance institutions. The Ghanaian banking sector is fairly well developed with 13 domestically owned commercial banks and the remaining 15 belonging to foreign owners. The foreign-owned banks had a market share of 53.9% by the end of 2014. This means that the banking sector is vulnerable to external financial shocks. Mobile banking has not taken off in Ghana, at least not as much as one would expect, given the widespread use of mobile devices in the country. The World Bank estimates that Ghana's mobile money account penetration reached only 13% in 2014. The use of mobile money accounts is not nearly as widespread as in Kenya, Uganda and Tanzania. Possible reasons for this underutilisation include regulation that prevents exclusive partnerships between banks and mobile operators, an unreliable network and ineffective advertising from banks.
 - Currency: The Ghanaian cedi depreciated sharply during quarter one to quarter three in 2014 due to pressure from large fiscal and external imbalances.

SOCIAL/DEMOGRAPHIC

- Population: 27 266 312 (2016 estimate)
- The distribution of the population is as follows: 36.5% of the population are under the age of 15; 60% of the population are between 15 and 64 years of age; and 3.6% are over the age of 65.
- A total of approximately 80 languages are spoken in Ghana.
- The unemployment rate has dropped over time to reach 5.2% in 2014. 18.92% of the population live in extreme poverty.

TECHNOLOGY

- Mobile money is growing slowly in Ghana. It is particularly useful in the rural areas, where it does not make economic sense to open a physical bank branch.
- The Bank of Ghana has issued outlines on mobile money platforms for mobile operators.
- There is a rising demand for other online services such as e-government, mobile money, banking and mobile online health services and information.
- Internet users in Ghana were estimated to be 5 million in 2014, giving a market penetration of 19.6%.
- The number of mobile subscriptions in Ghana has skyrocketed over the last few years. From below 300 000 in 2001, the number has risen to 30.4 million in 2014. Ghana's mobile penetration rate is therefore already past the 100% mark.
- The total number of mobile subscribers was recorded to be 32.36 million in January 2016, indicating a market penetration of 119.41%.
- There is still opportunity for expansion in the 3G mobile broadband services market, which accounts for most internet connections in the country.

- The percentage of individuals using the internet in Ghana increased from 0.2% in 2001 to 18.9% in 2014.
- The fixed telephone division has stagnated. This market is dominated by Vodafone and Airtel.

ENVIRONMENT

The growth of the mining sector has come at the expense of agriculture. Farmland is being destroyed by artisanal mining, especially for gold. Deforestation, bush burning, over-grazing by cattle, charcoal burning and illegal logging contribute to shrinking forests. A hotter and wetter wet season, a drier dry season and more storms are forecasted for Ghana. The variability in climate poses a concern to agricultural outputs. 2017.

GHANA: WHAT TO CONSIDER WHEN STARTING A BUSINESS

- In Ghana, business can be conducted in two ways. One is through a local company with limited liability, incorporated under the laws of the Republic of Ghana. The other is through an external company, in other words a branch of a foreign entity. The regulator responsible for this is the Registrar General's Department (RGD).
- To register a local company, the regulations of the company have to be filed with the RGD so as to get certificates of incorporation and commencement of business.
- Enterprise surveys in 2007 identified electricity and access to finance as the biggest obstacles to running a business in Ghana. 22.2% of firms reported having a line of credit or loan from a financial institution, similar to the regional average of 22.7%. As for electricity, the firms

- surveyed reported 9.5 power outages in a typical month, compared to the regional average of 8.9.
- It takes ten procedures and 72 days to establish a foreign-owned limited liability company (LLC) that wants to do international trade. This is longer than the regional average for sub-Saharan Africa.
- The country has relatively little corruption.
- Businesses must employ a minimum of 20 skilled Ghanaian workers.
- According to the US State Department, political stability, a low crime rate, competitive wages and an educated workforce make Ghana a potential West African hub for American businesses.

OPENNESS TO FOREIGN DIRECT INVESTMENT

- The investment climate in Ghana caters for foreign investment. Investors get extra incentives for projects that the country classifies as crucial to its development.
- Foreign direct investment has increased due to investments associated with oil exploration.
- Ghana remains an attractive foreign investment destination.
- The Ghana Investment Promotion Centre (GIPC) Act regulates investment in most sectors except minerals and mining, oil and gas, and the industries within free zones. A free zone is defined as "an area or building declared as a free zone by publication in the Commercial and Industrial Bulletin and includes single factory zones, free port, free airport, free river or lake port". Sector-specific laws further regulate the banking and non-banking financial institutions, insurance, fishing, securities, telecommunications, energy and real estate.

- Within the petroleum sector, companies in Ghana must ensure that all their activities include local content – from exploration to development and decommissioning. They must develop a local content plan that include roles, responsibilities and the equity participation of indigenous Ghanaian companies as well as the transfer of technology and skills to the Ghanaian companies.
- Foreign investors must abide by the Investment Act as well as the sector-specific laws.
- The country has a well-established democracy, political stability, ample natural resources, a favourable demographic profile and a relatively accommodative business environment.
- The country's drive to privatise its energy sector is positive from an FDI perspective. The country wants to relieve electricity supply constraints by involving independent power producers (IPPs) – private firms building and operating power plants in the country.
- There is a need for foreign investment in Ghana's infrastructure. The country currently has an annual funding gap of USD1.5 billion.

