GAB GHANA ASSOCIATION OF BANKS

2025

Industry Outlook

Building Resilience,
Driving Innovation

Contact Us:

030 225 4768
0302 670 629

www.gab.com.gh
info@gab.com

No. 12 Tafawa Balewa Street, North-Ridge, Accra

GHANA ASSOCIATION OF BANKS

PROMOTING INTEREST OF BANKS AND CUSTOMERS

FOSTERING PARTNERSHIP AND SUSTAINABLE BANKING

The GAB 2025 Industry Outlook

analyses trends, uncertainties, and opportunities shaping Ghana's banking future.

The *GAB 2025 Industry Outlook* centres on two primary trajectories: a cautious recovery amidst fiscal consolidation and a transformative embrace of innovation and sustainability. These trajectories are not predictions of what is certain to occur or what GAB envisions. Instead, they represent an exploration of the banking sector's potential pathways shaped by global economic forces, local policy frameworks, and emerging technological disruptions.

These scenarios are grounded in a robust analysis of prevailing economic data and trends, excluding speculative technologies or unpredictable geopolitical events. The inherent uncertainties surrounding economic recovery and technological adoption make the likelihood of any single scenario playing out precisely as outlined minimal. Moreover, the scenarios are not exhaustive but aim to span a wide spectrum of possible outcomes, providing insights into the critical factors that will influence the sector's trajectory through 2025 and beyond.

The GAB 2025 Industry Outlook serves as a lens through which stakeholders can examine risks and opportunities in Ghana's banking sector. It is also a contribution to the broader discourse on the nation's financial future. While this Outlook offers valuable perspectives, it should be viewed alongside other strategic insights and data as stakeholders chart their paths in the evolving economic landscape.

January, 17th 2025

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Introduction to Industry Outlook 2025

Welcome to the 2025 edition of GAB's Banking Industry Outlook

The 2025 Industry Outlook arrives at a pivotal juncture in Ghana's financial sector, a period marked by resilience and reinvention. As the world emerges from post-pandemic adjustments, the global economic landscape presents an intricate mix of challenges and opportunities. In Ghana, the confluence of stabilised inflation, fiscal consolidation, and evolving monetary policies underpin cautious optimism for the year ahead.

The past year witnessed remarkable developments, from easing monetary policies globally to renewed focus on structural reforms in emerging economies. For Ghana's banking sector, 2024 closed with signs of recovery amid persistent macroeconomic challenges.

Declining inflationary pressures, easing policy rates, and a stabilised cedi offer a window of opportunity for growth and innovation.

This year's Industry Outlook provides a comprehensive analysis of these trends, diving deep into the implications of domestic and global economic developments on the financial sector. It examines macroeconomic dynamics, explores the transformative impact of technology and innovation, and highlights the role of sustainable finance in driving Ghana's economic resilience.

Crucially, this edition underscores the imperative for the banking sector to adapt and evolve. As geopolitical tensions, climate action, and digital transformation reshape the global economy, Ghana's banks must harness these forces to secure their competitiveness. By embracing innovation, fostering financial inclusion, and aligning with global sustainability goals, the sector can cement its role as a cornerstone of economic stability and growth.

On behalf of the Ghana Association of Banks, I invite you to delve into this year's outlook, a resource designed to equip stakeholders with actionable insights and strategies for navigating an increasingly complex financial landscape. Together, let us rise to the challenges and opportunities that 2025 presents, building a banking sector that thrives in the face of change.

Mr. John Awuah
(CEO, Ghana Association of Banks)

Context and Background

As the global economy began to emerge from the shadows of the COVID-19 pandemic, 2025 presents a mix of opportunities and uncertainties. In 2024, central banks worldwide finally eased their aggressive monetary policies, lowering interest rates after largely taming inflation without triggering a global recession. This monetary pivot spurred remarkable market activity, with stock indices in the United States and Europe hitting record highs. Forbes declared 2024 a "banner year for the mega-wealthy," adding 141 new billionaires to its elite ranks. Ghana's financial markets mirrored this global trend, with the Ghana Stock Exchange (GSE) Composite Index recording an impressive year-to-date change of 40.12% by October 2024.

However, this financial exuberance stood in stark contrast to the realities faced by many voters across the globe. A wave of elections in countries including Ghana, India, South Africa, and the United States revealed deep dissatisfaction with persistent cost-of-living pressures. Post-pandemic price increases, compounded by high debt burdens and uneven economic recoveries, have eroded public confidence in incumbents.

In Ghana, while there is cautious optimism about an economic turnaround under President Mahama's administration, the weight of fiscal constraints and the nation's substantial debt stock signals that 2025 may be another difficult year. Globally, analysts are projecting a fragile recovery, but the outlook remains precarious.

The prospect of a Donald Trump presidency in the United States raises concerns about potential trade wars and their inflationary impacts, alongside the risks of a global economic slowdown. Concurrently, geopolitical tensions, from the ongoing conflict in Ukraine in addition to instability in the Middle East and political deadlocks in Europe, compound uncertainties.

Adding to these challenges is the escalating cost of climate damage and the wavering commitment of major economies to the energy transition. For instance, BP's December 2024 announcement to "significantly reduce" investments in renewable energy underscores a potential global retreat from sustainability agendas. A Trump-led U.S. administration could amplify this trend, prioritising fossil fuel exploration under the rallying cry of "*drill, baby, drill.*"

For Ghana, while the IMF programme provides a measure of macroeconomic certainty, the broader global outlook remains clouded by an interplay of socio-economic, geopolitical, and environmental factors. Bank executives approach 2025 with apprehension: inflationary pressures may have eased, and interest rates are declining by a margin of approximately 200 basis points compared to their peak levels in 2023, but geopolitical shocks, sluggish growth, and regulatory ambiguity loom large. Adapting to a low-growth, low-rate environment will test the resilience of the sector.

The ***GAB Industry Outlook, 2025*** edition offers an incisive analysis of the global and domestic economic landscape, evaluates industry performance, and outlines strategic imperatives for Ghanaian banks to build resilience in an era of profound uncertainty.

Macroeconomic Insights

Output and Growth Projections

Ghana's economic growth is set to accelerate in 2025, driven by strong performances in key sectors and the successful implementation of fiscal consolidation measures. In 2024, the African Development Bank forecasted a 4.3% growth rate, with the IMF and World Bank revising their projections upwards from 3.1% to 4% for 2025 and further to 5% by 2026. These optimistic outlooks follow Ghana's successful external debt restructuring with the Official Creditors Committee, securing $14 billion in debt relief. The recovery is further bolstered by increased port activity, a robust extractive sector contributing significantly to trade surpluses, stronger private sector consumption, and a surge in tourist arrivals.

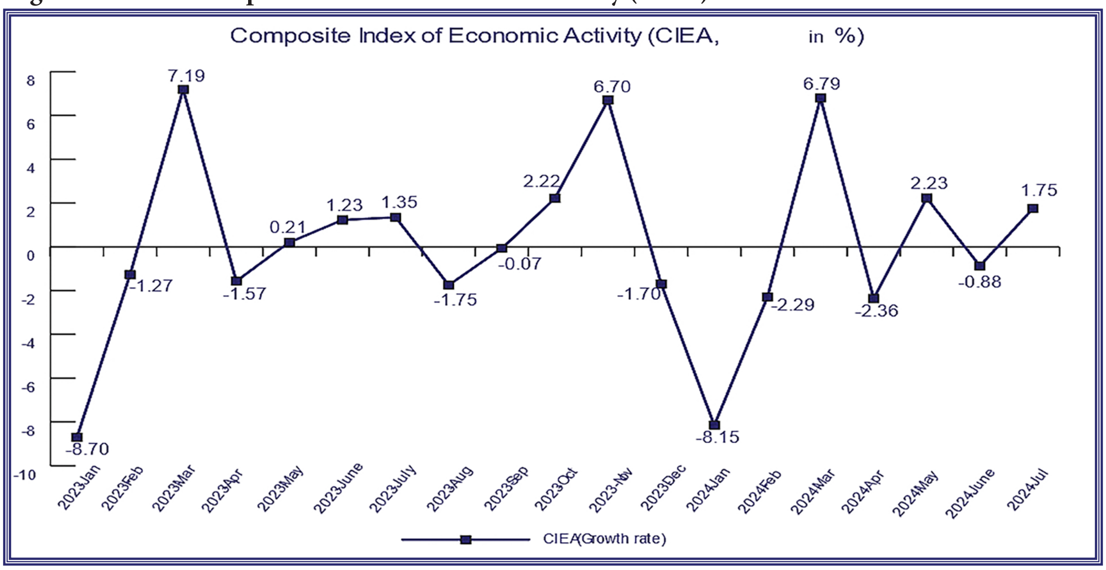
Key contributors to this growth include significant gains in the services and agricultural sectors, which propelled real GDP growth to 6.9% in Q2 2024. However, despite this positive trajectory, the Ghana Composite Index of Economic Activity (CIEA)—an indicator tracking short-term economic dynamics—remained relatively stagnant, fluctuating between 723.61 and 757.61 from January 2021 to July 2024. The CIEA's growth rate averaged 0.32% in 2023 and dipped to -0.42% by mid-2024, raising concerns about the performance of the real sector and persistent unemployment challenges.

Nonetheless, Ghana's economy has demonstrated remarkable resilience under the IMF programme, supported by the government's unwavering commitment to fiscal consolidation. On the global stage, easing monetary policies and disinflation have created an environment of relative economic stability, which further underpins Ghana's growth prospects.

For the banking sector, this rising economic output is poised to stimulate credit demand, enhance repayment capacity, and reduce non-performing loans, creating a pathway for improved profitability. Notably, Ghana's real GDP growth projections for 2025 are expected to outpace those of emerging markets, middle-income economies, Sub-Saharan Africa, and even advanced economies.

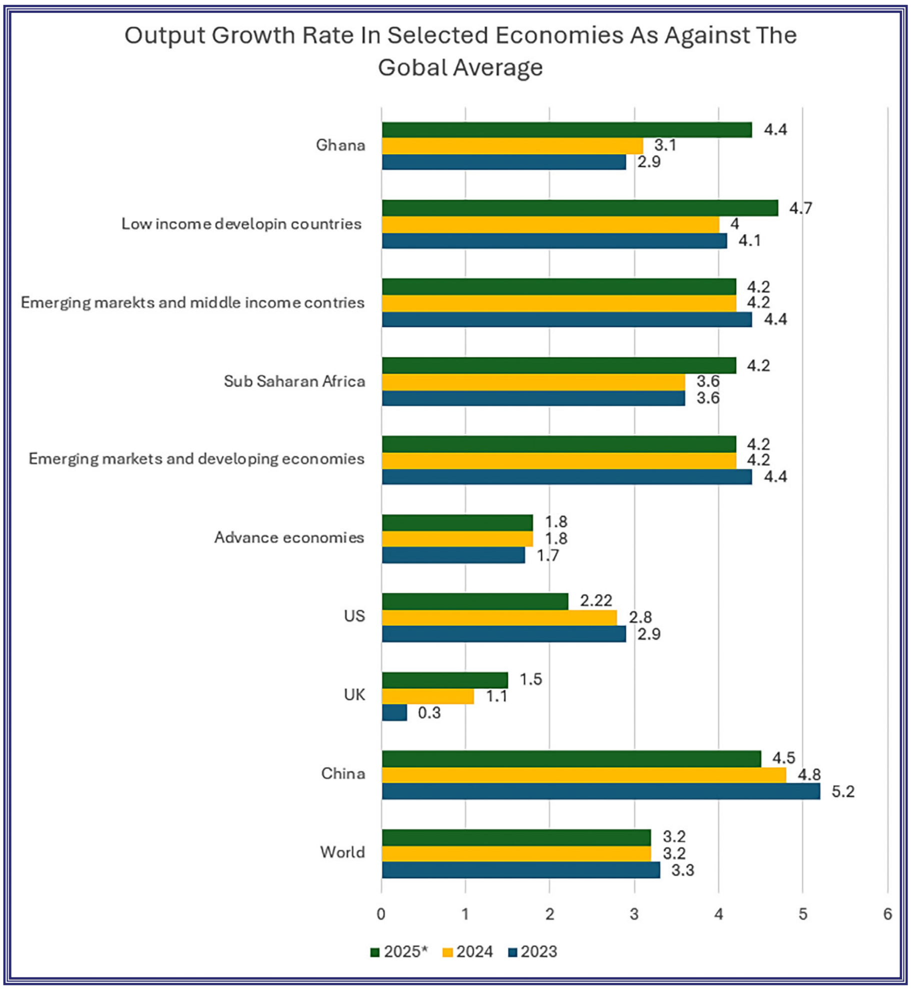
As the country navigates this period of recovery and growth, the interplay between fiscal discipline, global economic trends, and sectoral performance will be critical in shaping a sustainable economic trajectory for Ghana. The banking sector, in particular, stands to benefit significantly from these developments, positioning itself as a vital engine of the broader economic recovery.

Figure 1: Ghana Composite Index of Economic Activity (CIEA)



Source: Bank of Ghana, Database portal, (2024)

Figure 2: Global Growth Outlook



Source: World Economic Outlook Data (2024), Estimates Based on 2023

The chart highlights the significant expansion potential of economies in low-income developing countries, emerging markets, and middle-income economies, as well as in Sub-Saharan Africa, including Ghana. This growth trajectory presents a compelling opportunity that hinges on robust capital mobilisation and formation.

To support and sustain this potential, the banking sector must position itself as a catalyst for growth by innovating around savings and deposit mobilisation. Creative and inclusive initiatives will be crucial in harnessing untapped resources, fostering financial inclusion, and aligning with the evolving needs of these dynamic economies. By leveraging these opportunities, the banking sector can play a pivotal role in driving economic transformation while securing its own long-term growth and profitability.

