

BEST'S COUNTRY RISK REPORT

Ghana CRT-5

August 22, 2018

Region: Africa

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Ghana, a CRT-5 country, has high levels of economic and political risk and a very high level of financial system risk. GDP is forecast to expand 6.3% in 2018 and 7.6% in 2019. In 2017, inflation was over 12% but is expected to decrease in 2018. However, the potential for higher inflation persists owing to fiscal pressures and exchange rate depreciation.
- Recent economic growth has been driven by rising oil prices and production, as well as increased levels of foreign direct investment.
- The majority of countries in Sub-Saharan Africa are categorized as CRT-5, with the exceptions of Mauritius at a CRT-3 and South Africa at a CRT-4.



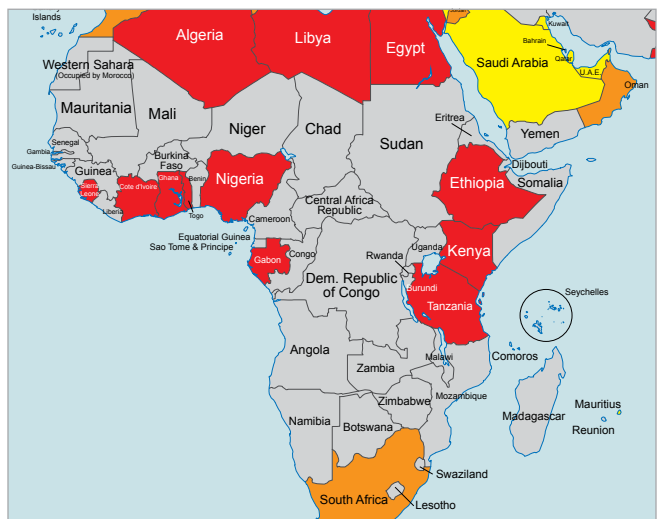
- Country Risk Tier 1 (CRT-1) Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2) Low Level of Country Risk
- Country Risk Tier 3 (CRT-3) Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4) High Level of Country Risk
- Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

Regional Summary: Sub-Saharan Africa

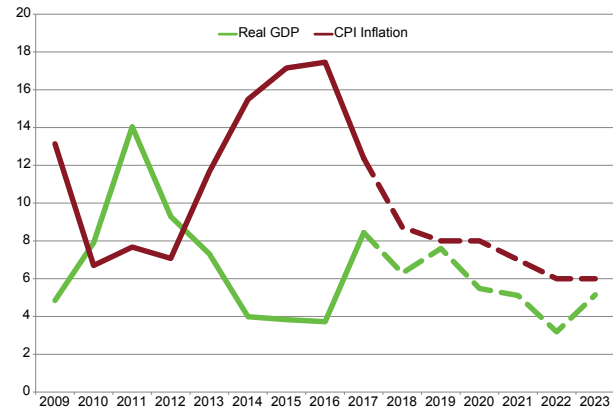
- Africa's growth prospects are expected to improve slightly on rising domestic demand, stronger global growth, a recovery in agricultural production, and modestly increasing commodity prices. However, economic growth continues to lag population growth, making any significant progress towards human development goals difficult.
- The region faces several headwinds that limit potential, including political uncertainty, challenging business environments that erode investor confidence, fiscal pressures, high debt, poverty, growing numbers of refugees, corruption, inadequate infrastructure, and an unstable security environment.
- The IMF estimates that about 40% of the region's low-income countries have a high risk of debt distress or are already in debt distress. A large share of the region's sovereign debt is denominated in foreign currency, and an appreciating dollar/euro would lead to larger debt burdens.
- Inflationary pressures have subsided owing to monetary policy, increasing foreign exchange reserves, and growing exchange rate flexibility.

