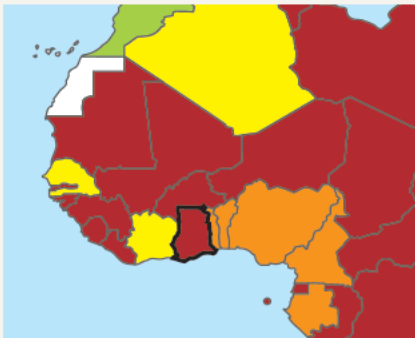


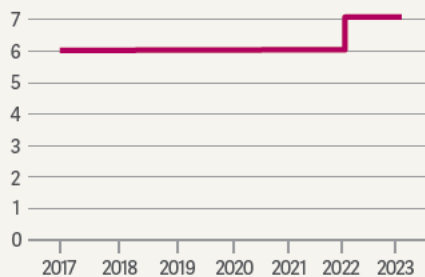
## Basic facts (2022)

Population: 32 million  
 GDP, nominal: USD 73 billion  
 GDP/capita: USD 2 270



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 generates government revenues and hard currency

## Weaknesses

- High level of sovereign debt
- Refinancing-related risk at elevated levels
- High risk for liquidity problems

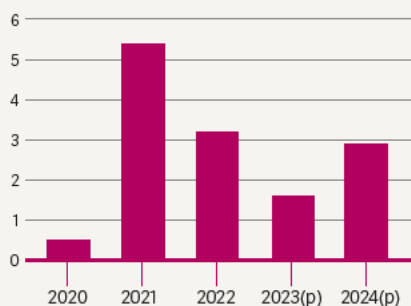
## Dynamic economy, weak public finances

Over the past decade, Ghana has experienced an average GDP growth rate of approximately five per cent per year. Historically gold and cocoa exports have been important contributors to growth, while oil exports have increased in importance in recent years. Agriculture accounts for a significant proportion of the economy, however gold accounts for approx. 40 per cent and oil for approx. 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 consistently had 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 Ghanaian President's powers are limited, and the Parliament has relatively strong decisive influence and authority, not only formally in the Constitution but also in practice. This means a relatively high level of respect for statutes and regulations, even if corruption and abuse of power undoubtedly occur. 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. The low level of central government revenues, combined with excessive spending, had led to recurring fiscal deficits, unsustainable debt financing, and financial support from IMF programmes. 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 sovereign debt levels. Ghana benefited from substantial debt write-offs in the early 2000s via the Heavily Indebted Poor Countries (HIPC) Initiative. The oil and gas industry are vital for maintaining a high growth rate, which presents some transition risk. This is particularly true as Ghana is a high-cost producer of oil and gas. Low household income levels and a large agricultural sector also mean vulnerability to climate-related risks, especially droughts and floods.

## The IMF agreement provides some breathing space

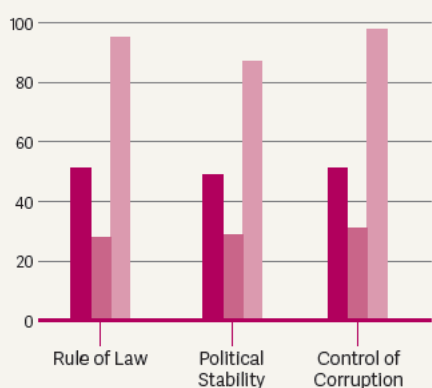
In May 2023, Ghana secured an IMF agreement worth USD 3 billion. This brought some relief, especially in terms of pressure on the currency, which has stabilised at approximately 11 cedi/USD. Compared to the years before the sovereign debt crisis, the Ghanaian cedi has thus lost about half its value vis-à-vis the US dollar. The IMF agreement is an important step towards a bilateral debt settlement, which for EKN will take place within the Paris Club. Bilateral negotiations with the aim of covering an estimated financing gap of more than USD 10 billion will continue during the autumn. The ambition is to achieve decisive progress before the first review of the IMF programme in November and the assessment is that, at the very minimum a preliminary agreement on bilateral debt will be in place by late 2023/early 2024. Only 6% of the loans are to China, therefore bilateral negotiations are likely to move faster than in the cases of for example Zambia and Ethiopia. Negotiations with private creditors are expected to be more challenging. Some 23 per cent of public debt is in Eurobonds. On a positive note, Ghana has completed part one of the restructuring of domestic public

## Real GDP growth (constant prices, % per annum)



Source: IMFWEQ, Macrobond

## Business environment



■ Ghana  
■ Africa South of the Sahara  
■ Sweden

Ranking from 0 (worst) to 100 (best)

Source: The World Bank, Macrobond

debt, which dealt with debts to the banking sector. Part two remains to be done, which includes pension funds. The restructuring of domestic debt is important to drive down the cost of public debt. Before restructuring, domestic debt accounted for about one-third of public debt and about 75 per cent of interest costs. The rapid build-up of domestic debt is also a key explanation for Ghana's default.

Even though the IMF agreement provides a short respite, a debt agreement is crucial to turn around the pressured economy. Inflation is above 40%; the central bank rate benchmark interest rate was raised to 30% in June 2023, and growth will be depressed in the coming years. According to the latest IMF forecast, the economy is expected to grow by 3-5% in 2024-2025, compared to 6-8% before the crisis. The banking sector was severely impacted by the restructuring of domestic public debt completed in February 2023 and this will be a drag on the economy. Due to regulation, as well as the lack of alternatives, Ghanaian banks had large exposure to government bonds when the sovereign debt crisis broke out. The debt restructuring renegotiations, where older bonds were exchanged for new ones, resulted in an average 30 per cent reduction in value. As a result, all of the ten largest banks in Ghana reported losses for the full year 2022, and for some banks the share of non-performing loans more than doubled. Consolidated Bank Ghana was particularly negatively impacted, with negative equity and a return on assets of minus 15 per cent in 2022. However, most of the largest banks are well-capitalised, meaning that the risk of a systemic crisis remains limited. To prop up and provide support for the banks, the Bank of Ghana has reduced the capital adequacy requirement from 13% to 10% and the government has set up a stability fund, the Financial Stability Fund (GFSF). So far, the GFSF is undercapitalised, however does provide some support.