Implications

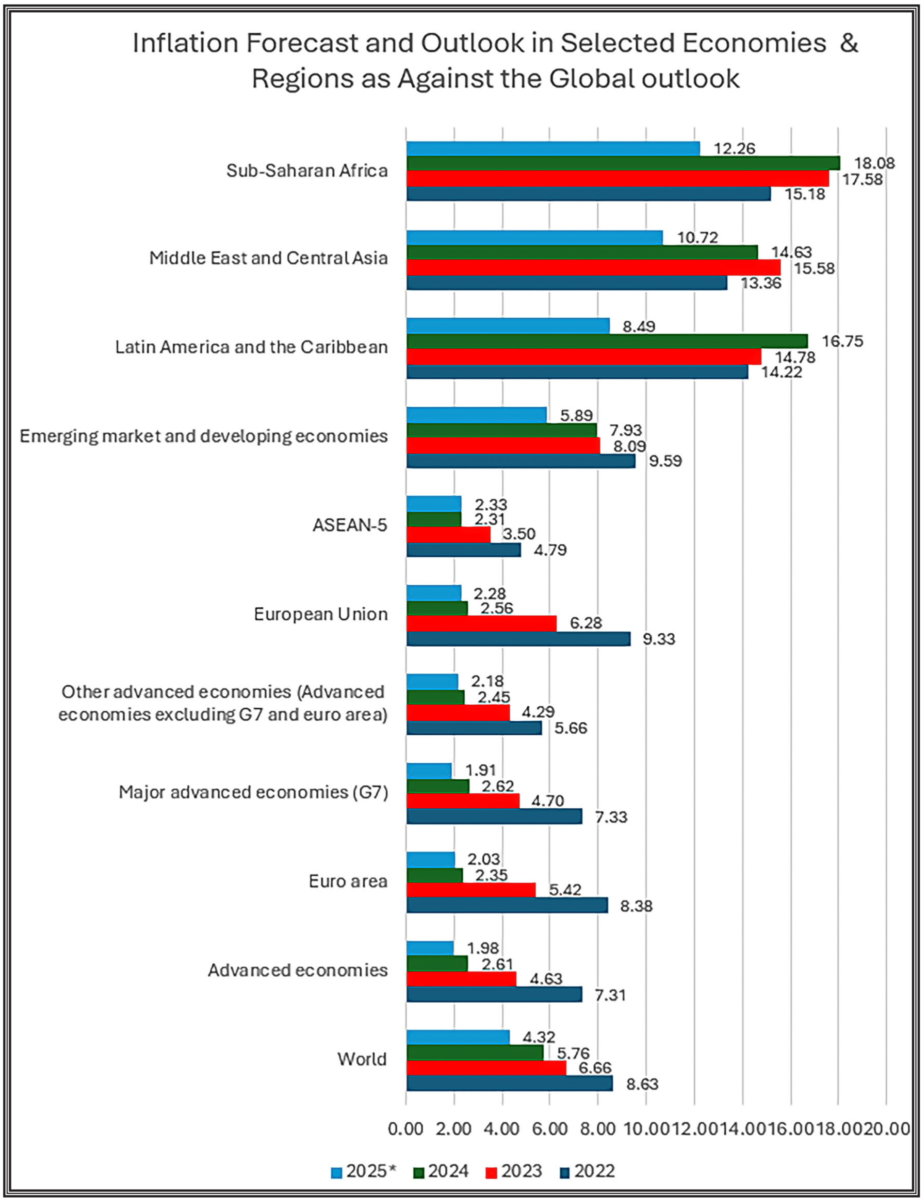
Ghana's projected GDP growth of 4.4% in 2025 and a further optimistic outlook for 5% in 2026 presents a strategic inflection point for Ghana's banking sector. With expanding economic activity driven by services and agriculture, banks must position themselves as enablers of growth by aligning their credit offerings to high-growth sectors while leveraging enhanced borrower repayment capacity to reduce non-performing loans and strengthen profitability. The sector's success lies in its ability to drive financial inclusion, capital mobilisation, and targeted investments in underserved areas, particularly rural and agricultural markets. As fiscal consolidation under the IMF programme bolsters investor confidence, banks should explore foreign partnerships and innovative product development to remain competitive. The strategic adaptation to global trends, such as easing inflation and lower interest rates, demands a focus on operational efficiency and income diversification. By aligning with national growth priorities and supporting government initiatives, Ghana's banking industry can solidify its role as a cornerstone of sustainable economic transformation.

Inflation

Global inflation has shown consistent moderation, with the disinflationary trend largely attributed to declining energy prices, subdued wage growth, and the lagged effects of past monetary policy tightening. Central banks in advanced economies have initiated easing cycles, reflecting declining inflation rates.

The International Monetary Fund (IMF) projects global inflation to remain on a downward trajectory, albeit at a slower pace, supporting improved purchasing power and economic confidence globally. Similarly, general price levels in Sub-Saharan Africa are expected to approach 12.7% by 2025.

Figure 3: Global Inflation Forecast and Outlook

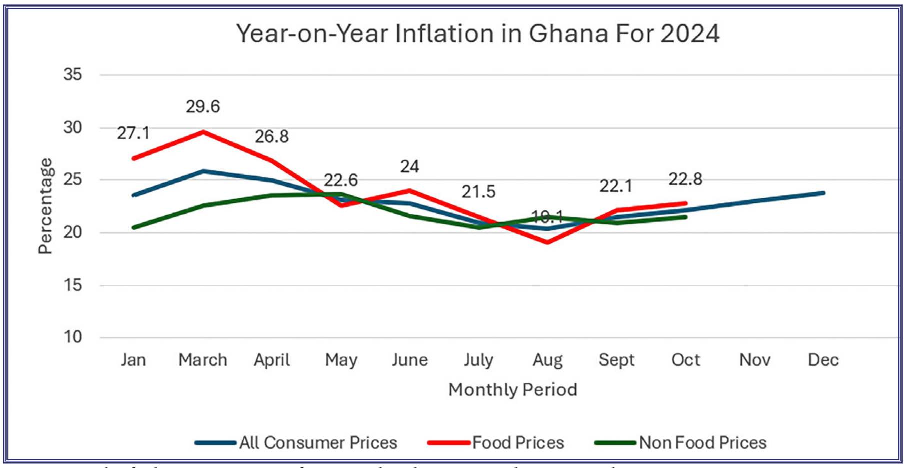


Source: World Economic Outlook Data (2024), Estimates Based on 2023

In Ghana, the level of inflation remained significantly high above the medium run target. Throughout 2024, the disinflationary trend continued even though at a sluggish pace until it started to rise again marginally from the all-time low of 19.1 % by end of August to 23.8 % by the end of December, significantly higher than the projected end of year 15%. This uptick in the last quarter of 2024 could be largely attributed to the surge in consumption expenditure for the festive season and the general election in 2024. The moderating global inflation environment is expected to reinforce the price stability in Ghana as efforts are being made to support the convergence of Ghana's inflation towards the medium-term inflation target of 6–10%. By end of November through to December 2024(Christmas and Election demand driven), Ghana's inflation stood at 23%. This defied the end-of-year target of 15% even though we have experienced a sustained disinflationary trend from March to August.

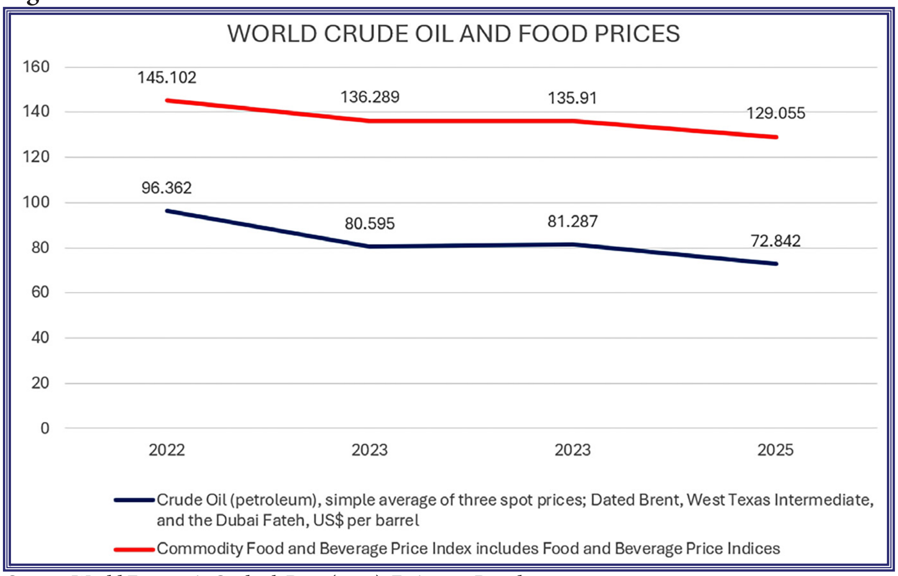
Ghana's inflation in 2024 was primarily driven by rising food prices, currency depreciation, and global energy costs. Food inflation notably surged, with significant price hikes in staples such as peppers, apples, and non-alcoholic beverages (Stears Business, 2024). Additionally, the depreciation of the Ghanaian cedi against major currencies increased the cost of imports, further exacerbating inflationary pressures (The High Street Journal, 2024). Global energy market fluctuations also played a role, affecting domestic fuel prices and transportation costs, which in turn influenced the prices of goods and services across the economy (Reuters, 2024).

Figure 4: Year-on-Year Inflation in Ghana



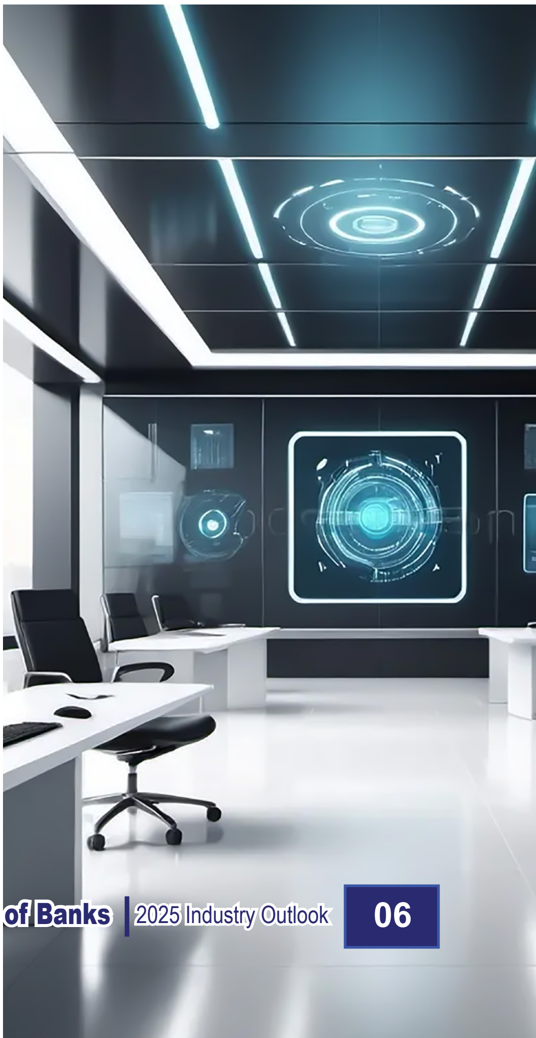
Source: Bank of Ghana; Summary of Financial and Economic data, November 2024

Figure 5: World Crude Oil and Food Prices



Source: World Economic Outlook Data (2024), Estimates Based on 2023

Ghana's inflation outlook for 2025 reflects cautious optimism as key stakeholders anticipate a return to single-digit levels. The IMF projects inflation to decline to 8% by the end of 2025, aligning with the government's medium-term target range of 6-10%. While 2024 began with sharp price increases in food items and the depreciation of the cedi disrupting disinflationary progress, recent and lagged effects of fiscal (fiscal consolidation under the IMF programme) and lagged monetary measures such as the policy rate and a contraction in broad money supply (M2+) have stabilized the inflation trajectory. Improvements in global energy prices and moderating wage growth also contribute to a favourable external environment. A sustained focus on prudent fiscal policies and targeted interventions will be vital in achieving inflation stability, with direct benefits for the banking sector, including reduced credit risk and improved loan servicing. These trends present opportunities for Ghana's banking sector, with lower inflation supporting better credit quality and reduced non-performing loans which happens to be the headache of the industry. Moreover, stable prices globally and domestically could enhance consumer confidence, drive investment, and create a more robust financial ecosystem.

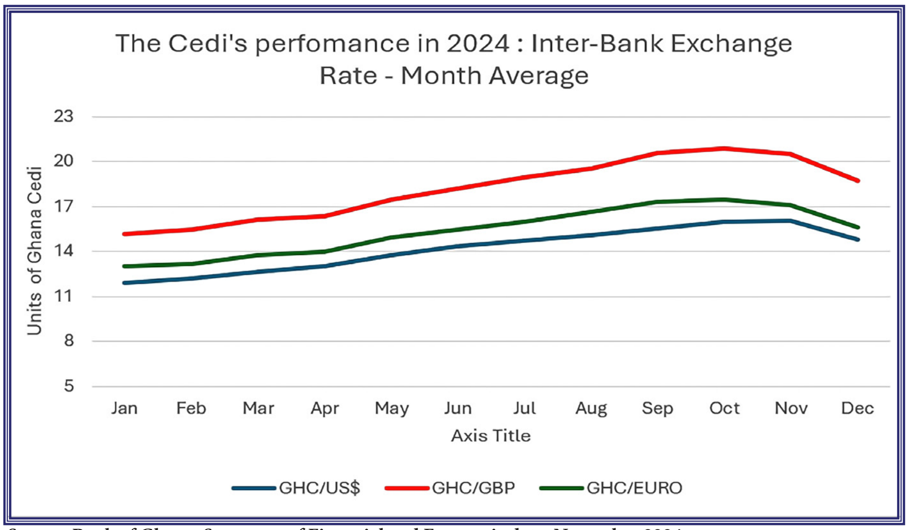


Exchange Rate Dynamics

In 2024, the Ghanaian cedi experienced significant depreciation against major currencies, including the US dollar, British pound, and the Euro, peaking in October before a modest recovery in December. The cedi-to-dollar rate depreciated by 34% from January to November, while the British pound and euro rates fell by 23.6% and 33.9%, respectively, during the year. The recovery in the last quarter was driven by seasonal factors such as remittance inflows and policy interventions aimed at stabilising the exchange rate.

Comparatively, all currency pairs showed consistent depreciation throughout the year, with heightened volatility in the third quarter due to increased forex demand for imports. The recovery in December highlights the economy's dependence on seasonal inflows and reflects structural weaknesses in Ghana's forex system.

Figure 6: The Cedi's Performance in 2024



Source: Bank of Ghana; Summary of Financial and Economic data, November 2024

Fiscal deficits and expansionary monetary policies contributed to exchange rate volatility, emphasizing the importance of disciplined fiscal management (Ghana News Agency [GNA], 2024). Global economic challenges, including the aftereffects of the Russia-Ukraine conflict and other macroeconomic shocks, further strained access to foreign exchange and financing (African Development Bank [AfDB], 2024). Additionally, trade imbalances, stemming from Ghana's reliance on commodity exports and limited diversification into sectors like industrial salt, rice, and cashew, played a critical role (GNA, 2024). Addressing these challenges through prudent fiscal policies, economic diversification, and improved global economic stability remains vital for achieving exchange rate stability.

Additionally, Ghana faces significant challenges with businesses alleged opening offshore accounts to avoid repatriating export proceeds and individuals from neighbouring countries purchasing dollars on the black market. Some Ghanaian exporters retain their foreign exchange earnings in offshore accounts, bypassing the Bank of Ghana's (BoG) regulations on mandatory repatriation. This practice limits forex inflows, reduces available foreign exchange for domestic use, and weakens the central bank's ability to regulate currency supply and maintain exchange rate stability. It also deprives the government of critical revenue and forex reserves needed for economic management (Ghana Shippers Authority, 2024). To address this issue, strengthening enforcement mechanisms and offering incentives for exporters to repatriate funds can encourage compliance.

Simultaneously, individuals from neighbouring countries often exploit forex regulations by purchasing dollars in Ghana's black market, further straining the cedi. This behaviour inflates demand for dollars, accelerating the currency's depreciation and creating a significant divergence between black market and official exchange rates. Additionally, the informal nature of black-market trading makes it difficult to regulate, enabling currency arbitrage and undermining BoG's efforts to stabilize the exchange rate. Combating this issue requires improved border controls, public education on the consequences of informal forex activities, and competitive official forex channels to discourage black market dependence (The Business and Financial Times [B&FT], 2024). Together, these measures can help address the dual challenges of offshore accounts and black-market activities, strengthening Ghana's exchange rate dynamics and overall economic stability.

