



REPUBLIC OF GHANA

## MINISTRY OF FINANCE

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### PRESS RELEASE

### FOR IMMEDIATE RELEASE

#### **GOVERNMENT DEBT STRATEGY AND ISSUANCE OF MAIDEN 20 YEAR BOND AND OTHER MATTERS RELATING TO BLOOMBERG REPORTAGE**

**Accra, Wednesday, 28<sup>th</sup> August, 2019...**The Ministry of Finance issued a debut 20-year domestic bond to investors with a settlement date of 26th August, 2019. This was in accordance with the Issuance calendar, which is published on a quarterly basis at the beginning of each quarter. In the Issuance Calendar for the 3<sup>rd</sup> Quarter, we included the possibility of issuing a 20-year bond for the first time subject to market conditions, and indicated a target size of up to **GH¢450 million**.

2. The primary reason for the issuance of a debut 20-year bond was to extend the tenor, yield curve, and establish a benchmark. This also helps to deepen the domestic market and improve liquidity through the issuance of benchmark size bonds that will be sizeable enough for investors to trade in and out of, thereby creating liquidity, better price discovery or pricing and deepening the secondary market.
3. It was in line with this strategy that the Government of Ghana in consultation with the Joint Book Runners (JBRs) and investors decided to issue a 20-year bond through a shelf offering to extend the tenor and the yield curve from 15 years to 20 years.
4. We were aware that given the current market conditions and the limited appetite for longer dated bonds, the size of the debut issue was unlikely to be of a benchmark size, and that was the reason it was structured as a shelf offering so additional issuances could be done over time to reach the targeted GH¢450 million benchmark level. As such contrary to the articles published by Bloomberg, this was not a failed or under subscribed offering but a fairly priced offering that has established another data point along our yield curve.
5. This strategy is consistent with our 2019 Annual Borrowing Plan and 2019 Medium Term Debt Strategy of issuing longer dated bonds beyond 10 years to extend the yield curve further. It is also consistent with our efforts to deepen the domestic debt market by building benchmark securities through tap-ins, rather than excessive new issuances. It is also part of our strategy to re-profile the domestic debt portfolio by reducing the percentage of shorter dated instruments of 91 and 182-day bills, which dominates our bond market and increases rollover risks.



6. As such, the Ministry has been successful in sticking to its strategy of elongating Ghana's yield curve with the issuance of the highest tenor bond (20-year bond) on the domestic market. Prior to this, the longest dated bonds on the domestic market was the 15-year bond.

### **Unfair and Inconsistent Reportage from Bloomberg**

7. The Ministry has followed with regrets recent articles published by a particular Bloomberg reporter on Ghana's economic and financial performance, which seem to always have a negative and sensational slant which does not seem representative of a balanced view. This does not reflect well of an esteemed Financial Media House such as Bloomberg.
8. For instance, an article entitled 'Worst-Performing Stocks Found in Ghana as Foreigners Exit' written by this particular reporter was published on 29th March, 2019 making assertions of a collapsed currency leading to Ghana's stocks being the world's worst-performer in the first quarter of 2019 following a sell-off by foreign investors and a dried up demand from local institutional investors.
9. Ironically, another article posted on Bloomberg - dated 10th April, 2019 which was less than two weeks later - entitled 'Ghana Is the Star in IMF's 2019 Economic Growth Forecast', written by other Bloomberg reporters indicated that the IMF projected Ghana to be the fastest growing country in the World in their latest World Economic Outlook.
10. An analysis of these two (2) articles raises serious concerns for the Ministry and are clearly contradictory with the former clearly depicting the author's personal opinion whereas the latter that of the IMF. How can a worst country performer with regards to currency, be touted for being a star with the strongest global economic growth in 2019 less than two weeks later, by the same Bloomberg?
11. It is worthy to note that, the Mid-Year Review of the Minister for Finance on 29<sup>th</sup> July 2019 - exactly four months after the said publication, provided the macroeconomic developments for 2019 fiscal year to date. In that presentation, the exchange rate on a cumulative basis had only depreciated by 8.4% as at end of June 2019, contrary to the negative allegations or insinuations in the 29<sup>th</sup> March article which implied that the cedi was in a free-fall thereby unduly creating fear and panic.
12. Similar to this development, the same writer of the first article on 25<sup>th</sup> August 2019 posted an article with the title, 'In Low-Yield World, 13% can be good enough but 20% insufficient.' It is unfortunate that Bloomberg will publish an article and make reference to two sovereigns with different credit ratings and different levels of inflation knowing very well that two bond issuances in two respective markets should not be compared on a nominal basis, but on a real basis.
13. According to the article, Rwanda, which has inflation of 1.6% and a credit rating of B+, issued their 20-year bond at 13.25%, implying a real return of 11.65% (i.e 13.25% -1.60%). Ghana on other hand, with an inflation rate of 9.4% and credit rating of B, issued its 20-year bond at 20.2% meaning a real rate of 10.8%. Thus, Ghana's real rate of 10.8% was much lower than Rwanda's at 11.65% despite its higher credit rating. Meaning Ghana was able to obtain financing at a cheaper rate despite their lower credit rating. This also indicates that Ghana's issuance was much better priced which explains the lower participation. One would have thought that the author would have conducted such basic financial analysis of this sort to provide a well informed and balanced position on the issue. Unfortunately, all of this was not captured in the article.

14. Ghana's issuance of a 20-year bond is in line with its debt strategy not to borrow at any cost. As a country, we insist on being fiscally prudent and borrowing at the lowest rates. It is clear that there will always be a trade-off between pricing and interest rates with the spill over effect, demonstrated in subscription levels by investors. Thus, if the interest rates are perceived to be low by investors, meaning tighter pricing in financial parlance, the bond will most likely be under subscribed and vice versa.
15. Additionally, as stated above there are other strategic reasons why a sovereign may want to issue paper of a certain tenor or size. The Ministry highlighted in the 2019 Mid-Year Review the intention to issue this bond to diversify the instrument base and provide suitable options for pension and insurance companies to match their assets to their liabilities.
16. Since our success at this year's Eurobond issuance, the domestic market has shown significant signs of growth indicating that the domestic market is getting deeper and sophisticated. This is consistent with our drive to increase resident participation in longer dated instruments to reduce foreign exchange risk.
17. We want to assure all investors and the public that our debt strategy is well anchored on debt sustainability, improved real rates and a stable macroeconomic environment.

**ISSUED BY  
PUBLIC RELATIONS UNIT  
MINISTRY OF FINANCE**

**THE NEWS EDITOR**