The availability of hard currency for banks and corporates deteriorated markedly in 2022/2023. The market was particularly illiquid in the period October to December 2022, as foreign exchange reserves had decreased by 1/3 since the beginning of the year due to that foreign investors exited the market and there was widespread speculation in the cedi/USD rate. Because of the extreme currency volatility, the forward market did not work either. As 2023 comes to a close, liquidity has improved to some extent. The government's oil-for-gold programme, reduced imports, suspension of sovereign foreign payments, and lower dividends have reduced the demand for hard currency. According to the Central Bank of Ghana, it accumulated approximately USD 1 billion in reserves from January to June 2023, meaning that foreign exchange reserves have risen to 1.1 months of net import cover (excluding oil reserves and encumbered assets). However, it remains at a critically low level, as reflected in the banking system (see Business Environment).

Given the eight coups that have taken place in West Africa in the past three years, Ghana's democratic tradition remains one of the country's strengths. Although there is a slow weakening of the country's institutions and freedom of expression, the risk of developments similar to those in the Sahel Belt remains low. Presidential elections in 2024 are expected to follow the same tradition. On the other hand, no major changes in economic policy are expected. With regard to public finances, there seems to be no apparent change of attitude on the part of the government. Thus, the prospects for a significant change after the 2024 elections are assessed as being limited, although public finances are likely to be an important election issue. Both the ruling NPP and the opposition NDC have been guilty of mismanagement of public finances during their times

## Swedish export to Ghana

	MSEK
2022	799
2021	760
2020	809
2019	730
2018	835

Source: SCB

## EKN:s exposure

	MSEK
Guarantees	9 640
Offers	4 060

in office. Regardless of the outcome of the elections, it will take time to restore the confidence of foreign investors and creditors. International capital markets were important for Ghana before the crisis and will continue to be important in the future. The risk premiums on Ghana's Eurobonds have fallen back somewhat, largely as a result of the IMF arrangement, but remain well above 1,000 basis points (above this threshold it typically does not make sense to borrow). With tax revenues equivalent to less than 15 per cent of GDP, government revenues are among the lowest in the region. Even if Ghana manages to increase tax collection with some success, external financing is likely to remain important for the government.

EKN downgraded Ghana to country risk category 7 (as of June 2022) due to its deteriorating government finances.

## Business environment

Strong growth, relatively strong institutions, and a focus on openness/international trade have made Ghana a preferred destination for businesses in the West African region. Under normal circumstances, hard currency liquidity is relatively good, which means that commercial enterprises generally have access to hard currency given the proper documentation. From an African perspective, corruption is at a relatively low level. Ghana is ranked 72nd out of 180 countries in Transparency International's Corruption Perceptions 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. Litigating in court and bankruptcy proceedings can be fraught with delays, and outcomes unpredictable.

Due to hard currency shortages, high levels of inflation, high interest rates, currency volatility and weaker economic growth, the business environment has significantly deteriorated in 2022/2023. At the present commercial enterprises are finding it more difficult than usual to secure hard currency, as EKN has observed in a number of transactions. Hard currency is accessible through the banking system, however at a premium, and buyers often receive from the bank only a portion of the hard currency required to cover the invoice amounts. Similar to other African markets, companies with their own hard currency earning have an advantage in terms of hard currency through the banking system. Since November 2022, the central bank no longer allocates hard currency to imports of "non-essential goods," meaning goods that can be produced domestically. In these sectors, the risk of transfer barriers is thus considered to be particularly high. In addition, due to the fiscal problems, the risk of delayed payments from governmental entities is currently particularly high. Transactions with companies that are dependent on governmental entities for their revenues are therefore considered to be particularly risky. In Ghana's banking sector, the risks have increased due to the restructuring of domestic public debt.

## EKN:s policy

EKN confirms country risk category 7. As of September 2022, EKN is closed for sovereign risk. For such transactions, a letter of credit or bank guarantee is required. For bank and corporate risks, elevated premiums have been in effect since December of the same year. This means a higher-than-normal starting point in premium setting.

## EKN:s commitment and experience

Sovereign risks account for approximately SEK 8 billion of EKN's exposure, after reinsurance. Due to Ghana's suspension of external payments, all sovereign transactions are in default and are currently being re-negotiated in the Paris Club. However, thanks to EKN stopping loan disbursements in December 2022, the loss for EKN has been limited to approximately SEK 3 billion. The arrears on the sovereign currently amount to approximately SEK 100 million and another approximately SEK 100 million has been indemnified. Since 2012, EKN also has a claim of approximately SEK 16 million on a public counterparty (without a guarantee from the Ministry of Finance).

Most of the transactions in the country are however with non-governmental buyers, about thirty per year, predominantly to the mining and transport sectors. Payment experience is generally good given the high level of exposure and the increased transfer risk. Private arrears relate primarily to two buyers in the pulp and paper industry. Current receivables relate mostly to transactions in the mining sector entered into in 2013-2022 (approx. SEK 90 million) and transactions in the transport sector entered into in 2013-2020 (approx. SEK 65 million).