Remittances, in recent times has also been alluded to as one of the key determinants of exchange rate dynamics in Ghana. Ghana's remittance landscape is undergoing a significant transformation due to the rapid expansion of financial technology (FinTech) companies. In 2023, 11 licensed FinTech firms facilitated inward remittances totalling GH¢57 billion, a substantial increase from GH¢18 billion in 2022 (MyJoyOnline, 2023). While digital platforms have enhanced accessibility and convenience for recipients, this growth has introduced complexities in accurately tracking foreign exchange inflows. Discrepancies between remittance data reported by the World Bank and the Bank of Ghana (BoG) have raised concerns about the transparency and regulation of these funds (MyJoyOnline, 2023).

The growing volume of remittances processed via digital channels poses challenges for exchange rate management. Untracked or misreported inflows could distort Ghana's foreign exchange reserves, potentially impacting exchange rate stability (Graphic Online, 2024). Experts recommend revising the Foreign Exchange Act to better accommodate the evolving FinTech landscape and ensure comprehensive monitoring of remittance flows (Graphic Online, 2024).

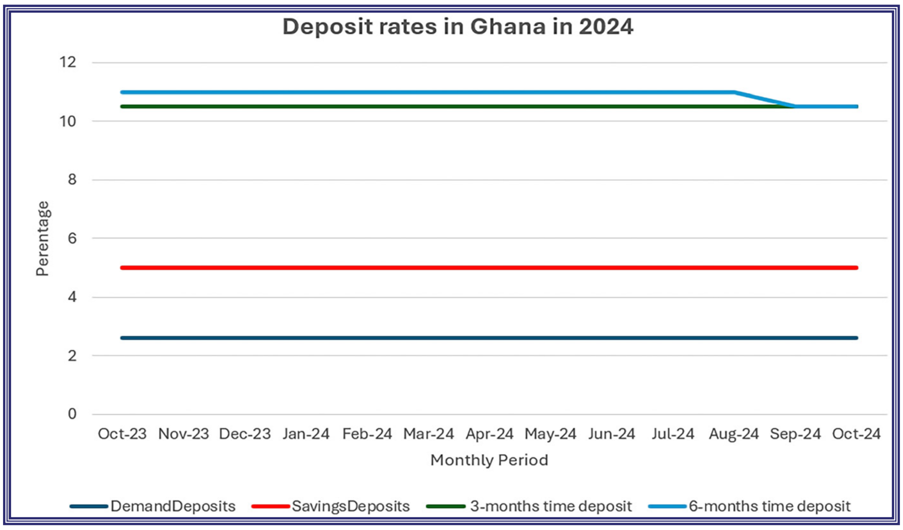
Databank Research projects the cedi will close the year at approximately GH¢17.70 to the US dollar, compared to GH¢15.75 at the end of 2024 (Citi Newsroom, 2025). Similarly, the Economist Intelligence Unit (EIU) anticipates a year-end rate of GH¢17.23 per US dollar (The Vaultz News, 2025). Key drivers of this depreciation include high corporate demand for US dollars, fewer-than-expected interest rate cuts in the United States, reduced cocoa export earnings, and an anticipated rise in Ghana's import bill (The Vaultz News, 2025).

To mitigate these pressures, leveraging gold reserves has been proposed as a potential stabilisation strategy. Databank Research suggests that using gold reserves could help buffer the cedi against external shocks (Citi Newsroom, 2025). Nonetheless, sustained stability will depend on effective fiscal policies and the successful management of macroeconomic challenges.

Interest Rates

Examining the trend from 2019, we observed relatively lower rates, which persisted through to 2021 until the challenging period began in 2022. Over this timeframe, rates consistently trended upwards, resulting in various implications and consequences. After peaking in late 2023, we have since experienced high but prolonged stability. Following recent monetary easing, rates have begun to decline. It is anticipated that this downward trajectory will continue throughout 2025, albeit at a somewhat sluggish pace.

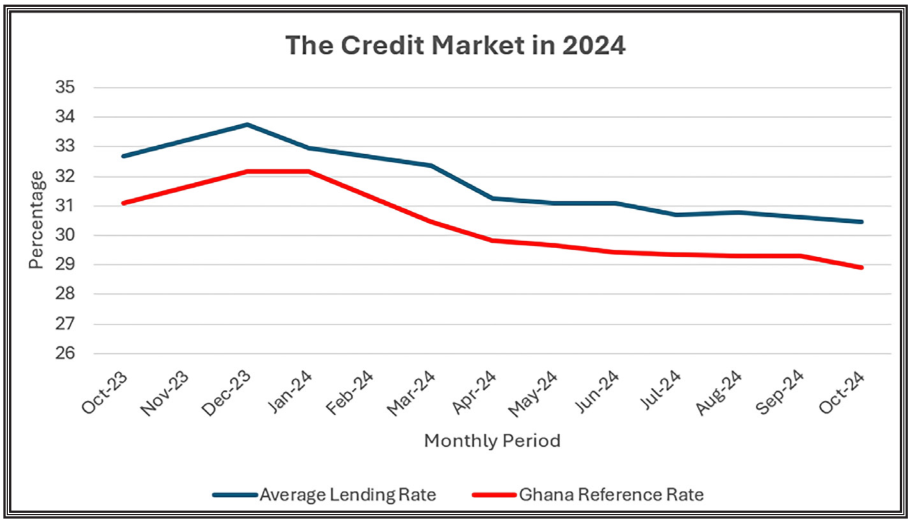
Figure 7: Deposit Rates



Source: Bank of Ghana; Summary of Financial and Economic data, November 2024

Average demand and savings deposits rates remained constant at 2.63% and 5%, respectively, throughout the period. With time deposits, the 3-month rate stayed at 10.5%, while the 6-month rate declined from 11% to 10.5% in September 2024.

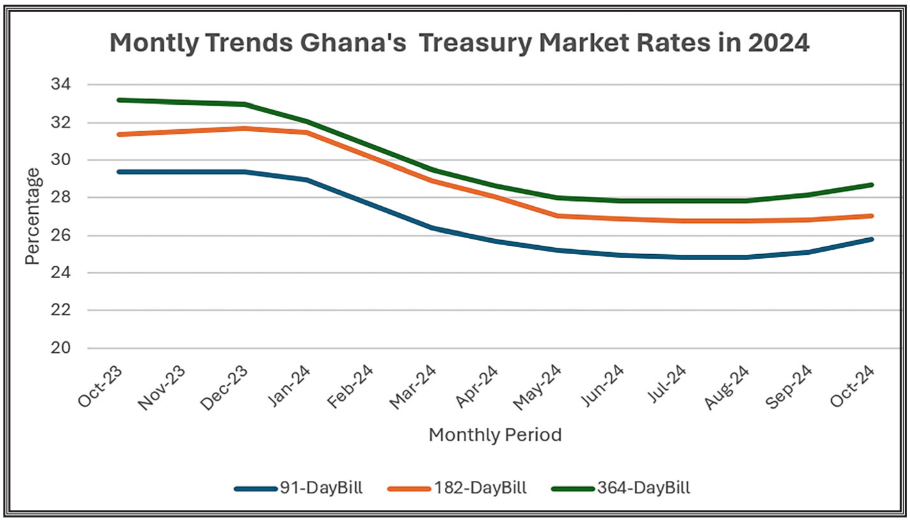
Figure 8: The Credit



Source: Bank of Ghana; Summary of Financial and Economic data, November 2024

The Ghana Reference Rate (GRR) dropped from 31.09% in October 2023 to 28.91% in October 2024, following the monetary easing. In tandem, the average lending rate declined from 32.69% in October 2023 to 30.45% by October 2024; mirroring a dropped in the GRR from 31.09% in October 2023 to 28.91% in October 2024.This trend of lower cost of credit is expected to continue through 2025 even though it might be at a flatter pace to boost the demand for credit by the credit sector, a key driver of profitability for the banking industry.

Figure 9: Treasury Market Rates



Source: Bank of Ghana; Summary of Financial and Economic data, November 2024

In the treasury market, yields on short- and long-term maturities exhibited a steady decline before showing modest upturn in the last quarter of 2024, reflecting shifts in market sentiment and inflation expectations. The 91-day bill yield fell consistently from 29.4% in October 2023 to 24.8% by July 2024, followed by a slight rebound to 25.8% in October 2024. Similarly, the 182-day bill dropped from 31.37% in October 2023 to 26.74% by August 2024, with a marginal recovery to 27.01% by October, mirroring the trajectory of the shorter maturity.

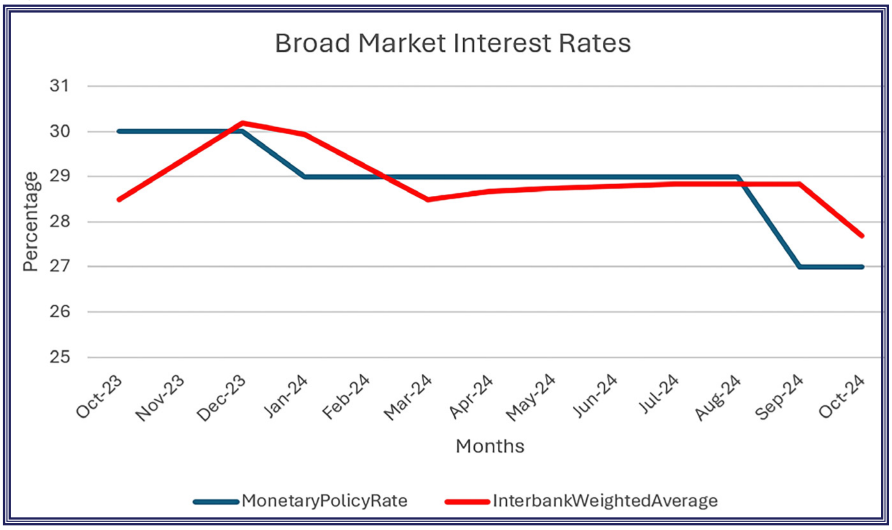
Meanwhile, the 364-day bill saw its yield decline from 33.16% in October 2023 to 27.81% by July 2024, rebounding modestly to 28.7% by October 2024. This alignment across maturities highlights the market's adjustment to evolving long-term inflation expectations and borrowing costs, underscoring investor sensitivity to monetary policy signals and macroeconomic stability.

Monetary Policy Rate

The monetary policy rate held steady at 30% between October and December 2023, before easing slightly to 29% in January 2024. It maintained this level through September 2024, followed by a further reduction to 27% in October 2024. This trajectory signals the Bank of Ghana's strategic intent to balance price stability with fostering economic growth by facilitating access to more affordable credit.

Similarly, the interbank weighted average rate peaked at 30.19% in December 2023 and progressively declined to 27.69% by October 2024, reflecting the broader monetary easing. This downward trend aligns with expectations of moderating inflationary pressures and suggests a continuation of accommodative monetary policies aimed at supporting economic activity while managing price stability in the medium term.

Figure 10: Broad Market Interest Rates



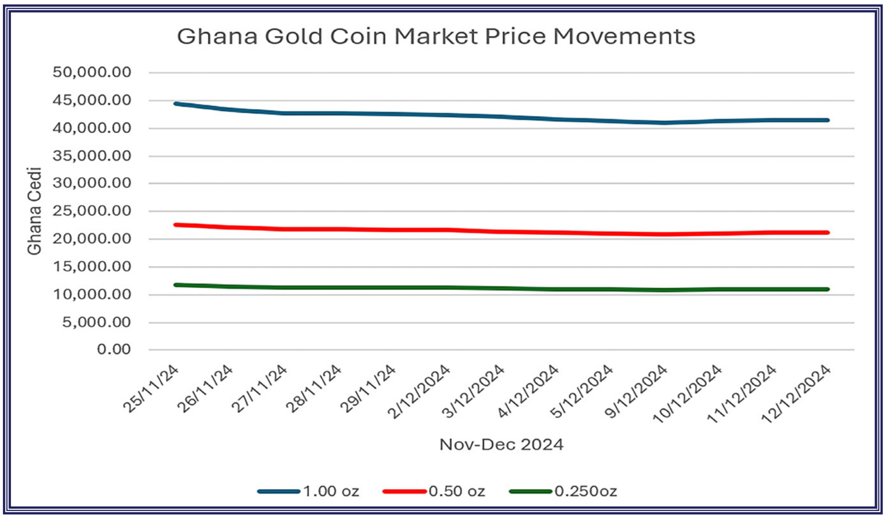
Source: Bank of Ghana; Summary of Financial and Economic data, November 2024

The Ghana Gold Coin (GGC)

The Bank of Ghana has recently introduced the Ghana Gold Coin (GGC), a strategic move aimed at creating an alternative investment option and promoting economic resilience. Globally recognised as a safe-haven asset, gold offers stability during periods of financial uncertainty. The GGC seeks to reduce Ghana's reliance on foreign currencies, such as the US dollar, while complementing the Bank's domestic gold purchase programme. This initiative bolsters the local mining industry and provides Ghanaians with an opportunity to diversify their financial portfolios.

For the banking sector, the GGC represents an innovative investment product capable of attracting deposits and diversifying asset portfolios. Banks can market the GGC to clients as a secure, tangible investment, enhancing financial inclusivity and confidence. Moreover, the GGC acts as a natural hedge against inflation and economic volatility, aligning with broader strategies to strengthen the nation's financial stability.

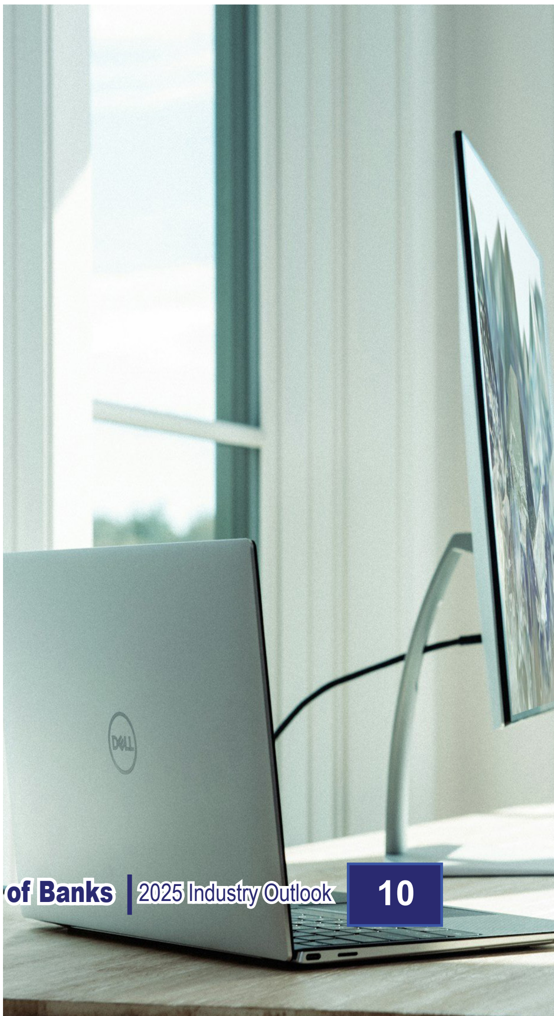
Figure 11: Gold Coin Market Price Movements



Source: Bank of Ghana; Summary of Financial and Economic data, November 2024

Analysis of the Ghana Gold Coin's price data since its inception in November 2024 reveals remarkable stability across the three denominations although marginal price decline is observed when the Ghanaian cedi's performance against the USD improves.

