SOVEREIGN
AFRICA RATINGS

# Republic of Ghana

Issuer Commentary

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## Introduction

Sovereign Africa Ratings (SAR) anticipates moving Ghana's foreign currency ratings out of its default status in due course, contingent upon the country's completion of the external debt restructuring by the end of June 2025 and the maintenance of sustained fiscal consolidation.

## The Default and Its Aftermath

The default on external debt stemmed from severe fiscal pressures, exacerbated by high inflation, which reached 31% in 2022, and subdued GDP growth, which slowed to 3.22% in 2022 from 5.4% in 2021. Limited access to international capital markets further compounded the issue. Ghana's heavy reliance on commodity exports like gold, cocoa, and oil further exposes it to global economic volatility. The subsequent debt restructuring, involving approximately $14.2 billion in Eurobonds, while necessary, has significantly impacted investor confidence and necessitated a recalibration of the nation's financial strategy. The resulting haircut on Eurobonds represented 6.2% of GDP.

## Fiscal Challenges and IMF-Backed Reforms

Ghana's current IMF review, a high-stakes showdown running from April 2nd to 15th, 2025, is not a polite audit—it's a brutal litmus test.

Ghana continues to face significant fiscal challenges, with elevated debt levels remaining a primary concern. Ghana's public debt reached $63.3 billion by the end of 2022. The IMF-backed economic programme focuses on:

- **Debt Restructuring:** The government is actively pursuing both domestic and external debt restructuring to align obligations with its repayment capacity. This includes debt exchange programmes and negotiations with bilateral and private creditors.
- **Structural Reforms:** Ambitious structural reforms are underway to enhance budgetary resilience, improve tax administration, and address inefficiencies in key sectors like energy and cocoa.
- **Governance and Anti-Corruption Measures:** Ghana is actively tackling governance issues and corruption, including strengthening public officials' asset declarations and enhancing tax administration standards.
- **Impact of US Tariffs:** Adding a layer of complexity to Ghana's fiscal outlook is the recent imposition of a 10% universal tariff on imported goods by the United States. This development poses a direct threat to Ghana's export sector, potentially undermining its competitiveness in a key market. The Ghanaian government has announced urgent engagement with the US to resolve this issue and assess the full economic impact.

## Positive Fiscal Developments and Future Prospects

Despite the significant economic challenges Ghana has faced, including the recent default, several encouraging fiscal developments and prospects are emerging. Notably, a budget deficit of 3.0% of GDP for January-August 2023 was reported, successfully surpassing the targeted deficit of 4.6%, indicating improved fiscal management. This positive trend is further supported by signs of improving GDP growth.

Significant strides have been made in addressing Ghana's debt burden. The completion of the Eurobond exchange in October 2024 and the subsequent agreement with the Official Creditor Committee (OCC) represent crucial steps towards debt sustainability. These efforts are projected to yield tangible fiscal relief, with Analyst anticipating a reduction in interest payments equivalent to 8% of projected revenue for 2024, 5% in 2025, and 4% in 2026. The anticipated decline in the public debt-to-GDP ratio is also a positive indicator, largely driven by the 50% haircut on non-marketable debt held by the Bank of Ghana.

Looking ahead, projections from Standard Bank suggest a promising GDP growth of 5.4% in 2025, primarily fuelled by the robust performance of the mining sector. This is underscored by the substantial increase in gold export revenues, which reached $11.6 billion in 2024, a significant 52.6% rise from the $7.6 billion recorded in 2023, and now account for a dominant 57% of Ghana's total export revenue.

Adding to these positive signals, recent inflation data reveals a welcome downward trend. In March 2025, the inflation rate decreased to 22.4%, marking the lowest level in the past four months. This improvement was mainly attributed to easing pressures on food prices, with food inflation falling from 28.1% in February to 26.5% in March. Non-food inflation also experienced a marginal decrease, from 18.8% to 18.7%. Locally produced goods saw a decrease in inflation from 25.1% to 24.0%, although inflation on imported goods slightly increased from 18.5% to 18.7%.

In a proactive move to further anchor inflation expectations, the Bank of Ghana (BoG) unexpectedly raised its benchmark interest rate by 100 basis points to 28% shortly before the release of these inflation figures. This decision highlights the central bank's unwavering commitment to maintaining a tight monetary policy stance aimed at achieving sustained price stability. While the national average inflation of 22.4% is encouraging, the fact that key sectors such as Food and Non-Alcoholic Beverages (26.5%) and Housing, Water, Electricity, Gas, and Other Fuels (25.1%) still exhibit inflation rates above this average indicates that persistent price pressures remain in significant parts of the economy, necessitating continued vigilance and policy action.

## Debt Profile and Management

Ghana's public debt surged to US$63.3 billion by the end of 2022, with a significant portion, approximately 72% of external debt, denominated in US dollars, exposing the country to currency risk. The government's focus on building a sinking fund to manage future debt obligations, particularly those due in 2027 and 2028, is a proactive measure. The restructuring has already reduced interest payments, providing some fiscal relief.

