REPUBLIC OF GHANA

MINISTRY OF FINANCE

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PRESS RELEASE

FOR: IMMEDIATE RELEASE

RESPONSE TO BLOOMBERG'S ARTICLE ON GHANA'S DEBT

Accra, 16th January 2022 - On Thursday, 13th January 2022, the attention of the Ministry was drawn to a widely circulated Bloomberg article captioned – "***Ghana Debt Moves Deeper into Distress as Investors lose Patience***".

2. There are some serious factual errors in the article, which may give investors some cause for concern, if not corrected. For example, Bloomberg stated 81.5% as end of year debt to GDP ratio. This is incorrect. Our provisional nominal debt to GDP, as at the end of November 2021 was 78.4%, which is the latest data available. December revenue collections are seasonally the largest for any year, it is unlikely that our financing requirements in December will result in us exceeding 80% debt to GDP by December 2021.

3. The Bloomberg article gave wrong historical debt to GDP figures. It is essential we make the correction that Ghana's debt to GDP figures a decade ago were 39.67% and 47.80% for 2011 and 2012, respectively, and not 31.4% as stated in the Bloomberg publication. Again, it is important to note that for the period prior to the COVID-19 global pandemic, Ghana experienced an average debt-to-GDP ratio of 56.4% from 2015 to 2019. In 2020, Ghana's GDP grew by 0.4% because of the impact of the Covid-19 Pandemic on the economy. Financing of the additional Covid-19 related expenditures, in addition to revised revenue targets, due to the impact of the pandemic, led to an increase in debt-to-GDP from 62.4% in 2019 to 76.1% in 2020.

4. The current 78.4% debt-to-GDP ratio as at the end of November 2021 indicates rather a reduction in the rate of debt accumulation (i.e. declined by a half to 18% as at November 2021 from 34% in 2020). This attests to an improvement in our debt and liability management, contrary to what the article seeks to suggest. Furthermore, with the positive Primary balance target for 2022 – one of the key fiscal anchors in 2022 - Ghana should see improved stability and reduction in the debt to GDP ratio in 2022 and through the medium term.

5. It is most unfortunate to note that foreign investors and market participants are on edge following the impasse in Parliament, in relation to the passage of the E-levy Bill. The market seems to now be pricing into our bonds the perceived risks of having a slim majority in Parliament and the consequences thereof. The markets also seem to be concerned that this might impact Government's ability to successfully pass and implement some of its major revenue policy measures as presented in the 2022 Budget. The Ministry would like to state that a healthy debate in a vibrant Parliament is a critical part of Ghana's growing democratic credentials and by no means should it be deemed to be a

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fiscal risk. Government is confident that when Parliament resumes sitting this month, the E-Levy Bill, which has already been discussed and approved by the Finance Committee of Parliament, will be passed.

6. The Ministry also wishes to state that the Government is on track to meet its non-oil Tax Revenue target for 2021 of GHS 57.05bn (13.16% of GDP). The 2022 non-oil Tax Revenue target of GHS 80.3bn moves us to a tax revenue to GDP of approximately 16%, which is still below our medium revenue target of 18-20% of GDP. We are, however, confident that we can meet the 2022 revenue target and that the E-Levy will help us accomplish this. The Ministry will continue to monitor and adjust expenditures accordingly, as has been done successfully in the past, using the commitment control (including the quarterly allotment mechanism) tools at our disposal.

7. Ghana does not face any imminent external imbalances or reserves shortfall. The reserves, at over 5x import cover, is well above our internal target of 4 months and better than the average over the previous two decades. Foreign Financing of the 2022 Budget, of US$1.5 billion is also bolstered by the balance of SDR's of approximately US$700 million.

8. The balance can be financed through the use of alternate instruments including term loans, bilateral and multilateral loan facilities and a tap-in of our domestic dollar bonds, amongst others. In December 2021, the Ministry of Finance issued a 5-year domestic dollar bond at 6%. These bonds are currently trading at a yield of ~5.5% on the local market.

9. Like all emerging market countries with foreign investor participation in our domestic debt, Ghana is susceptible to a tighter US Monetary Policy stance. However, Ghana has healthy reserves of over 5 months of import cover amidst reduced levels of foreign investor participation in our domestic market. As at November 2021, our data indicates that only 16.55% of our domestic debt is held by non-residents investors as compared to 38.44% and 30.01% in 2017 and 2018, respectively.

10. Whereas we acknowledge that the current trading levels of our Eurobonds have widened, we do not believe that it is warranted nor do we believe that it reflects the strong underlying fundamentals of the Ghanaian economy and our rapid rebound post the Covid-19 pandemic as evidenced by the healthy GDP growth of 6.6% for the third quarter alone and an average of 5.2% for the first three quarters of 2021. While the end year growth targets for 2021 has been revised to 4.4%, high frequency indicators suggest a continued strong momentum in economic activity in Q4.

11. Despite the global challenges that exists on the back of the covid-19 pandemic and especially in emerging markets, with risks such as financial stress and sluggish progress on vaccination as recently cited by the World Bank, the Ministry would like to reassure all its investors that Ghana's fundamentals remain strong as attested to by: our growth in Q3-2021; the Ghana Revenue Authority exceeding its target in 2021; and our strong reserves position. Ghana will continue to show leadership in these difficult post-Covid era to build a sustainable, entrepreneurial nation while ensuring that growth, job creation and fiscal consolidation are not compromised, in line with the President's vision of a Ghana Beyond Aid. **END**

ISSUED BY THE PUBLIC RELATIONS UNIT
MINISTRY OF FINANCE

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