This inverse relationship indicates that the gold coin's value is sensitive to exchange rate movements, highlighting its pricing alignment with global market standards and more importantly, anticipated depreciation of the cedi could lead to high demand of the GGC, now substitute for investing USD, thereby serving as short-term natural hedging technique for both individual and institutional investors. This will consequently support the improvement in the cedi's performance against the USD as in 2025 if the demand for the GCC increases significantly.



Global Political Landscape

The global political environment continues to evolve with complex dynamics, influencing economies and financial markets worldwide. For Ghana's banking industry, these developments carry direct and indirect implications, ranging from currency volatility to the cost of credit and investment flows. Below is an analysis of key geopolitical and economic issues shaping the global stage and their potential impact on the industry.

Geopolitical Tensions

Israel-Gaza Conflict

The ongoing Israel-Gaza conflict continues to exacerbate uncertainty in global energy markets. With hostilities escalating—Israeli strikes in Gaza, operations along the Syrian-Lebanese border, and heightened Hezbollah activity—the risk of disruptions to oil supplies from the Middle East remains significant.

Fortunately, the first truce since November 2023 was reached with a ceasefire agreement between Israel and Hamas on 15 January 2025, set to take effect on Sunday, 19 January 2025. While this rapprochement between these long-standing adversaries is welcome news, a faction within Prime Minister Netanyahu's government has labelled it "a deal with the devil," mounting pressure on the prime minister to revoke the agreement.

For Ghana, a net importer of crude oil, any prolonged uncertainty in the region could lead to higher energy costs, increased inflationary pressures, and a potential strain on foreign reserves. Additionally, heightened regional instability may deter international investors from committing to emerging markets like Ghana, further exacerbating economic vulnerabilities.

Ukraine-Russia War

The protracted conflict between Ukraine and Russia continues to reshape the global commodity and financial landscape. Russia's record defence spending—now constituting 40% of its budget—and its alignment with nations like Iran further entrench global divisions. Disruptions to energy and food supply chains persist, keeping global prices volatile.

For Ghana's banking sector, this volatility translates into heightened risks for foreign trade financing and increased costs of cross-border transactions. Furthermore, the weakening euro, exacerbated by Europe's reliance on Russian energy, could negatively affect remittance flows and trade balances, adding to Ghana's economic challenges.

The Trump administration has pledged to address the root cause of the conflict by proposing the removal of NATO's presence in Ukraine as a pathway to peace. If achieved, stability in the region would have positive implications for the global economy, potentially easing commodity prices and restoring confidence in international markets.

Political Instability in Europe

Political logjams in Germany and France—the Eurozone's largest economies—compound Europe's economic challenges. From lacklustre investment to skills shortages, these nations face significant hurdles. For Ghana, reduced European economic dynamism could dampen trade prospects and affect investment inflows from these traditionally strong partners. Additionally, political indecision risks weakening the euro further, with implications for Ghana's euro-denominated trade activities.

The Trump Effect: US-China Relations and Trade Wars

Donald Trump's return to the U.S. presidency is likely to reignite trade tensions between the U.S. and China. Proposed tariffs ranging from 10%-20% on 60% of imports, particularly Chinese goods, would disrupt global supply chains. This could result in slower global economic growth, heightened inflation, and increased unemployment. For Ghana, reduced demand for commodities in China and the U.S. could negatively impact export revenues. Additionally, rising global interest rates—a likely outcome of trade wars—may lead to higher borrowing costs for Ghanaian businesses and the government.

China's internal economic slowdown also poses significant risks. Under pressure to transition from a manufacturing-based economy to one driven by consumer demand, any policy misstep could exacerbate global trade imbalances. For Ghana, a weaker Chinese economy may dampen demand for key exports such as cocoa and gold, thereby reducing foreign exchange inflows. Additionally, it could contribute to inflationary pressures in Ghana, given the country's heavy reliance on imports from China.

Potential Financial Crisis

The global economy remains vulnerable to a potential financial crisis. Factors such as high public debt levels, post-COVID fiscal strains, and rising interest rates are creating precarious conditions. For developing economies like Ghana, the impact could be severe:

- **Rising Borrowing Costs:** Tighter monetary policies globally will increase the cost of Ghana's external debt servicing.
- **Capital Flight:** Investor risk aversion may trigger outflows from emerging markets, weakening the cedi and heightening inflationary pressures.
- **Decline in Aid and Investment:** Stretched budgets in advanced economies may result in reduced aid and lower foreign direct investment into Ghana.

Central banks across the globe are keenly monitoring monetary market movements in anticipation to mitigate disruptions. As of January 17, 2025, the global monetary policy landscape is characterized by a cautious shift towards easing, prompted by moderating inflation and subdued economic growth. Central banks in major economies are adopting varied approaches based on their unique economic conditions.

United States: The Federal Reserve reduced its benchmark interest rate to a range of 4.25%–4.50% in December 2024, marking the third consecutive cut that year. Despite this, officials, including Federal Reserve Governor Christopher Waller, suggest a measured pace for any further reductions, contingent upon continued progress in lowering inflation without undermining labor market stability.

Canada: The Bank of Canada is anticipated to lower its policy rate by 25 basis points to 3.00% on January 29, 2025, following a cumulative 175 basis points reduction since June 2024. This decision is influenced by economic uncertainties, notably the potential impact of new U.S. tariffs on Canadian imports.

Eurozone: The European Central Bank (ECB) has engaged in a series of rate cuts, with the most recent 25 basis point reduction in December 2024. The ECB's meeting minutes indicate a preference for gradual and cautious further easing, considering persistent low inflation and sluggish economic activity.

United Kingdom: The Bank of England is contemplating interest rate cuts in response to lower-than-expected inflation, which decreased to 2.5% annually in December 2024. This development has spurred optimism for potential monetary policy easing to support economic growth.

Ghana: In September 2024, the BoG reduced its benchmark monetary policy rate by 200 basis points, bringing it down to 27%. This decision was influenced by a deceleration in inflation and an improved economic outlook. However, in November 2024, the BoG opted to maintain the policy rate at 27%, citing concerns over persistent inflationary pressures, particularly from elevated and volatile food prices. Consumer inflation had risen for the third consecutive month in November, reaching 23.0% year-on-year, up from 22.1% in October. This uptick was primarily driven by increases in food prices, notably vegetables, tubers, and plantains. Given these conditions, it is anticipated that the central bank will either maintain the policy rate or implement a minimal upward adjustment at its upcoming MPC meeting between 22nd – 24th January 2025.

The BoG's cautious approach reflects its commitment to anchoring inflation expectations and curbing exchange rate volatility, especially in the context of Ghana's ongoing economic challenges and the implementation of the International Monetary Fund's Extended Credit Facility programme.

Climate-Related Spending and Economic Pressures

As climate change climbs the global agenda, nations are prioritising sustainability. However, the need for green investments competes with other pressing priorities, such as defence and ageing populations, stretching national budgets.

For Ghana, accessing climate finance will become increasingly competitive. Banks will need to innovate in financing solutions to support local green initiatives while navigating tighter global funding conditions. Fortunately, the National Green Taxonomy (NGT) has been developed by the Ministry of Finance, hence banks can leverage this framework to access wholesale green credit from the Green Climate Fund and other multilaterals.
The launch of the National Green Taxonomy in October 2024, aligns with the country's climate action commitments under the Paris Agreement and the United Nations Sustainable Development Goals (SDGs). The taxonomy provides a structured framework for identifying green economic activities across sectors such as energy, agriculture, forestry, aquaculture, water, waste management, and transportation, with an emphasis on reducing greenhouse gas emissions and promoting resource efficiency. The GAB played a significant role in the formation and validation of the NGT, and it's currently putting up measures to spur the implementation of the NGT among banks and businesses.

Generally, Ghana has made significant progress in environmental, social, and governance (ESG) reporting among banks and other listed companies. The banking sector has emerged as a leader, with 80% of listed banks on the GSE reporting on ESG initiatives. This is largely influenced by the implementation of the Sustainable Banking Principles by the Bank of Ghana, achieving a 62.5% compliance rate by the end of 2023. Key areas include integrating ESG matters into board-level responsibilities and aligning with global frameworks such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB)I

Implications of Global Political Landscape for Ghana's Banking Industry

1. **Increased Currency Volatility:** Fluctuating exchange rates driven by geopolitical tensions could strain importers, disrupt trade financing, and increase inflationary pressures.
2. **Rising Costs of Capital:** Global interest rate hikes and tighter liquidity conditions will likely increase borrowing costs for local banks and businesses.
3. **Shift in Investment Focus:** Reduced investment from traditional partners like Europe may necessitate diversification towards Asia and intra-African trade under the AfCFTA.
4. **Energy Price Pressures:** Rising energy costs due to Middle Eastern tensions will affect operational costs across all sectors, including banking.
5. **Opportunities in Climate Finance:** Banks must position themselves to access global green financing, leveraging innovations like sustainable bonds and ESG-linked credit facilities.

The Ghanaian banking industry must remain vigilant and adaptive, employing robust risk management strategies to navigate these uncertainties. Collaboration with policymakers, strategic diversification, and investment in digital and sustainable solutions will be crucial for resilience in an increasingly interconnected and volatile world.

Ghana's Fiscal Position

Assessment of Ghana's Fiscal Position Under the IMF Programme and Its Implications for the Banking Industry

Ghana's fiscal position under the IMF programme highlights a critical focus on improving revenue mobilisation, rationalising expenditure, and achieving fiscal discipline. However, the dynamics of government revenue and expenditure, as detailed in the provided data, underline significant challenges and opportunities that shape the country's economic outlook and directly impact the banking sector.

Table 1: Government Revenue

COMPOSITION OF GOV'T REVENUE (In GH¢)							
Items	2018 GH¢	2019 GH¢	2020 GH¢	2021 GH¢	2022 GH¢	2023 GH¢	2024* GH¢
TOTAL REVENUE AND GRANTS	**49,059,044,226**	**58,896,530,230**	**53,666,501,089**	**72,477,360,379**	**96,842,134,702**	**134,912,606,013**	**176,414,155,254**
Tax Revenue	**38,589,145,188**	**45,639,400,381**	**42,331,692,489**	**55,834,841,211**	**74,425,752,487**	**108,481,763,898**	**143,169,831,428**
Direct Tax	16,614,325,669	22,674,406,995	23,768,768,489	29,932,715,411	38,976,222,425	52,875,516,633	65,811,144,460
Indirect Tax	16,992,289,255	18,639,899,287	15,901,650,000	22,711,940,000	30,028,329,375	47,572,632,268	68,933,237,368
Excise	3,643,506,052	4,232,887,252	3,838,180,000	5,338,390,000	6,177,432,480	6,520,752,485	9,253,360,102
VAT	10,646,722,070	9,916,121,274	8,287,160,000	11,114,380,000	15,402,925,770	26,180,027,573	37,019,860,572
o/w VAT(Domestic)							
VAT(Imports)							
International Trade Taxes	6,609,710,178	6,355,888,233	4,714,210,000	6,613,520,000	8,573,275,841	14,617,669,695	18,498,924,096
Exports	0	0	0	0			0
Imports	6,609,710,178	6,355,888,233	4,714,210,000	6,613,520,000	8,573,275,841	14,617,669,695	18,498,924,096
Import Exemptions			3,069,440,000	4,011,430,006	4,011,430,006	4,011,430,006	3,910,610,000
Non-Tax Revenue	7,444,943,948	9,021,646,319	6,735,564,078	10,302,234,723	15,960,746,652	17,769,457,093	22,565,158,546
Income and Fees							
Grants	761,135,540	1,109,865,516	1,223,336,466	1,465,136,154	1,188,381,108	2,474,187,703	3,114,872,697
Other Revenue Measures	2,263,819,550	3,125,618,013	3,375,908,056	4,875,148,291	5,267,254,455	6,187,197,320	7,564,292,584

Source: Ministry of Finance, (2024)

Table 2.1: Government Expenditure (%)

GOVERNMENT REVENUE (%)							
Items	2018	2019	2020	2021	2022	2023	2024
TOTAL REVENUE AND GRANTS	%	%	%	%	%	%	%
Tax Revenue	**78.66%**	**77.49%**	**78.88%**	**77.04%**	**76.85%**	**80.41%**	**81.16%**
Direct Tax	43.05%	49.68%	56.15%	53.61%	52.37%	48.74%	45.97%
Indirect Tax	44.03%	40.84%	37.56%	40.68%	40.35%	43.85%	48.15%
Excise	21.44%	22.71%	24.14%	23.50%	20.57%	13.71%	13.42%
VAT	62.66%	53.20%	52.12%	48.94%	51.29%	55.03%	53.70%
o/w VAT(Domestic)							
VAT(Imports)							
International Trade Taxes	17.13%	13.93%	11.14%	11.84%	11.52%	13.47%	12.92%
Exports							
Imports							
Import Exemptions							
Non-Tax Revenue	**15.18%**	**15.32%**	**12.55%**	**14.21%**	**16.48%**	**13.17%**	**12.79%**
Income and Fees							
Grants	**1.55%**	**1.88%**	**2.28%**	**2.02%**	**1.23%**	**1.83%**	**1.77%**
Other Revenue Measures	**4.61%**	**5.31%**	**6.29%**	**6.73%**	**5.44%**	**4.59%**	**4.29%**
	100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Source: Ministry of Finance, (2024)

Fiscal Position: Revenue Analysis

1. **Tax Revenue Dominance:** Tax revenue consistently constitutes over 75% of total government revenue, with increases observed in recent years. In 2023, tax revenue reached GH¢108.5 billion, a significant improvement from GH¢74.4 billion in 2022. However, Ghana's tax-to-GDP ratio remains one of the lowest in Africa, necessitating aggressive revenue mobilisation efforts and efficiency.
   - o ***Direct Taxes:*** While accounting for a substantial portion of tax revenue, direct taxes have shown fluctuating growth, reflecting challenges in broadening the tax base and improving compliance and blocking leakages.
   - o ***VAT:*** Both domestic and import VAT have shown marked increases, driven by rate hikes and enhanced collection mechanisms, contributing significantly to overall revenue growth.
2. **Non-Tax Revenue and Grants:** Non-tax revenue and grants remain marginal contributors, collectively accounting for less than 20% of total revenue. Their limited growth underscores the need for diversified revenue streams.
3. **E-Levy Underperformance:** The e-levy introduced in 2022 fell drastically short of its ambitious targets, achieving approximately 8.5% of the projected revenue of GH¢6.94 billion, with an actual outturn of GH¢592.1 million. Subsequent years have seen marginal improvements, but performance remains significantly below expectations in 2023 and 2024. This highlights the critical importance of effective stakeholder engagement, realistic policy design, and robust implementation strategies in ensuring the success of new tax measures. Both major political parties—the NPP and NDC—pledged to abolish the e-levy. The NDC, currently in power, has reiterated their commitment to fulfilling this promise. However, it is imperative for the industry to recognise that, in the face of limited government revenue, the abolition of the e-levy would likely lead to the introduction of alternative direct or indirect taxes to bridge the fiscal gap.