## Key Risks

### Commodity Dependence and Diversification

While gold continues to be a crucial export, the broader issue of commodity dependence remains. However, it's not simply gold anymore. Ghana's reliance on other commodities like cocoa and, increasingly, oil and gas, adds to the risk. Fluctuations in global commodity prices can significantly impact Ghana's revenue streams. The need for economic diversification is more critical than ever. Diversifying into manufacturing, technology, and value-added agricultural processing is essential to reduce vulnerability to global commodity price swings. Additionally, the rise of green energy could impact the long-term demand for some of Ghana’s resources.

### Currency Volatility and Inflation

The Ghanaian cedi's volatility remains a significant concern. Projections of the cedi's exchange rate are constantly changing due to the global economic climate, US interest rate changes, and Ghana's own economic policies. Inflation has been a persistent challenge. Recent data indicates that while inflation has been showing a downward trend, it still remains relatively high. For example, Inflation as of June 2024 was recorded at 22.8%. This highlights the ongoing pressure on the cedi and the cost of living.

### Public Debt and Fiscal Sustainability

According to recent reports, Ghana's public debt-to-GDP ratio for 2024 has shown improvement, with figures indicating a drop to approximately 61.8%. This is a reduction from previous highs, such as the 80.4% recorded in 2020. However, the debt level is still a concern.

### External Debt Servicing

The burden of external debt servicing continues to be a significant drain on Ghana's resources. The global rise in interest rates has increased the cost of debt servicing, further straining Ghana's finances. The amount of money used to service debt takes away from money that can be used for economic growth.

### Economic Growth and Stability

Global economic uncertainties, including potential recessions in major trading partners, could impact Ghana's economic growth. Additionally, political stability and governance are crucial for attracting investment and maintaining economic confidence. Ghana's GDP growth for Q1 2024 was recorded at 4.7%. This indicates growth, and for the first three quarters of 2024, the average real GDP growth rate was an impressive 6.3%. However, global economic uncertainties could impact future growth.

### Climate Change Impacts

Climate change poses increasing risks to Ghana's agricultural sector, particularly cocoa production. Extreme weather events can also disrupt infrastructure and economic activity.

### Geopolitical Risks

Global geopolitical tensions, including conflicts and trade disputes, could impact global trade and investment flows, affecting Ghana's economy.

## Key Considerations

Ghana's ability to implement sound economic policies and maintain fiscal discipline will be crucial in mitigating these risks. Data shows that the Consolidated Fiscal Balance, % of GDP (%) was -3.2% as of June 2024. Ghana's government expenditures exceeded its revenues by 3.2% of the country's GDP as of June 2024. This means that the government had to borrow or use other financial resources to cover the shortfall. Attracting foreign direct investment and promoting private sector growth are essential for diversifying the economy and creating jobs. The success of ongoing debt restructuring programmes will significantly impact Ghana's economic outlook.

## SAR's Assessment and Outlook

Ghana's path to fiscal sustainability is not a matter of “hope” but of ruthless accountability. The IMF programme is a lifeline, not a guarantee. Every missed target, every delayed reform, deepens the hole. Restoring investor confidence requires more than completing debt restructuring; it demands a fundamental shift in governance and economic management. The question isn't if Ghana will exit default, but when, and that hinges entirely on uncompromising action.

## Conclusion

Ghana's economic journey is not ‘navigating a tightrope’, but a desperate struggle to avoid a catastrophic fall. The government's 'commitment' to fiscal discipline is only credible when backed by unyielding action, not mere pronouncements. Structural reforms are not optional; they are a lifeline, and prudent debt management means ruthless prioritisation, not wishful thinking. Long-term economic prospects are not built on hope, but on the cold, hard reality of sustained, measurable progress. The question isn't whether challenges remain, but whether Ghana possesses the political will to confront them with uncompromising resolve. The “glimmer of hope” is extinguished by every missed target, every delayed reform. Ghana's future is not a matter of resilience, but of relentless, unwavering execution. Greece, a nation that endured years of austerity and economic turmoil, serves as a stark reminder of the consequences of delayed or half-hearted reforms. While Greece's economy has since stabilised, it still faces the formidable challenge of servicing an accumulated debt pile that stands at approximately 180% of its GDP. Ghana must learn from this example: tepid measures will not suffice. Only a radical, sustained commitment to fiscal discipline and structural change can avert a similar protracted crisis.

**Contributors:**
**Bekithemba Ndimande | Senior Rating Analyst |** bekithemba@saratings.com
**Lomanja Malaba| Senior Rating Analyst|** lomanja@saratings.com
**Ted Maselesele CA(SA) | Rating Analyst |** ted.maselesele@saratings.com

**Contact:**
info@saratings.com
**+27 10 203 9921**
**Thornhill Office Park, Block 13, Ground Floor, 94 Bekker Road,**
**Midrand, Johannesburg, South Africa**
**www.saratings.com**