OPPORTUNITIES FOR DOING BUSINESS

- Food processing and downstream oil, gas and minerals processing have been identified as sectors with potential for growth.
- E-commerce in Ghana is expected to increase, as internet penetration rates have increased sharply in recent years. There are signs that the country may experience strong market growth, and this should result in more internet users with bigger disposable incomes.
- The authorities have made it easier to deal with construction permits by shortening the amount of time needed to get a permit.

CHALLENGES TO DOING BUSINESS

- The energy crisis threatens the productivity of power-intensive businesses and also pushes up production costs. Power cuts have meant consumers may have 12 hours of electricity followed by 24 hours without. Commercial users are supposed to have 24 hours on and 24 hours off, but they often get less electricity than scheduled.
- Establishing a business in Ghana is a lengthy process. Applicants have to comply with the regulations and procedures of at least five government agencies.
- Persistent oil price drops threaten economic growth prospects.

- Inflation is a serious concern. Ghana generally targets an inflation rate of 17%. This is rather high and may imply inflated costs. VAT of 17.5% was imposed on domestic air travel in July 2015. Electricity and water tariffs have gone up, as have gasoline prices.
- Poor transport links make things difficult.
- The cost of doing business is high. The minimum capital required for wholly foreign-owned enterprises is USD500 000. This is USD300 000 higher than for an enterprise jointly owned with Ghanaian partners. A joint venture between foreign-owned enterprises and local enterprises would require a minimum of USD200 000.
- Ghana allows foreign telecommunications firms to provide basic services. However, these services have to be provided through joint ventures with Ghanaian nationals.
- Foreign investment projects must be registered with the Ghana Investment Promotion Centre (GIPC). This process is supposed to take no more than five business days, but it often takes longer.
- The main barriers to electronic commerce are inadequate telecommunications and a lack of financial infrastructure.
- Ghana's GIPC Act reserves certain areas of investment for locals. These include petty trading, the operation of taxi and car rental services with fleets of fewer than 25 vehicles, lotteries (excluding soccer pools), and beauty salons and barbershops.

- Foreign investors do not have market access to banking, fishing, mining, petroleum and real estate. Foreigners are allowed to enter into long-term leases of up to 50 years, but they are not allowed to own land.
- In the insurance sector, Ghana limits foreign ownership to 60%. For auxiliary insurance services, 100% foreign ownership is permitted.
- There are high taxes and levies on imports.

	Trading name	Standard Bank Presence	Standard Bank ATMs	Corporate Banking	Retail Banking	Investor Services	Investment Banking						
	Stanbic bank	36	92	✓	✓	✓	✓						
Exchange Controls	No restrictions onward funds to be repatriated. For importation with a value of more than USD2,500 a subscription of importation is required. In respect of loans, prior approval by the Bank of Ghana is required. All other movements of funds into and out of Ghana can be undertaken by banks in Ghana, which are authorised by the Bank of Ghana to do so, provided that relevant legislation and regulations in respect of such transactions have been complied with.												
Transactional Products and Services	Foreign Current Account	Foreign Deposit Account	Telegraphic Transfers	Bulk Payments (channel)	Real-Time Gross Settlement (RTGS)	Card Acquiring	Mobile Banking	Receipt Referencing Service					
	✓	✓	✓	✓ (SFI)	✓	✓	✓	✓					
	Sweeping – Domestic	Sweeping – Regional	Debit Card Payments	Credit Card Payments	Beneficiary Account Validation	Electronic Clearing House	Online Banking Platform						
	✓	✗	✓	✗	✓	✓	new Business Online						
	Letter of credit (LC)	Payment Undertaking	Promissory Note	Standby LC	Avalised draft	Guarantees	Invoice discounting						
✓	✓	✓	✓	✓	✓	✓							
Global Markets	Forex					Interest Rates							
	Spot	Forwards	Swaps	Options	Par forward	Commercial paper	Government Bonds	Repos	Treasury bills	Corporate Bonds	Wholesale Deposits	Call Notice Deposits	Cross currency interest rate swap
	✓	✓	on demand	on demand	on demand	✓	✓	on demand	✓	✓	✓	✓	on demand
Investment Banking	Corporate Finance (Equity and Debt Capital Markets and Mergers and Acquisitions)			Mining, Energy and Infrastructure (MEI) Diversified and Leveraged Lending (DLL)				Structured Finance	Strategic Investments				
								(Team based in South Africa)					
	✓			✓				✓		✓			

✓ Available
✗ Not yet available

STANBIC BANK GHANA LIMITED CAPABILITIES

- Stanbic Bank Ghana was established in 1999.
- Since 2007, the bank has expanded its network to nine out of the ten regions in the country to support clients' needs, with 36 branches and 92 ATMs.
- The Stanbic Bank team in Ghana consists of 1 579 employees.

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