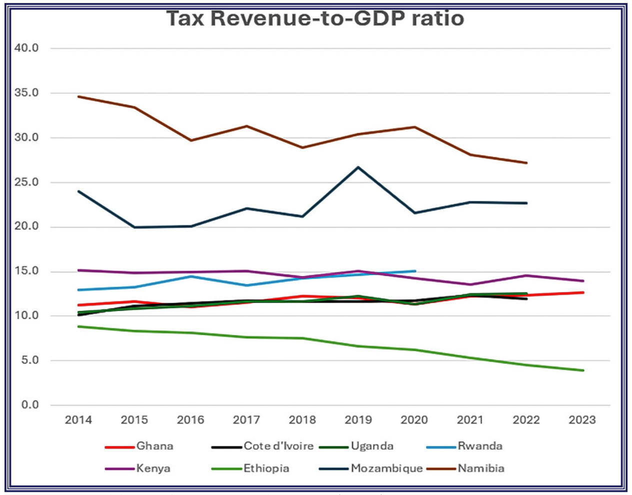
4. Revenue and Expenditure Dynamics: Government revenue has demonstrated consistent growth over the years, with total revenue and grants recording a compound annual growth rate (CAGR) of 23.78% between 2018 and 2024. While this underscores the government's efforts to enhance revenue mobilisation, a closer examination reveals that expenditure growth has outpaced revenue expansion during the same period. Total government expenditure grew at a CAGR of 25.09%, creating a widening fiscal gap and exerting a persistent deficit strain on the economy.

The disparity between revenue and expenditure growth, or the ***"negative fiscal jaws",*** highlights the government's inability to align expenditure growth with revenue gains. This mismatch exacerbates fiscal pressures, necessitating increased borrowing to bridge the gap.

Table 2: Government Expenditure (GH¢)

COMPOSITION OF GOV'T EXPENDITURE (In GH¢)							
Items	2018 GH¢	2019 GH¢	2020 GH¢	2021 GH¢	2022 GH¢	2023 GH¢	2024* GH¢
Total Expenditure & Net Lending	**59,171,734,232**	**73,881,705,498**	**96,297,143,468**	**110,050,226,597**	**133,842,472,169**	**183,864,039,275**	**226,680,899,509**
Compensation of Employees	19,728,998,472	22,837,993,208	27,061,783,898	30,313,597,722	37,948,992,821	51,346,295,029	63,683,181,155
Use of Goods and Services	3,682,273,554	6,938,414,987	7,743,573,689	8,523,193,118	5,866,619,270	8,578,823,367	11,065,396,663
Interest Payment	15,091,615,959	19,598,376,427	26,268,279,691	32,528,021,071	41,361,592,947	44,866,243,609	55,932,447,620
Subsidies	146,980,514	180,260,489	229,332,274	247,678,856	326,482,442	350,548,297	426,132,222
Grants to Other Gov't Units	12,197,568,091	14,034,246,741	11,805,140,463	18,081,390,564	23,683,877,918	30,996,290,530	39,588,951,873
Social Benefits	161,153,840	130,076,360	150,076,365	165,084,002	169,686,511	545,070,000	870,000,000
Other Expenditure	1,769,816,564	2,451,185,411	13,712,285,827	6,791,896,740	10,784,985,125	26,739,907,256	26,395,018,327
Capital Expenditure	6,393,327,239	7,711,151,874	9,326,671,261	12,222,137,429	13,700,235,135	20,440,861,187	28,719,771,649
Domestic Financed	2,674,945,808	3,617,211,329	3,624,415,191	4,109,743,421	4,207,112,741	10,537,633,612	18,238,747,005

Figure 12: Tax Revenue-to-GDP ratio



Source: World Development Indicators, (2024)

Table 2a: Government Expenditure (%)

COMPOSITION OF GOV'T EXPENDITURE (In %)							
Items	**2018** %	**2019** %	**2020** %	**2021** %	**2022** %	**2023** %	**2024** %
Compensation of Employees	33%	31%	28%	27.55%	28.35%	27.93%	28.09%
Use of Goods and Services	6%	9%	8%	7.74%	4.38%	4.67%	4.88%
Interest Payment	26%	27%	27%	29.56%	30.90%	24.40%	24.67%
Subsidies	0%	0%	0%	0.23%	0.24%	0.19%	0.19%
Grants to Other Gov't Units	21%	19%	12%	16.43%	17.70%	16.86%	17.46%
Social Benefits	21%	19%	12%	16.43%	17.70%	16.86%	17.46%
Other Expenditure	3%	3%	14%	6.17%	8.06%	14.54%	11.64%
Capital Expenditure	11%	10%	10%	11.11%	10.24%	11.12%	12.67%
Domestic Financed	42%	47%	39%	33.63%	30.71%	51.55%	63.51%
Foreign Financed	58%	53%	61%	66.37%	69.29%	48.45%	36.49%

Source: Ministry of Finance, (2024)

Fiscal Position: Expenditure Analysis

1. **Rising Interest Payments:** Interest payments constituted approximately 30.9% of total expenditure in 2022, highlighting the growing burden of servicing public debt. This remains a significant concern, as elevated debt-servicing obligations constrain fiscal space for growth-enhancing investments. However, interest payments decreased to 24.40% in 2023 before a slight increase to 24.67% projected in 2024. This improvement is attributed to the government's debt restructuring initiatives, reduced loan contraction aligned with IMF conditionalities, and limited access to the international bond market.

2. **Compensation of Employees:** At nearly 28% of total expenditure, the wage bill remains a considerable fiscal burden, constraining the government's capacity to allocate resources to critical capital projects. It is anticipated that a "lean" government under the current administration could alleviate this challenge.

   However, it is important to highlight that merely reducing the number of ministries may not result in a significant decline in total expenditure. While the number of ministers may decrease, the majority of public sector employees from dissolved ministries would remain on the payroll, likely being reassigned to other ministries. Achieving meaningful reductions in the wage bill will require a more comprehensive approach focused on minimising inefficiencies, eliminating wastage, and improving public sector productivity.

3. **Capital Expenditure Trends:** Capital expenditure remains constrained, hovering around 10-12% of total expenditure. While there has been a gradual increase in domestically financed capital projects which comes with huge tax incidence on the citizenry and a crowding out of the private in the loanable fund market; foreign financing remains critical to capital expendture especially in infrastructure development. Alternatively, infrastructure projects can be funded using other sustainable domestic options such as municipal bonds, Public-Private Partnerships(PPP), etc.

4. **Expenditure Rationalisation:** The government's commitment to rationalising spending is evident in declining allocations for goods and services, which dropped to 4.38% of total expenditure in 2022 and projected value of 4.88% by the end of 2024.

Implications for the Banking Industry

1. **Liquidity Pressures:** The government's reliance on domestic financing for expenditure, including borrowing through treasury instruments, has strained liquidity in the banking sector. This increases the crowding-out effect, limiting the capacity of the private sector to access funds from the loanable fund market

2. **Debt Sustainability Risks:** Rising interest payments and debt-servicing obligations could lead to further domestic borrowing, escalating risks of default and heightening volatility in the financial sector. This creates vulnerabilities in banks with significant exposure to government securities.

3. **Opportunities in Revenue Mobilisation:** Enhanced revenue mobilisation under the IMF programme, including VAT and direct taxes, provides opportunities for banks to support digitisation efforts, particularly in tax collection. This opens avenues for partnerships with the government to modernise revenue systems.

4. **Increased Demand for Risk Management Solutions:** Fiscal pressures and inflationary impacts from government spending may lead to rising demand for risk management products, such as hedging and structured financial instruments.

5. **Potential Growth in Sustainable Financing:** The government's focus on climate commitments and energy transition could create opportunities for banks to offer green financing solutions, such as loans for renewable energy projects, aligned with global ESG trends.

   Furthermore, it is imperative for government develop concrete ESG national plan that are in line with the country's short-and-medium terms goal, rather than adopt the full scope of ESG and be limited in actualizing it.

Conclusion:
Under the IMF programme, Ghana's fiscal position reflects an ongoing struggle to balance revenue

mobilisation with disciplined expenditure. While efforts to improve tax revenue and rationalise spending are commendable, the reliance on domestic borrowing and high debt-servicing costs remain key challenges. For the banking industry, this environment presents both risks and opportunities. Strategic partnerships with the government, investment in sustainable financing, and enhanced risk management frameworks will be critical for navigating the evolving fiscal landscape while contributing to Ghana's economic stability and growth.

Debt Profiling Going Forward

Ghana's current debt obligations underscore the urgent need for a strategic and disciplined approach to debt management. The country's fiscal landscape, shaped by substantial Eurobond repayments and commitments under the Domestic Debt Exchange (DDE) programme, reflects the immense scale of financial responsibility required to ensure debt sustainability and economic stability.

Key Features of Ghana's Debt Profile

Eurobond Debt and Payment Obligations

• Ghana's Eurobond debt includes significant maturities and associated interest payments scheduled over the next decade. For example:

- o The **BOND SHORT 07/03/2029** has a total repayment obligation of approximately **US$3.4 billion** by its maturity date, with annual interest payments declining from **US$71.9 million** in 2025 to **US$10.7 million** in 2029.
- o The **BOND LONG STEP UP COUPON** 07/03/2035 involves larger interest payments starting at **US$103.4 million** in 2025 and peaking at **US$124 million** in 2029 before principal repayments commence in 2030.
- o The **ZERO COUPON PAID DOWN BOND 07/03/2026** has scheduled principal repayments of **US$104.5 million** per tranche until its maturity date in 2026.

In sum, total Eurobond payment obligation (i.e. restructured interest and principal payment) for 2025, 2026, 2027, and 2028 are US$699 million, US$1.41 billion, US$1.16 billion, and US$1.13 billion respectively (*see Figure 12a for details*).

According to Ministry of Finance (2024), the treatment for Eurobond holders delivers US$2.9 billion of interest savings and US$1.5 billion principal savings over 2023-2026, representing a total of US$ 4.3 billion in debt service savings over the programme period.

Table 3: Government Short-term Eurobond Payment Schedules

ISIN		MATURITY DATE	
US374422AM52		BOND SHORT 07/03/2029	
Payment Date	Interest	Principal	Total
01/03/2025	71,900,315.50	0	71,900,315.50
07/03/2025	71,900,315.50	0	71,900,315.50
01/03/2026	71,900,315.50	359,501,577.50	431,401,893.00
07/03/2026	62,912,776.06	359,501,577.50	422,414,353.56
01/03/2027	53,925,236.63	359,501,577.50	413,426,814.13
07/03/2027	44,937,697.19	359,501,577.50	404,439,274.69
01/03/2028	35,950,157.75	359,501,577.50	395,451,735.25
07/03/2028	26,962,618.31	359,501,577.50	386,464,195.81
01/03/2029	21,570,094.65	359,501,577.50	381,071,672.15
07/03/2029	10,785,047.33	359,501,577.50	370,286,624.83

Source: Ministry of Finance, Debt Management Office (2024)

Table 4: Government Long-term Eurobond Payment Schedules

ISIN		MATURITY	
US374422AP83		BOND LONG STEP UP COUPON07/03/2035	
Payment Date	Interest	Principal	Total
01/03/2025	103,393,842.50	0	103,393,842.50
07/03/2025	103,393,842.50	0	103,393,842.50
01/03/2026	103,393,842.50	0	103,393,842.50
07/03/2026	103,393,842.50	0	103,393,842.50
01/03/2027	103,393,842.50	0	103,393,842.50
07/03/2027	103,393,842.50	0	103,393,842.50
01/03/2028	103,393,842.50	0	103,393,842.50
07/03/2028	103,393,842.50	0	103,393,842.50
01/03/2029	124,072,611.00	0	124,072,611.00
07/03/2029	124,072,611.00	0	124,072,611.00
01/03/2030	124,072,611.00	322,588,788.60	446,661,399.60
07/03/2030	114,394,947.34	322,588,788.60	436,983,735.94
01/03/2031	104,717,283.68	322,588,788.60	427,306,072.28
07/03/2031	95,039,620.03	322,588,788.60	417,628,408.63
01/03/2032	85,361,956.37	322,588,788.60	407,950,744.97
07/03/2032	75,684,292.71	322,588,788.60	398,273,081.31
01/03/2033	66,006,629.05	322,588,788.60	388,595,417.65
07/03/2033	56,328,965.39	322,588,788.60	378,917,753.99
01/03/2034	46,651,301.74	322,588,788.60	369,240,090.34
07/03/2034	36,973,638.08	322,588,788.60	359,562,426.68
01/03/2035	27,295,974.42	454,932,907.00	482,228,881.42
07/03/2035	13,647,987.21	454,932,907.00	468,580,894.21

Source: Ministry of Finance, Debt Management Office (2024)

Table 5: Government Zero Coupon Paid Down Bond Schedules

ISIN		MATURITY DATE	
US374422AL79		ZERO COUPON PAID DOWN BOND07/03/2026	
Payment Date	Interest	Principal	Total
10/11/2024	0	104,512,450.00	104,512,450.00
01/03/2025	0	104,512,450.00	104,512,450.00
07/03/2025	0	104,512,450.00	104,512,450.00
01/03/2026	0	104,512,450.00	104,512,450.00
07/03/2026	0	104,512,450.00	104,512,450.00

Source: Ministry of Finance, Debt Management Office (2024)

