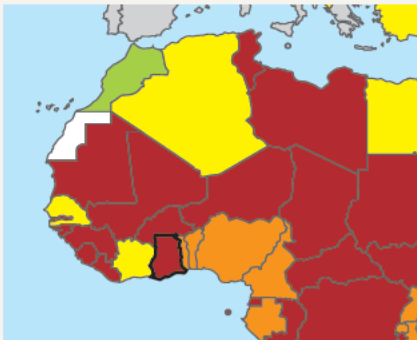


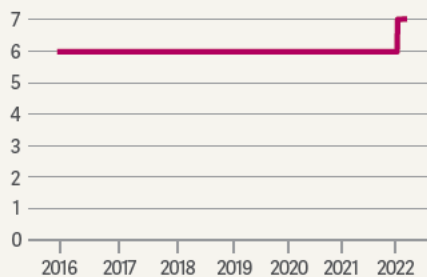
Basic facts (2021)

Population: 31 million
 GDP, nominal: USD 79,2 billion
 GDP/capita: USD 2 521



The country risk categories are arranged on a scale from 0 to 7. The lower the figure, the better the country's creditworthiness

Country classification history



Source: EKN

Strengths

- + High historical growth rate.
- + Politically stable country with democratic traditions.
- + Significant raw material resources which generate government revenues.

Weaknesses

- Growing public debt
- High level of refinancing risk.
- High risk of liquidity problems.

Dynamic economy, weak public finances

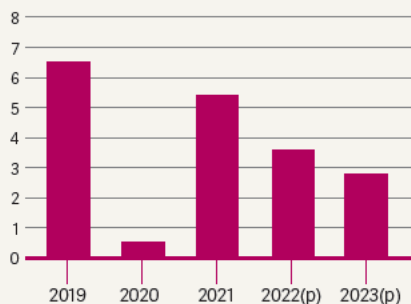
Ghana has experienced average GDP growth of six per cent per year over the past ten years. Historically gold and cocoa exports have been important contributors to growth, while in recent years oil exports have increased in importance. Agriculture accounts for a significant proportion of the economy, however gold accounts for 40 per cent and oil accounts for 30 per cent of export revenues. Cocoa exports account for around 10 per cent. Overall, the economy is relatively dynamic, which in combination with relatively strong institutions, constitutes the country's core strengths. Since the reintroduction of the multi-party system in 1992, Ghana has regularly implemented peaceful transitions of power, and violence in connection with these transitions is rare. This facilitates transparency and predictability, something that is seldom seen in the West African region. The president's powers are also limited in practice, which results in a relatively high level of respect for statutes and regulations, even if corruption and abuse of power undoubtedly occurs. In the World Bank's Worldwide Governance Indicators, the country's economic institutions rank roughly in the middle of the world's countries. Ghana's weaknesses include its public finances. Difficulties in increasing the revenues and controlling costs have led to recurrent fiscal deficits and unsustainable debt financing. Substantial capital injections into the ailing banking sector in 2017 and large loans made to mismanaged state-owned enterprises in the energy sector have also pushed up debt levels. Ghana benefited from substantial debt write-offs in the early 2000s via the Heavily Indebted Poor Countries (HIPC) Initiative.

Increased risk of debt restructuring

In recent months, Ghana's economy has continued to develop in a negative direction. Growth has slowed further while inflation is above 30 per cent. The Ghanaian cedi has fallen by 55 per cent against the USD since 31 December 2021, which, combined with rising inflation, has forced the central bank to raise interest rates. As a result of reduced hard currency liquidity, the central bank is forced to prioritise between payments to external creditors.

On the fiscal side, government debt has risen to 80 per cent of GDP and debt service is expected to approach 60 per cent of central government revenues in 2022. Foreign currency debt is equivalent to just over one-third of GDP, implying that public debt is likely to rise towards 100 per cent of GDP in 2022 as a result of the increasingly weak cedi. The fiscal deficit will reach at least nine per cent in 2022, implying that the average fiscal deficit over the period 2019 - 2022 is almost 11 per cent. High levels of domestic borrowing are the principal reason for the high borrowing costs and thus the borrowing capacity in the domestic market is currently severely constrained. Ghana failed to turn around the fiscal deficits in the years before the Coronavirus crisis, making central government finances unsustainable when the crisis and later the war in Ukraine arose. As external financing dwindled, the government was compelled to seek more and more financing on the domestic market and through the central bank. Domestic borrowing accounts for about 75 per cent of interest costs, which drives up government costs when the central bank raises the key lending rate in its efforts to rein in inflation. Since February 2022, the key lending rate has risen from 14.5 per cent

Real GDP growth (constant prices, % per annum)



Source: IMFWEQ, Macrobond

Business environment



Ranking from 0 (worst) to 100 (best)

Source: The World Bank, Macrobond

to 22.0 per cent, more than doubling the interest rate on three-month government bills in the past year. On the external side, Ghana lacks access to capital markets due to high risk premiums. The price of insuring against sovereign default through a CDS is now above 4,000 basis points for a three-year maturity, i.e. close to four times the level at which it is reasonable for Ghana to borrow.

