In case of reply, the number and date of this letter should be quoted

REPUBLIC OF GHANA

MINISTRY OF FINANCE

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27th JANUARY, 2020

PRESS RELEASE **FOR IMMEDIATE RELEASE**

RE: MOODY'S CHANGES GHANA'S OUTLOOK FROM STABLE TO POSITIVE, AFFIRMS B3 RATING

Accra, Monday 27th January, 2020. Reference is made to a publication by Moody's from their New York Office, on 24th January, 2020 that the Rating Agency had **affirmed** Ghana's long-term issuer and senior unsecured bond ratings at B3 and changed the outlook from stable to **POSITIVE**.

Prior to this, Moody's rating analyst team visited Ghana from 14th to 15th January, 2020 for the annual country visit. During their visit, the team undertook and independently evaluated the data on the performance of the economy in consultation with the Ministry of Finance, Bank of Ghana, IMF, World Bank, Development Partners and the private sector on major developments in the country.

It is important to also note that this review mission was critical in informing the decision of the Moody's rating committee which holds rating committee meetings once every two (2) years. The last time a session was done on Ghana was in February 2018. The results of any Rating Committee's decision is to either affirm, upgrade or downgrade your rating or change the outlook of your rating to positive, stable or negative or a combination of the two (2).

The 2019 Provisional Macroeconomic Outturn: The change in the outlook for Ghana's ratings from stable to positive is predicated on a number of factors. Key among the factors are the following:

i. **Strong GDP growth performance and outlook.** A key supportive factor for Ghana's ratings was the significant increase in GDP growth of 8.1% and 6.3% in 2017 and 2018 respectively, up from the slowdown of 2.9%, 2.2% and 3.4% in 2014, 2015 and 2016 respectively. For the first nine (9) months of 2019, real GDP recorded a strong average growth of 6.0% on the back of both oil and non-oil sector performance albeit with significant external headwinds during the same period.

ii. **Macroeconomic stability restored despite global and domestic challenges.** The macroeconomic environment has improved significantly since 2017. Inflation has eased gradually from 17.7% in 2015, 15.4% in 2016 to 7.9% (new series) as at December 2019. This is largely due to the continuous fiscal consolidation policy drive, a tight complementary monetary stance, and relative stability in the exchange rate.

iii. **Fiscal consolidation sustained post completion of IMF programme.** Provisional data post IMF programme completion, indicates that the fiscal position for 2019 recorded a deficit of 4.8% of GDP against a revised target of 4.5% of GDP. The primary balance also recorded a surplus of 0.9% of GDP which is the first time in decades that we have recorded three (3) continuous years of positive primary performance. The fiscal performance is therefore within the Fiscal Responsibility Act (FRA) conditions of a deficit threshold of 5% of GDP and a positive primary balance.

iv. **Proactive Debt Management following risk from Financial and Energy Sectors.** The provisional public debt as a percentage to GDP is 62.11% as at the end of November 2019. Excluding the financial sector bail-out, the ratio drops significantly to 59.2% of GDP. Proactive debt management post IMF programme completion includes continuation of liability management of the current stock of debt, transparency in debt operations by publications of Annual Debt Reports (ADR), Annual Borrowing Plan (ABP), Annual Medium Term Debt Strategy (MTDS), and frequent interactions with the public and market participants among others. Another significant development is the institutionalisation of limits on Commercial Borrowing as part of the annual budget process and implementation of a credit risk assessment framework for SOEs and other stakeholders requiring sovereign guarantees.

v. **Strong Institutional Reforms bearing fruits.** In addition to the Public Financial Management Law, 2016 (Act 921), the newly enacted Fiscal Responsibility Law, 2019 (Act 982) passed in 2018 and the Public Financial Management Regulations (L.I. 2378) passed in 2019 are underpinning the fiscal consolidation and discipline in the management of Ghana's economy. The newly inaugurated Fiscal Council also provides independent advice to Government. Government has successfully intervened in protecting investors and depositors in the clean-up of the financial sector, and will complete the process for the remaining segments, including Specialised Deposit-Taking Institution (SDIs) and Fund Managers, in 2020. The clean-up also led to the operationalisation of the Ghana Deposit Protection Scheme in 2019, and the implementation of an enhanced regulation and supervision framework by the Bank of Ghana and the Securities and Exchange Commission (SEC). Government has also saved over 6,000 jobs by intervening through the Ghana Amalgamated Trust (GAT) to save five (5) local banks that failed to meet their required minimum capital in 2018. These reforms and interventions will ensure a healthy and safe financial sector that will support credit delivery to businesses in the private sector and a vibrant capital market for higher GDP growth and job creation in the near term.

The Financial Stability Council is also in operation to support a more resilient and stable financial sector for economic growth. An Economic Policy Coordinating Committee (EPCC) co-chaired by the Finance Minister and the Governor of the Bank of Ghana established to coordinate, monitor, and address emerging macroeconomic issues has been operationalised and legislated through the PFM Regulation. These institutional reforms are being implemented as part of measures to ensure irreversibility of the hard-earned macroeconomic stability currently underpinning Ghana's transformation agenda.

vi. **Dealing with challenges and risks.** Despite these positive developments, Government is working assiduously to ensure risks in the outlook are curtailed. Government is committed to working with its partners and stakeholders to address risks emanating from contingent liabilities especially within the energy sector. To complement these efforts, government's vision of a "Ghana Beyond Aid" is to transform Ghana into a self-sufficient economy.

The affirmation of Ghana's long-term issuer and senior unsecured bond ratings at B3 and the change in the outlook from stable to positive by Moody's is a testimony of the prudent management of the economy and its attendant positive outcomes. This is consistent with the results of the IMF's recent assessment of the Economy through the Article IV consultation after their successful Executive Board meeting on 6th December, 2019 where the Executive Directors commended the Ghanaian authorities for the strong macroeconomic performance and laying the foundations for sustained and more inclusive growth.

Going Forward. The Government is counting on all its stakeholders, especially the private sector and the Developments partners to support the key focus areas of Government for 2020 and beyond. The medium-term outlook is indeed bright supported by strong activity in the extractive industry (oil, gold, and bauxite), a safer and resilient banking system, prudent macroeconomic policy stance, rapid infrastructure and oil sector investment as well as an emerging tourism industry (Year of Return).

The establishment and operationalisation of the Ghana Incentive-Based Risk Sharing System for Agriculture Lending (GIRSAL)—to provide guarantees to facilitate commercial bank lending to the agriculture sector—as well as the National Development Bank will provide the necessary impetus to the medium-term growth prospects.

The effective implementation of our flagship programmes, including The Planting for Food and Jobs, One District One Factory, Free Senior School, and the IPEP will continue to support sustained growth and job creation. With the rectification of the African Continental Free Trade Area (AfCFTA), Ghana plans to become a regional hub for aviation, logistics, financial services, tourism, health and education.

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THE NEWS EDITORS