Table 6: Government Zero Coupon PDI Bond Payment Schedules

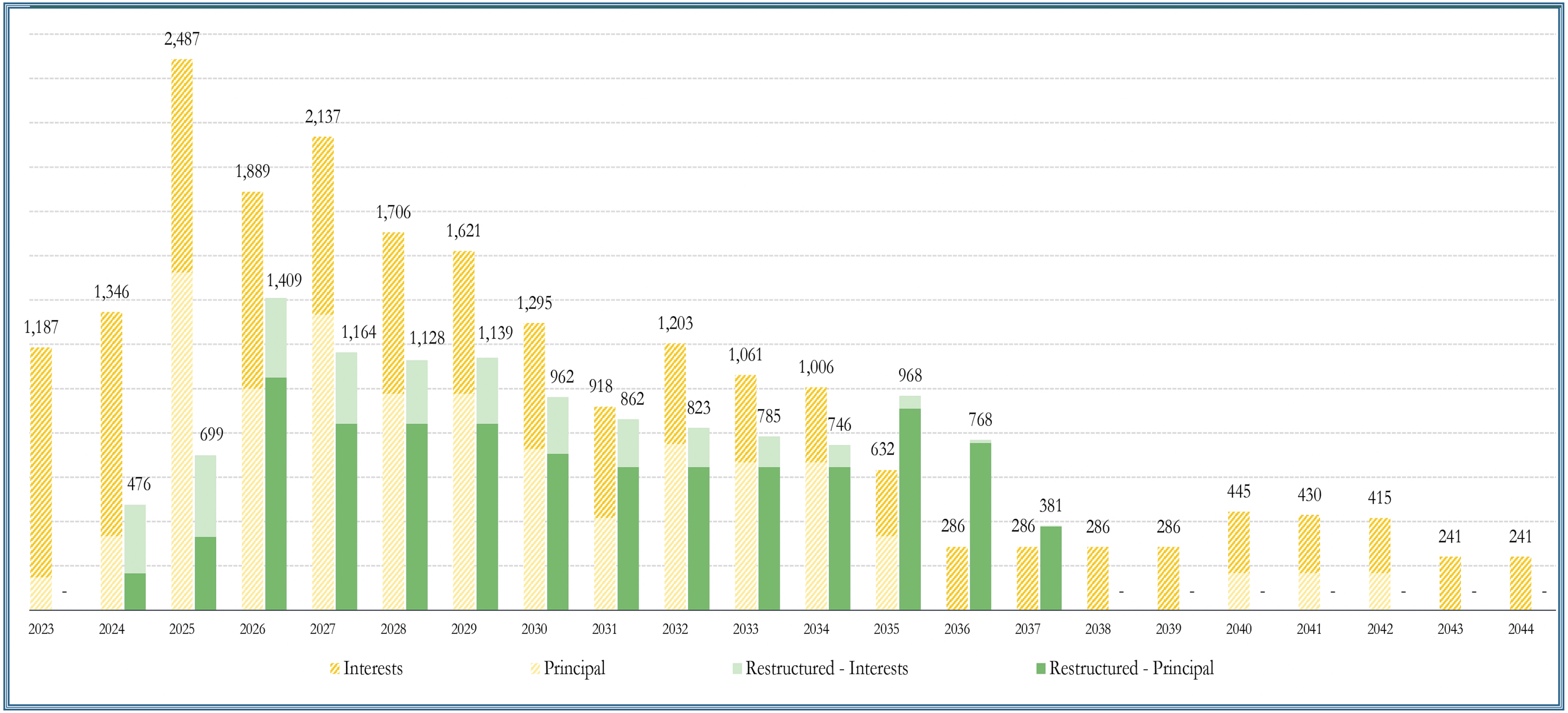
ISIN		MATURITY	
US374422AN36		ZERO COUPON PDI BOND01/03/2030	
Payment Date	Interest	Principal	Total
10/11/2024	0	61,223,160.94	61,223,160.94
01/03/2025	0	61,223,160.94	61,223,160.94
07/03/2025	0	61,223,160.94	61,223,160.94
01/03/2026	0	61,223,160.94	61,223,160.94
07/03/2026	0	61,223,160.94	61,223,160.94
01/03/2027	0	61,223,160.94	61,223,160.94
07/03/2027	0	61,223,160.94	61,223,160.94
01/03/2028	0	61,223,160.94	61,223,160.94
07/03/2028	0	61,223,160.94	61,223,160.94
01/03/2029	0	61,223,160.94	61,223,160.94
07/03/2029	0	61,223,160.94	61,223,160.94
01/03/2030	0	61,517,149.70	61,517,149.70

Source: Ministry of Finance, Debt Management Office (2024)

Table 7: Government Par Bond Schedules

ISIN		MATURITY DATE	
US374422AQ66		BOND PAR 01/03/2037	
Payment Date	Interest	Principal	Total
01/03/2025	8,493,906.75	0	8,493,906.75
07/03/2025	8,493,906.75	0	8,493,906.75
01/03/2026	8,493,906.75	0	8,493,906.75
07/03/2026	8,493,906.75	0	8,493,906.75
01/03/2027	8,493,906.75	0	8,493,906.75
07/03/2027	8,493,906.75	0	8,493,906.75
01/03/2028	8,493,906.75	0	8,493,906.75
07/03/2028	8,493,906.75	0	8,493,906.75
01/03/2029	8,493,906.75	0	8,493,906.75
07/03/2029	8,493,906.75	0	8,493,906.75
01/03/2030	8,493,906.75	0	8,493,906.75
07/03/2030	8,493,906.75	0	8,493,906.75
01/03/2031	8,493,906.75	0	8,493,906.75
07/03/2031	8,493,906.75	0	8,493,906.75
01/03/2032	8,493,906.75	0	8,493,906.75
07/03/2032	8,493,906.75	0	8,493,906.75
01/03/2033	8,493,906.75	0	8,493,906.75
07/03/2033	8,493,906.75	0	8,493,906.75
01/03/2034	8,493,906.75	0	8,493,906.75
07/03/2034	8,493,906.75	0	8,493,906.75
01/03/2035	8,493,906.75	0	8,493,906.75
07/03/2035	8,493,906.75	0	8,493,906.75
01/03/2036	8,493,906.75	377,129,459.70	385,623,366.45
07/03/2036	5,665,435.80	377,129,459.70	382,794,895.50
01/03/2037	2,836,964.85	378,261,980.60	381,098,945.45

Figure 12a: Original Debt Service on Eurobond compared to the New Debt Service on Eurobonds



Source: Ministry of Finance, Debt Management Office (2024)

Domestic Debt Exchange (DDE) Programme

The DDE programme has restructured domestic bonds, extending maturities over longer periods and reducing interest rates. Key bonds include:

- o The 4-Year FXR Bond (8.35%), maturing in February 2027, with an issued quantity of GH¢27.6 billion.
- o The 5-Year FXR Bond (8.50%), maturing in February 2028, valued at GH¢27.3 billion.
- o The 10-Year FXR Bond (9.25%), maturing in February 2033, issued at GH¢8.58 billion.
- o The government will pay approximately GH¢15.7 billion for DDE bonds in 2025, along with GH¢382.5 million for newly issued DDE bonds in the same year.

Table 8: DDE Bond Schedules (2/21/2023)

Security ID	ISIN	Name	Issued Quantity	Issued Type	Issued Date	Maturity Date
GOG-BD-16/02/27-A6143-1838-8.35	GHGGOG069915	4 YEAR FXR BOND	27,640,457,273	New Issue (DDE)	2/21/2023	2/16/2027
GOG-BD-17/08/27-A6139-1838-10.00	GHGGOG068973	4.5 YEAR FXR BOND	3,059,679,475	New Issue (DDE)	2/21/2023	8/17/2027
GOG-BD-17/08/27-A6141-1838-15.00	GHGGOG068989	4.5 YEAR FXR BOND	227,102,373	New Issue (DDE)	2/21/2023	8/17/2027
GOG-BD-15/02/28-A6144-1838-8.5	GHGGOG069923	5 YEAR FXR BOND	27,344,041,542	New Issue (DDE)	2/21/2023	2/15/2028
GOG-BD-15/08/28-A6142-1838-15.00	GHGGOG069907	5.5 YEAR FXR BOND	227,102,373	New Issue (DDE)	2/21/2023	8/15/2028
GOG-BD-15/08/28-A6140-1838-10.00	GHGGOG069981	5.5 YEAR FXR BOND	3,059,679,475	New Issue (DDE)	2/21/2023	8/15/2028
GOG-BD-13/02/29-A6146-1838-8.65	GHGGOG069931	6 YEAR FXR BOND	9,159,137,978	New Issue (DDE)	2/21/2023	2/13/2029
GOG-BD-12/02/30-A6148-1838-8.80	GHGGOG069949	7 YEAR FXR BOND	9,165,577,343	New Issue (DDE)	2/21/2023	2/12/2030
GOG-BD-11/02/31-A6147-1838-8.95	GHGGOG069914	8 YEAR FXR BOND	8,569,326,060	New Issue (DDE)	2/21/2023	2/11/2031
GOG-BD-10/02/32-A6148-1838-9.10	GHGGOG069964	9 YEAR FXR BOND	8,575,347,375	New Issue (DDE)	2/21/2023	2/10/2032
GOG-BD-08/02/33-A6149-1838-9.25	GHGGOG069990	10 YEAR FXR BOND	8,581,368,701	New Issue (DDE)	2/21/2023	2/8/2033
GOG-BD-07/02/34-A6150-1838-9.40	GHGGOG069976	11 YEAR FXR BOND	4,831,557,916	New Issue (DDE)	2/21/2023	2/7/2034
GOG-BD-06/02/35-A6151-1838-9.55	GHGGOG069998	12 YEAR FXR BOND	4,700,320,659	New Issue (DDE)	2/21/2023	2/6/2035
GOG-BD-05/02/36-A6152-1838-9.70	GHGGOG070004	13 YEAR FXR BOND	4,549,774,497	New Issue (DDE)	2/21/2023	2/5/2036
GOG-BD-03/02/37-A6153-1838-9.85	GHGGOG070012	14 YEAR FXR BOND	4,553,119,123	New Issue (DDE)	2/21/2023	2/3/2037
GOG-BD-02/02/38-A6154-1838-10.00	GHGGOG070020	15 YEAR FXR BOND	40,045,071,493	New Issue (DDE)	2/21/2023	2/2/2038
GOG-BD-16/02/27-A6155-1838-10.00	GHGGOG070028	4 YEAR FXR BOND	15,493,411,052	New Issue (DDE)	2/21/2023	2/16/2027
GOG-BD-15/02/28-A6308-1838-10.00	GHGGOG071721	5 YEAR FXR BOND	15,493,411,052	New Issue (DDE)	2/21/2023	2/15/2028

Table 9: DDE Bond PAYMENT Schedules (2/21/2023)

Feb-25	Aug-25	Feb-26	Aug-26	Feb-27	Aug-27	Feb-28	Aug-28
726,319,619.31	1,233,270,739.80	1,233,270,739.80	1,233,270,739.80	30,772,689,657.26			
152,983,973.75	152,983,973.75	152,983,973.75	152,983,973.75	152,983,973.75	3,212,663,448.75		
17,032,677.98	17,032,677.98	17,032,677.98	17,032,677.98	17,032,677.98	244,135,050.98		
720,121,815.20	1,245,630,709.85	1,245,630,709.85	1,245,630,709.85	1,245,630,709.85	1,245,630,709.85	30,554,588,588.58	
17,032,677.98	17,032,677.98	17,032,677.98	17,032,677.98	17,032,677.98	17,032,677.98	17,032,677.98	244,135,050.98
152,983,973.75	152,983,973.75	152,983,973.75	152,983,973.75	152,983,973.75	152,983,973.75	152,983,973.75	3,212,663,448.75
241,745,203.78	425,851,702.99	425,851,702.99	425,851,702.99	425,851,702.99	425,851,702.99	425,851,702.99	425,851,702.99
242,450,110.96	434,819,727.00	434,819,727.00	434,819,727.00	434,819,727.00	434,819,727.00	434,819,727.00	434,819,727.00
227,178,809.08	414,681,407.10	414,681,407.10	414,681,407.10	414,681,407.10	414,681,407.10	414,681,407.10	414,681,407.10
227,840,412.14	423,170,275.87	423,170,275.87	423,170,275.87	423,170,275.87	423,170,275.87	423,170,275.87	423,170,275.87
228,503,459.32	431,714,441.99	431,714,441.99	431,714,441.99	431,714,441.99	431,714,441.99	431,714,441.99	431,714,441.99
128,937,690.17	247,735,720.39	247,735,720.39	247,735,720.39	247,735,720.39	247,735,720.39	247,735,720.39	247,735,720.39
125,711,775.43	245,571,982.00	245,571,982.00	245,571,982.00	245,571,982.00	245,571,982.00	245,571,982.00	245,571,982.00
121,953,262.11	242,149,177.71	242,149,177.71	242,149,177.71	242,149,177.71	242,149,177.71	242,149,177.71	242,149,177.71
122,311,400.62	246,796,580.61	246,796,580.61	246,796,580.61	246,796,580.61	246,796,580.61	246,796,580.61	246,796,580.61
1,078,104,051.71	2,210,113,306.00	2,210,113,306.00	2,210,113,306.00	2,210,113,306.00	2,210,113,306.00	2,210,113,306.00	2,210,113,306.00
774,670,552.60	774,670,552.60	774,670,552.60	774,670,552.60	774,670,552.60			
774,670,552.60	774,670,552.60	774,670,552.60	774,670,552.60	774,670,552.60	774,670,552.60	774,670,552.60	
6,080,552,018.49	**9,690,880,179.96**	**9,690,880,179.96**	**9,690,880,179.96**	**39,230,299,097.41**	**10,969,720,735.55**	**36,821,880,114.56**	**8,779,402,821.38**

Source: Ministry of Finance, (2024)

Table 10: DDE New Bond Schedules (9/4/2023)

Security ID	ISIN	Name	Issued Quantity	Issued Type	Issued Date	Maturity Date
GOG-BD-04/09/27-A6305-1866-2.75	GHGGOG071689	4 YEAR FXR BOND-FCA	139,997,275	New Issue (DDE)	9/4/2023	9/4/2027
GOG-BD-04/09/27-A6307-1866-2.75	GHGGOG071705	4 YEAR FXR BOND-FEA	246,415,447	New Issue (DDE)	9/4/2023	9/4/2027
GOG-BD-04/09/28-A6306-1866-3.25	GHGGOG071713	5 YEAR FXR BOND-FEA	246,415,447	New Issue (DDE)	9/4/2023	9/4/2028
GOG-BD-04/09/28-A6305-1866-3.25	GHGGOG071697	5 YEAR FXR BOND-FCA	139,997,275	New Issue (DDE)	9/4/2023	9/4/2028

Table 11: DDE New Bond Payment Schedules (9/4/2023)

Sep-24	Mar-25	Sep-25	Mar-26	Sep-26	Mar-27	Sep-27	Mar-28	Sep-27
1,924,962.53	1,924,962.53	1,924,962.53	1,924,962.53	1,924,962.53	1,924,962.53	141,922,237.53		
3,388,212.00	3,388,212.00	3,388,212.00	3,388,212.00	3,388,212.00	3,388,212.00	249,803,659.00		
4,004,251.01	4,004,251.01	4,004,251.01	4,004,251.01	4,004,251.01	4,004,251.01	4,004,251.01	4,004,251.01	250,419,698.01
2,274,955.72	2,274,955.72	2,274,955.72	2,274,955.72	2,274,955.72	2,274,955.72	2,274,955.72	2,274,955.72	142,272,230.72
191,274,290.79	**191,274,290.79**	**191,274,290.79**	**191,274,290.79**	**191,274,290.79**	**191,274,290.79**	**6,567,084,203.79**	**103,606,911.05**	**6,479,416,824.05**

Challenges Highlighted by the Debt Profile

1. Ballooning Debt Obligations:

o Ghana faces steep repayment schedules, particularly from 2026 onward when principal repayments for Eurobonds begin. For instance, the **ZERO COUPON PAID DOWN BOND 07/03/2026** will require principal payments of GH¢104.5 million per tranche. Even 2025 payment obligations on DDE bonds are quite significant.

2. High Interest Commitments:

o The annual interest obligations for some Eurobonds, such as the BOND LONG STEP UP COUPON, remain significant, potentially constraining fiscal space for other expenditures.

3. Liquidity Constraints:

o The DDE programme's extended maturities reduce immediate payment pressures but prolong exposure to debt-related risks,

especially if fiscal revenues underperform.

Implications for the Banking Sector

The government's reliance on domestic financing has direct consequences for Ghana's banking sector:

• **Liquidity Risks:** Banks holding significant portions of restructured bonds face liquidity challenges, particularly as maturities extend and interest payments are delayed.

• **Risk of Default:** Any lapse in government debt servicing could destabilise banks heavily exposed to government securities.