Vital Statistics 2017		
Nominal GDP	USD bn	47.03
Population	mil	28.3
GDP Per Capita	USD	1,663
Real GDP Growth	%	8.4
Inflation Rate	%	12.4
United Nations Estimates		
Literacy Rate	%	76.6
Urbanization	%	55.3
Dependency Ratio	%	73.0
Life Expectancy	Years	67.0
Median Age	Years	21.1
Insurance Statistics		
Insurance Regulator	National Insurance Commission	
Premiums Written (Life)	USD mil	220
Premiums Written (Non-Life)	USD mil	274
Premiums Growth (2016 - 2017)	%	16.0
Regional Comparison		
		Country Risk Tier
Ghana		CRT-5
Kenya		CRT-5
Morocco		CRT-4
Nigeria		CRT-5
South Africa		CRT-4
Tunisia		CRT-4

Source: IMF, UN, Swiss Re, Axco and A.M. Best



Economic Growth (%)



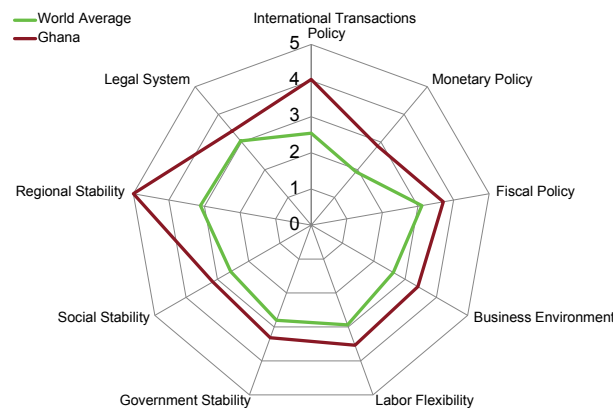
Source: IMF World Economic Outlook and A.M. Best

Economic Risk: High

- Ghana's economy is driven largely by agriculture and mineral extraction, with its prime exports being gold, oil, and cocoa. Agriculture accounts for 20% of the economy and employs 50% of the country's labor force.
- Downside risks to the economy include volatile commodity prices, the effects of austerity measures on domestic demand, high levels of inflation, and changes in external demand.
- Ghana is entering into the final year of its loan agreement with the IMF. Ghana borrowed USD955 million in 2015, to restore economic stability and debt sustainability. Although several goals were met, additional progress is needed for Ghana to reach its full economic potential. As a result, the IMF program was extended for an additional year, through 2019.
- Public debt levels remain elevated despite the government's efforts to lower the budget deficit. Expenses, particularly the high public wage bill and rising interest payments, make the country's current spending levels unsustainable over the long term.

Political Risk Summary

Score 1 (best) to 5 (worst)

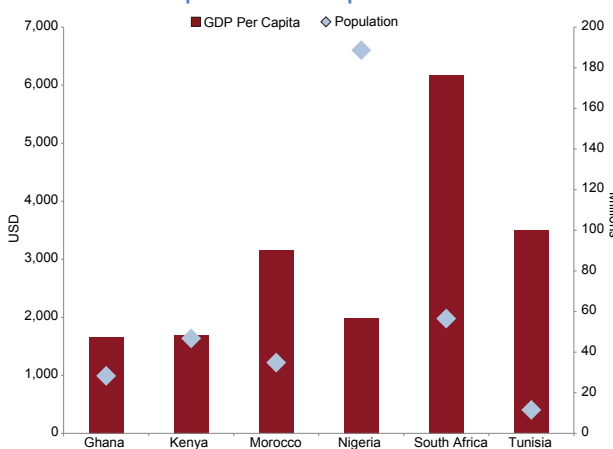


Source: A.M. Best

Political Risk: High

- Presidential elections were held in December 2016, resulting in a victory for opposition candidate Nana Akufo-Addo of the NPP party, who received just over 53% of the vote. The NPP's reform measures have focused on stabilizing the economy and improving the business climate to attract foreign direct investment.
- A number of corruption scandals, particularly focused on government influence in the energy sector, has raised concerns about the government's transparency. Rising corruption levels have the potential to undermine the country's efforts to attract foreign investment and reach development goals.
- Ghana remains at risk as a target for terrorist groups seeking to establish a presence off coastal Western Africa. The country is also prone to political and social protests.

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: Very High

- The insurance industry in Ghana is regulated by the National Insurance Commission (NIC).
- Non-performing loans remain a drag on the financial sector and have resulted in subdued credit growth.
- The IMF has noted persistent financial system fragility, despite reform efforts. Some banks will need to raise additional capital to comply with new capital requirements by the end of 2018.
- A significant portion of the country's debt is denominated in foreign currency, leaving the country vulnerable to exchange rate volatility.