Negotiations with the IMF have begun on a programme worth USD 3 billion, which would provide a short-term liquidity boost. Given the high level of debt service, the IMF may require debt restructuring to restore a sustainable debt situation. Personnel costs and debt servicing, which are difficult to cut, together account for about 100 per cent of government revenues, suggesting that some form of restructuring will be required. The coronavirus crisis and the Ukrainian war are major blows to the economy, which will also make it difficult for the State to reduce the costs for social services. In the case of Ghana, a restructuring of domestic debt may be necessary to reduce debt service and address the underlying problem, which would also severely affect the banking sector and the economy. External debt is likely to be included in any restructuring, possibly in combination with domestic debt, to share the burden between foreign and domestic creditors. Since independence, Ghana has received financial assistance from the IMF on 16 occasions. The most recent programme ran from 2014 to 2019 and was worth just under USD 1 billion. Even though Ghana's economic potential is good, and its institutions relatively strong, it will be difficult for the country's leadership to turn around government finances and restore confidence in the economy among domestic and foreign investors/creditors. In the latest forecast by the Ghanaian government, the fiscal deficit is expected to fall to the equivalent of five per cent of GDP by 2024, which seems unrealistic. As a result of the lack of government resources, the country's institutions are likely to weaken in the coming years. In June 2022, EKN downgraded Ghana to country risk category 7 and in early September of the same year EKN closed for sovereign risk. It is likely that the economy will continue to develop in a negative direction in the coming year- Hence, EKN's outlook for Ghana's credit risk remains negative.

Business environment

High growth, relatively strong institutions and a focus on openness/international trade have made Ghana a preferred destination for businesses in the West African region. Hard currency liquidity is relatively good, which means that access to hard currency is ordinarily not a major problem for companies, given the right documentation. From an African perspective, corruption is at a relatively low level; Ghana is ranked 73rd out of 180 countries in Transparency International's Corruption Perception Index. One contributory factor is the relatively free and investigative news media that exists in the country which actively engages in monitoring and scrutinising. From a global perspective, however, the business environment is challenging. The country's bureaucracy is extensive, with clear deficiencies in the way the public authorities carry out their functions and responsibilities. Transparency and predictability of government directives and regulations are not up to international standards. Litigation and bankruptcy proceedings can be time-consuming and outcomes unpredictable. Due to the fiscal problems and high inflation, the business environment has deteriorated in 2022. For example, it may currently be more difficult for

Swedish export to Ghana

	MSEK
2021	783
2020	809
2019	730
2018	835
2017	822

Source: SCB

EKN:s exposure

	MSEK
Guarantees	10 000
Offers	3 740

companies to secure hard currency than normal.

EKN:s policy

As of August 2022, EKN is closed for public risk. Banks and enterprises are subject to normal risk assessment, which means that there are no pre-established requirements on the provision of guarantees.

EKN:s commitment and experience

EKN's exposure in Ghana has nearly quintupled over the past three years – from around SEK 1.6 billion in 2019 to SEK 7.8 billion after reinsurance in 2022. Of EKN's exposure, 90 per cent is risk on the central government in Ghana. Transactions with sovereign risks lie within the areas of transport, road construction, water treatment, hospitals and railways. So far, the payment experience has been good in terms of sovereign risks. However, since May 2022, EKN has noted late payments in a handful of transactions where the central government is the risk object. Ghana has renegotiated its external debts on four occasions between 1994 and 2004, most recently in connection with the conclusion of HIPC. EKN has had a claim on a public sector party in Ghana since 2012.

Most of the transactions that EKN guarantees, numbering some thirty or so per year, concern private buyers, mostly in the mining and transport sectors. EKN's payment experience is generally good, however commercial arrears in payment and claims payouts arise continuously in regards to corporate risks. The average amount of late payment notifications was approx. SEK 100 million per year during the period 2017 - 2021. The vast majority of these past due amounts were paid before they needed to be referred for indemnification/compensation claims. The average length of these arrears in payment was approx. 100 days. Approximately 60 per cent of current claims originate from guarantees to the mining and transport sectors.