• **Reduced Lending Capacity:** High exposure to government debt may crowd out private sector lending, hampering economic growth.

Additionally, there is a lot of pressure on banks to control sovereign risk exposure, with its attendant impact on government domestic borrowing, and credit extension to the private sector.

Strategies for Sustainable Debt Management

1. Timely Debt Servicing:
The government must adhere strictly to the scheduled coupon and principal payments, as demonstrated in 2024, when GH¢5.9 billion and GH¢6.1 billion were paid for domestic bonds in February and August, respectively, and US$520 million was disbursed for Eurobond obligations in October.

2. Enhanced Revenue Mobilisation:
Implementing innovative revenue-raising measures, including digitised tax collection systems, could reduce the dependency on borrowing.

3. Expenditure Rationalisation:
Reducing the number of ministries and ministers will not be enough. Hence, cutting non-essential spending and prioritising growth-oriented investments are critical for freeing up fiscal resources.

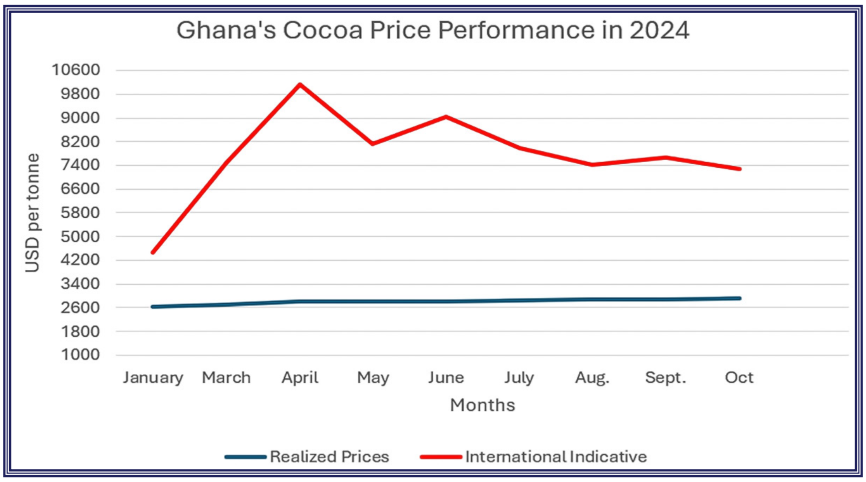
4. Private Sector Partnerships:
Leveraging public-private partnerships (PPPs) can help finance large-scale projects without adding to the debt stock.

COMMODITY MARKET OUTLOOK

Globally, economic growth is projected to remain steady at 3.2% in 2024 and 3.3% in 2025, with inflation moderating due to lower energy and food prices. Commodity markets show signs of stabilization, with cocoa and gold prices maintaining upward trends. For Ghana, stable commodity prices will boost export revenues, strengthen foreign exchange reserves, and reduce inflationary pressures.

COCOA

Figure 13: Cocoa Price Performance



Source: Bank of Ghana; Summary of Financial and Economic data, November 2024

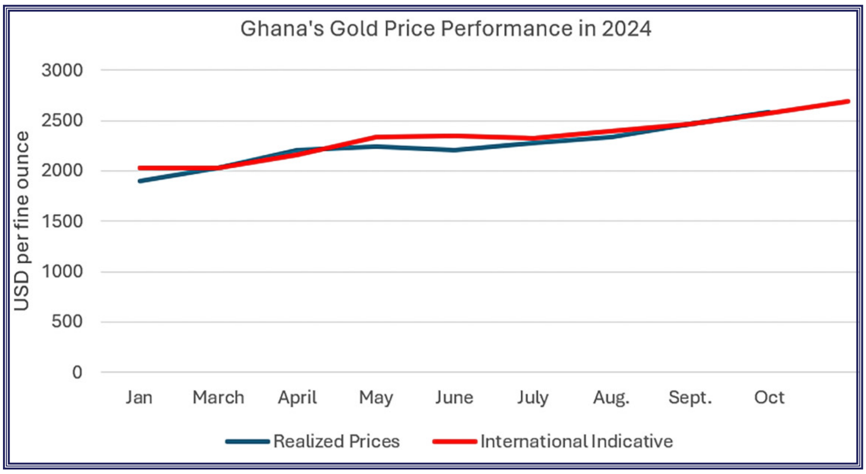
The international price reflects the general global market value of a commodity, while the realized price accounts for specific costs, quality adjustments, and local factors, making it the actual amount received by the seller.

The international cocoa price and the realized prices in USD per tonne rose from $4456.857 and $2637.2 in January to $10116.82 and $2801.6 in April respectively due to heightened global demand and supply constraints, particularly in West Africa. Prices moderated somewhat by October, where the international indicative records $7273.6 while the realized stood a $2898.2 as supply conditions improved. The wide gap between Ghana's realized prices and the international market prices reflects weak price competitiveness of our cocoa on the market, an indication that we are not creating enough value to meet the full international market potential of the commodity. This would require conscious effort to ensure compliance with international commodity standards, strategic policy interventions, currency stabilization amongst others to boost the sector's profitability. Entering 2025, volatility in cocoa prices is expected, influenced by global climatic conditions and demand patterns. These dynamics may have the following implications on banking:

- **Increased Foreign Exchange Inflows:** Higher cocoa prices enhance export revenues, improving Ghana's foreign exchange reserves and stabilising the cedi. This creates a more favourable environment for banks to expand forex-related products and services.
- **Agricultural Financing Opportunities:** Rising prices may encourage increased investment in the cocoa sector. Banks can expand financing for cocoa farmers, cooperatives, and agribusinesses, offering products like input financing, crop insurance, and trade financing.
- **Risk Management:** Volatility in cocoa prices will necessitate robust risk assessment frameworks for banks with significant exposure to the agricultural sector.

GOLD

Figure 14: Gold Price Performance



Source: Bank of Ghana; Summary of Financial and Economic data, November 2024

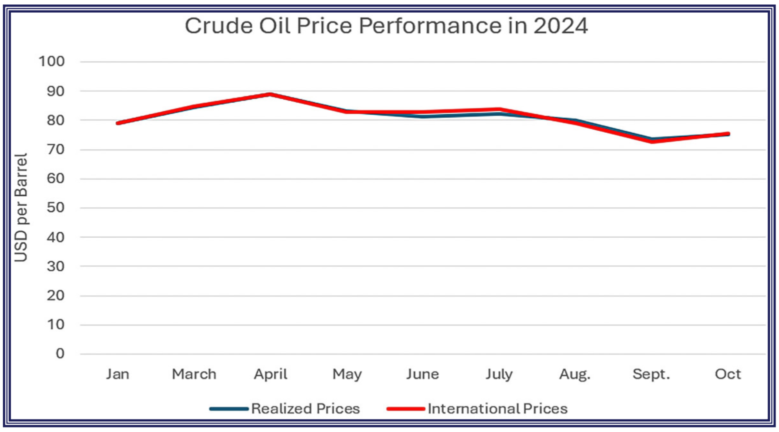
Gold prices as measured in USD per fine ounce exhibited a steady increase from January. The international gold price and the realized prices rose from $2032.4114 and $2,032.4 to $2689.39 and $2,689.4 respectively, reflecting strong investor interest amid geopolitical tensions and economic uncertainties. The consistent match of the realised prices communicates the high-quality standard of Ghana's Gold and its competitiveness in the global market space. As 2025 approaches, gold prices could remain high, driven by continued demand as a safe-haven asset and anticipated monetary policy adjustments globally.

Implications for Banking:

- **Enhanced Export Revenue and Reserves:** Rising gold prices improve export earnings and foreign reserves, supporting economic stability and reducing exchange rate pressures, benefitting the banking sector's stability.
- **Investment Opportunities:** High gold prices may spur activities in gold-backed securities, asset management, and investment products. Banks can explore opportunities in gold-linked savings accounts or exchange-traded funds (ETFs).
- **Increased Lending to Mining Sector:** Rising profitability in the mining sector could lead to higher credit demand for equipment purchases, expansion projects, and operational financing.

CRUDE OIL

Figure 15: Crude Oil Price Performance



Brent crude oil prices remained relatively stable, with the international prices fluctuating between $79.15 in January and $75.4 in October, with temporary spikes $89 in April. The realized prices also closely depicted similar movements, a reflection of a perfect competitiveness of Ghana's crude in the global crude market. These movements are largely linked to OPEC production decisions and global economic activity. Looking into 2025, energy transition policies, geopolitical, and exchange rate developments could impact oil market dynamics. Overall we are likely to see world crude prices to trend downward significantly in anticipation of continuous energy transition (decline in crude demand especially in Asia, China) and Trump's anticipated efforts towards expanding America's drilling capacity(could highly influence global supply).

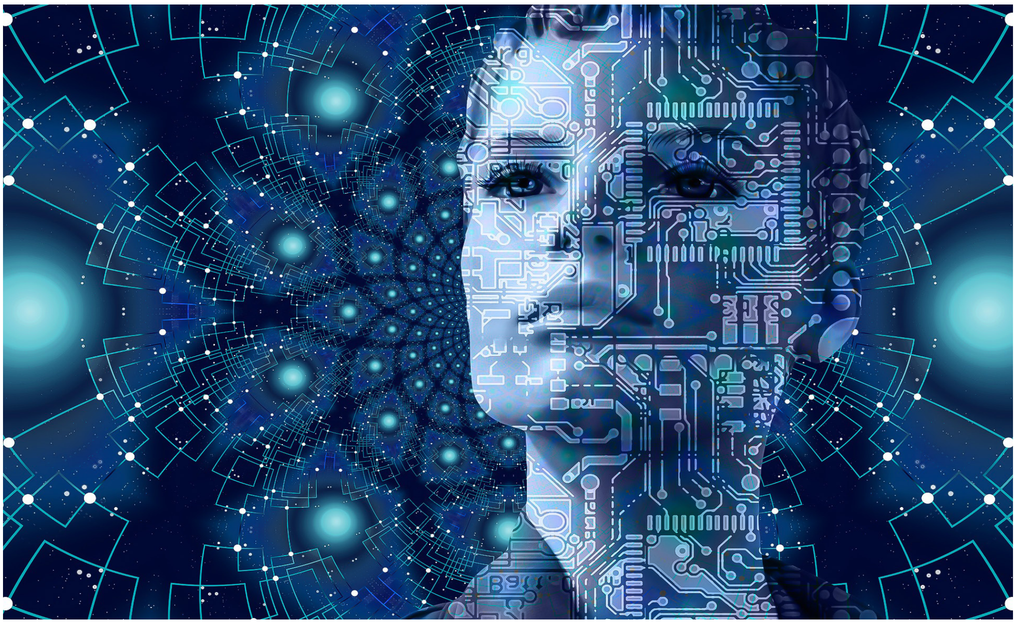
Implications for Banking:

- **Stabilised Inflationary Pressures:** Relatively stable oil prices help moderate fuel costs, reducing inflationary pressures. This creates an enabling environment for banks to manage interest rate risks and maintain credit quality.
- **Opportunities in Energy Financing:** Banks can explore opportunities in financing renewable energy projects, aligning with energy transition policies. Additionally, the oil sector may demand funding for exploration, production, and infrastructure.
- **Foreign Exchange Volatility:** Despite stability, unexpected geopolitical events or OPEC decisions could lead to currency volatility, impacting forex-denominated assets and liabilities of banks.

CYBERSECURITY, EMERGING TECHNOLOGIES AND MARKET DYNAMICS

Topical issues Concerning Technology and Cybersecurity that Banks in Ghana will have to Grapple with in 2025 and Beyond:

The Ghanaian banking industry has witnessed tremendous growth and transformation in technology and cybersecurity. As we advance into 2025, banks in Ghana are poised to address key challenges and leverage technological advancements to sustain growth and maintain resilience against emerging threats. Below is an exploration of the historical journey, current trends, and future prospects shaping the landscape.



Historical Evolution of Technology in Banking

- **Early Adoption (1970s-1990s):** Banks adopted computerized systems focused on physical controls and access management.
- **Early Digitalization (1990s–2000s):** The introduction of ATMs and electronic funds transfer systems marked the initial phase of digital transformation.
- **Mobile Money Revolution (2009-2010s):** Telecom-driven mobile money services revolutionized financial inclusion, complemented by internet banking and early cybersecurity awareness.
- **Advanced Digital Transformation (2020s):** Cloud computing, AI technologies, and sophisticated cybersecurity practices became central to banking operations. Regulatory and Cybersecurity Framework
- **Payment Systems Act (2003):** This act facilitated the adoption of electronic payment systems like RTGS and ACH platforms.
- **Cybersecurity Initiatives:** The establishment of the National Information Technology Agency (2008) and the National Cyber Security Centre (2018) laid the foundation for a coordinated cybersecurity effort.
- **Bank of Ghana Cybersecurity Directive (2018):** Mandated robust security measures for banks, emphasizing risk management and protection.
- **FinTech and Innovation Office at BoG (2020):** Aimed to foster a cash-lite economy through technological innovation.

Outlook (2025 and Beyond)

As the banking sector embraces the future, the following topical issues will define the trajectory of technological and cybersecurity initiatives:

1) **Data Privacy and Protection:** Compliance with data protection regulations is non-negotiable. Safeguarding customer data must remain a top priority to build trust and mitigate reputational risk.

2) **Cybersecurity Threats:** Banks face an escalation in sophisticated attacks, including phishing, ransomware, and large-scale data breaches. Proactive defense strategies are imperative.

3) **Digital Transformation:** Strategic investment in digital technologies is essential to enhance customer experiences and drive operational efficiency.

4) **Regulatory Compliance:** The constantly shifting regulatory landscape demands agility and foresight from banking institutions.

5) **Financial Inclusion:** Expanding access to financial services in underserved and rural communities will require leveraging technology and significant capital investment.

6) **Digital Literacy:** Educating both customers and employees on digital banking tools and cybersecurity best practices is critical to minimising vulnerabilities.

7) **Fraud Prevention:** Advanced fraud detection systems leveraging behavioural analytics and AI are crucial to combat evolving financial crimes.

8) **Artificial Intelligence and Machine Learning:** AI and ML will play pivotal roles in predictive analytics, customer service optimisation, and risk management.

9) **Cloud Security:** Strengthening the security frameworks around cloud-based platforms and data storage solutions is critical as adoption scales.

10) **Advanced Cyber Threats:** As cyberattacks grow in complexity, banks must adopt cutting-edge tools and continuous monitoring to counter these risks.

11) **Ransomware Attacks:** The surge in ransomware incidents threatens business continuity and requires robust incident response plans.

12) **Business Continuity:** Resilience against cyber incidents must be integrated into every operational layer, ensuring uninterrupted services during crises.

13) **Human Capital Challenges:** Attracting and retaining cybersecurity talent is a significant challenge that calls for targeted strategies and incentives.

14) **Supply Chain Security:** Ensuring cybersecurity best practices among third-party vendors is vital to prevent breaches originating from supply chains.

15) **AI Threats: The misuse** of artificial intelligence by cybercriminals introduces new vulnerabilities, necessitating constant vigilance and innovation.

