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## **Ghana's reforms bearing fruit**

The Ghana Stock Exchange Composite Index has already increased by 8.24% in 2020, making Ghana one of the best performing Frontier Markets. The increase is entirely due to the currency since the Cedi has gained 10% since the start of the year, the most among more than 140 currencies tracked by Bloomberg.

The reforms that started three years ago in the West African country are now beginning to bear fruit. These reforms focused on reducing deficits and an aggressive revision of the banking sector, with the number of lenders being reduced from 69 to 23. This has reduced liquidity and credit risks. Over the past three years, the trade balance (the difference between export and import) has turned to a surplus for the first time in twenty years. Such a development did not come about because Ghana imports less, but largely because of the increased exports as a result of a positive transformation of the economy by the government.

The inflow of capital helped to boost the international gross reserves that reached US \$ 7.05 billion at the end of December 2018 and increased to US \$ 8.4 billion at the end of December 2019. This equals 4 months of import cover.

Ghana cut its budget deficit to 3.8% of gross domestic product in 2018, from 8.7% in 2016, after President Nana Akufo-Addo government passed legislation to cap the shortfall to 5% of GDP. Although the International Monetary Fund's four-year program has ended, last year's deficit was in line with the 4.5% target.

Two weeks ago, Ghana issued a new \$ 3 billion Eurobond loan that was eagerly taken up by foreign investors. The loan was oversubscribed 5 times, reflecting investor confidence. The yield that was still at 9.5% in December has since fallen to below 7%.

With economic growth of 8.1% in 2017, 6.8% in 2018 and an expected growth of 7% for 2019, Ghana is one of the fastest growing economies in the world over the past three years. The recent growth performance had been driven mainly by industry and agriculture sectors. The aforementioned reform in the banking sector offers opportunities for the remaining participants, such as Cal Bank and Ecobank Ghana.

Cal Bank, for example, is trading at only 3.81 times earnings and more than 20% below book value with a dividend yield of 4.85%. The bank reported a 31% (y/y) increase in net profit for the first 9 months of 2019. Both the TCM Global Frontier High Dividend and the TCM Africa High Dividend fund hold positions in Cal Bank and Ecobank Ghana.

TCM Investment Funds  
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Source:

Dailyguidenetwork.com – Ghana's External Payments Position Improve (February 12, 2020)

SAS Weekly Ghana Market Update (January 17, 2020)

Databank Equity Research – CAL GN (October 25, 2019)

Bloomberg.com – Ghana Is Fast Becoming Frontier Investors' New Best Friend (February 17, 2020)