16) **Financial Ditigilization Landscape in Ghana:** There exists limited digitalization pipeline in the industry, with a significant concentration of activity dominated by a single major player. This raises concerns about the potential for systemic disruptions in the future should any unforseen events occur. To mitigate this risk, it is essential for banks to adopt a forward-looking approach by diversifying their digitalization strategies and exploring alternative channels for delivering financial services.

The Way Forward

The banking sector in Ghana stands at the crossroads of challenges and opportunities. A collaborative approach involving robust regulatory frameworks, investment in cutting-edge technologies, prioritization of cybersecurity, and resource and information sharing will be crucial. With a focus on education, innovation, and resilience, banks can confidently navigate the complexities of 2025 and beyond.

Additionally, policymakers should look at market dominance in the financial digitalization space and create competitive environment that will spark innovation and efficiency in the industry.

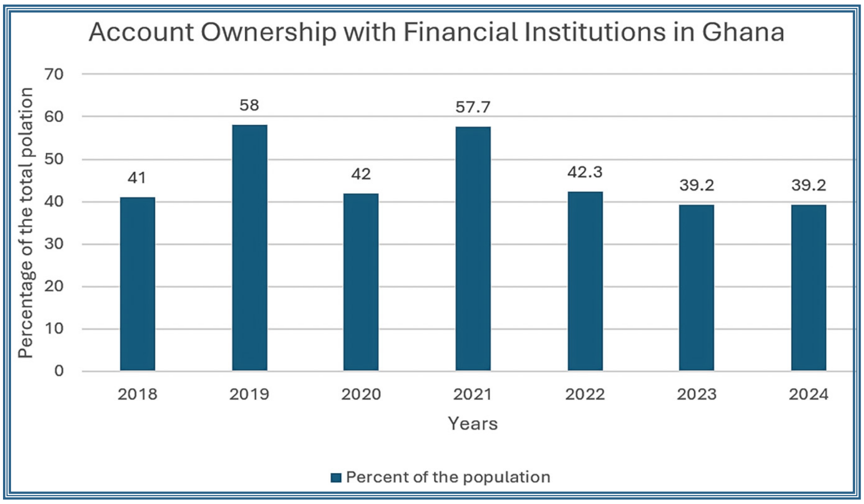
BANKING INDUSTRY

2024 was a year of transition and resilience for the Ghanaian banking industry. Following the challenges posed by the Domestic Debt Exchange Programme (DDEP) in 2023, and a recalibration of the cash reserve ratio (CRR) in the first quarter of 2024 by BoG, banks showed remarkable adaptability by implementing recovery strategies and bolstering their financial positions. The sector witnessed incremental improvement in liquidity and profitability (Q3: 2024: 20banks: PBT = ¢12.5 billion compared to ¢9.5 billion, albeit amid persistent macroeconomic challenges, including currency fluctuations and inflationary pressures. While inflationary pressures have subsided and interest rates are dropping, restrictive macroeconomic environment, continuing geopolitical shocks, and regulatory uncertainty will likely give bank CEOs anxiety. But many will be happy to close the chapter on 2024, a year that was remarkable in many respects.

Bank Account Openings and Ownership

The rate of bank account ownership in Ghana experienced a slight decline in recent years, reaching 39.2% of the population aged 15 and above as of January 2024, down from 42.3% in 2022. This trend highlights challenges in financial inclusion despite significant efforts to expand banking services across the country. Factors contributing to this decline may include economic uncertainties, reduced income levels, and evolving consumer preferences for digital and informal financial services.

Figure 16: Account Ownership



Source: Statista, (2024)

Nonetheless, the banking sector remains poised to capitalize on opportunities to reverse this trend. Increased access to mobile banking platforms, digital wallets. and targeted financial literacy campaigns can serve as catalysts for driving account openings, particularly in underserved rural areas.

The government's push for digitalization and improved economic stability, including stable inflation, will likely bolster efforts to increase financial inclusion. Expanding bank account penetration is crucial for improving savings mobilization and credit creation, the fundamental role of the banking industry.

Industry Performance and Outlook

The industry performance assessment was conducted using data from eighteen (18) of the twenty-three (23) universal banks. These 18 banks were selected due to their consistent financial data from 2015 through the third quarter (Q3) of 2024. Collectively, these banks represent 84.04% of the industry's total assets. Hence, this assessment provides a statistically robust reflection of the industry's overall performance.

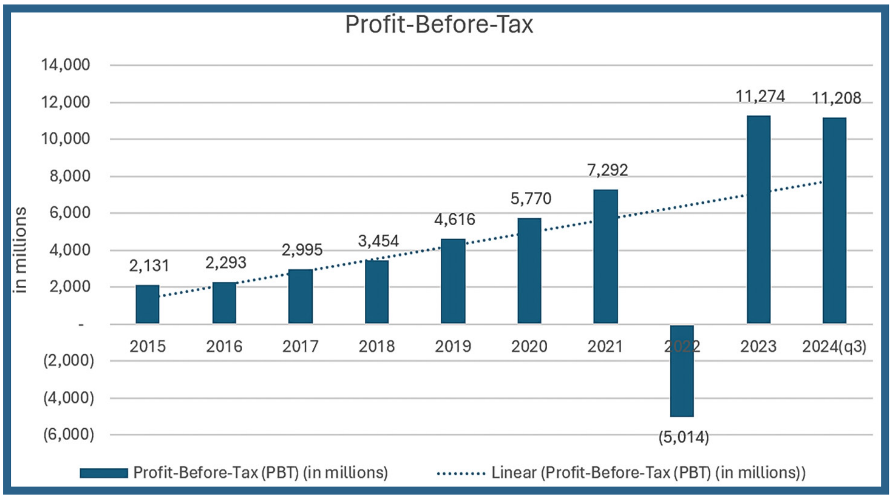
Profitability Analysis:

The profitability of Ghana's banking sector demonstrated steady growth from 2015 through Q3 2024, despite challenges in recent years. Profit Before Tax (PBT) rose significantly from GH¢2.13 billion in 2015 to GH¢11.21 billion in Q3 2024, with a peak of GH¢15.2 billion in 2023. This represents a Compound Annual Growth Rate (CAGR) of approximately 19.14% over the 2015–2023 period. The drop in PBT in Q3 2024 reflects tightening economic conditions, rising operational costs, and additional impairment charges on the restructured Eurobond, which impacted earnings.

Return on Assets (ROA) followed a similar trajectory, growing from 4.61% in 2015 to a peak of 4.77% in 2023, before moderating to 3.63% in Q3 2024. Return on Equity (ROE) showed a corresponding rise from 21.50% in 2015 to 26.25% in 2023, before slightly easing to 22.33% in Q3 2024. Net Interest Income (NII) expanded from GH¢4.50 billion in 2015 to GH¢20.41 billion in 2023, reflecting the sector's reliance on core lending activities, but contracted to GH¢16.34 billion in Q3 2024 due plausibly to narrowing interest margins, and the recalibration of the cash reserve ratio (CRR) which has restrictede liquidity of banks with its attendant impact on lending capacity.

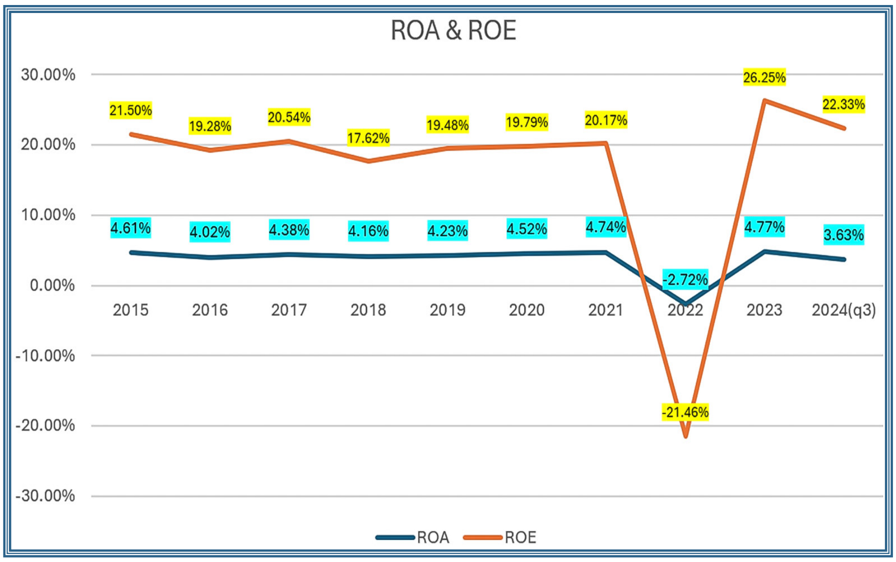
These trends underscore the banking sector's ability to generate substantial profits over the long term, while recent declines highlight the need for strategic cost management and diversification of income streams to maintain profitability amid economic headwinds.

Figure 17: Profit-Before-Tax



Source: *GAB's construction, (2025) using a balanced panel data from 18 Banks*

Figure 18: Return-on-Assets (ROA) and Return-on-Equity (ROE)



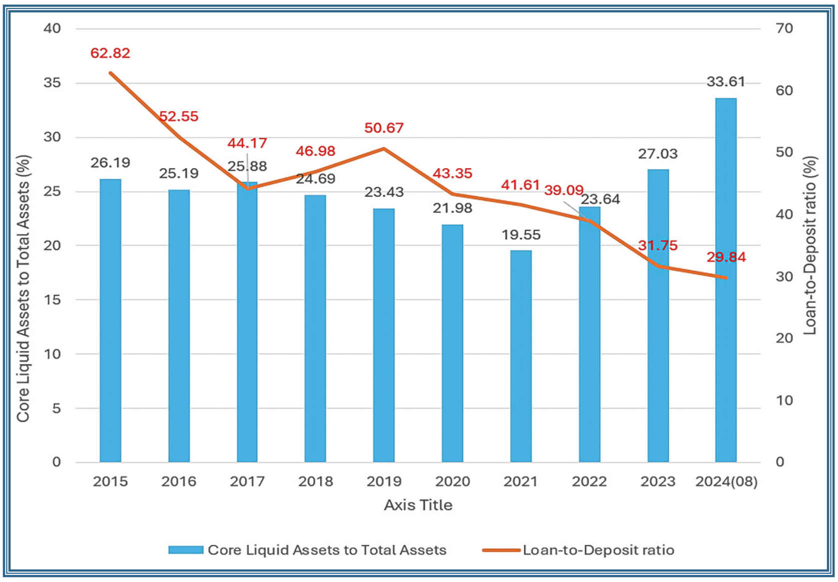
Source: *GAB's construction, (2025) using a balanced panel data from 18 Banks*

Liquidity Analysis:

The liquidity of Ghana's banking sector has significantly improved from 2015 to Q3 2024, ensuring the industry's ability to meet short-term obligations. The liquidity ratio, using core liquid assets to total assets in the industry steadily increased from 26.2% (2015) to 33.6% as of Q3 2024. This upward trend reflects increased holdings of liquid assets relative to total assets, driven by a cautious approach to lending (driven by heightened credit risk) and enhanced deposit mobilisation efforts.

Furthermore, the advances-to-deposits ratio (loans-to-deposits ratio) declined steadily from 62.82% in 2015 to 29.84% in Q3 2024, underscoring the sector's conservative lending practices amid economic uncertainties. The declining ratio indicates that banks are prioritising liquidity preservation over aggressive credit expansion, likely in response to heightened credit risks and regulatory measures. The improvement in liquidity highlights the resilience of the industry, in maintaining robust buffers to withstand external shocks.

Figure 19: Liquidity Analysis



Source: *Bank of Ghana, Database portal, (2024)*

trends demonstrate the sector's ability to retain earnings and build a solid capital base, ensuring long-term stability in an uncertain macroeconomic environment.

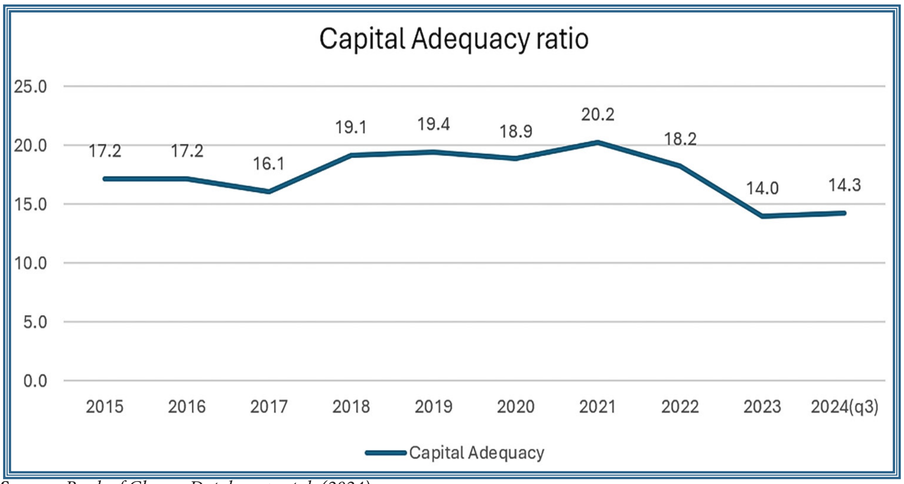
According to Fitch, although the CAR showed significant improvement in 2024, it remains at the lower end compared to its peers in Sub-Saharan Africa (see Figure 21).

Solvency Analysis:

The banking sector's solvency has remained resilient over the years, supported by robust capitalisation and regulatory compliance. The capital adequacy ratio (CAR) improved from 17.2% in 2015 to 20.2% in 2021, achieving a Compound Annual Growth Rate (CAGR) of 2.35%, reflecting the sector's commitment to maintaining strong buffers against unexpected losses. However, the CAR declined to 18.2% in 2022 and further to 14% later that year, before recovering slightly to 14.3% by the end of the third quarter in 2024. This decline in the CAR highlights the impact of the Domestic Debt Exchange Programme (DDEP).

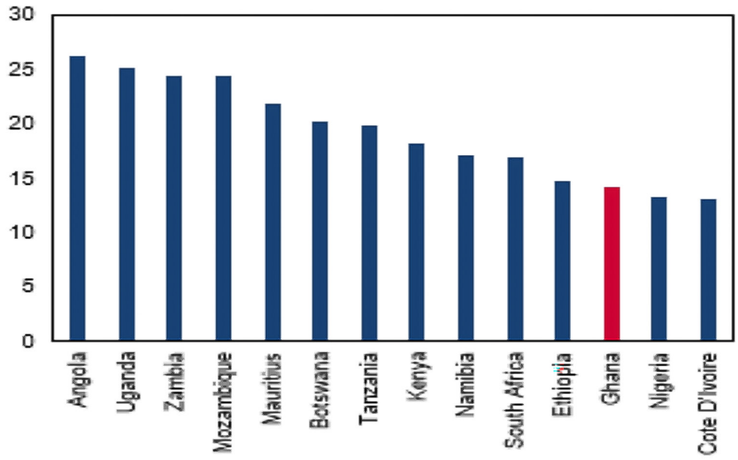
Similarly, the equity-to-assets ratio remained relatively stable, rising from 14.83% in 2015 to 16.09% in 2020, before declining to 10.59% in 2022. It has since shown steady improvement, reaching 11.19% by Q3 2024. These

Figure 20: CAR for the Banking Industry



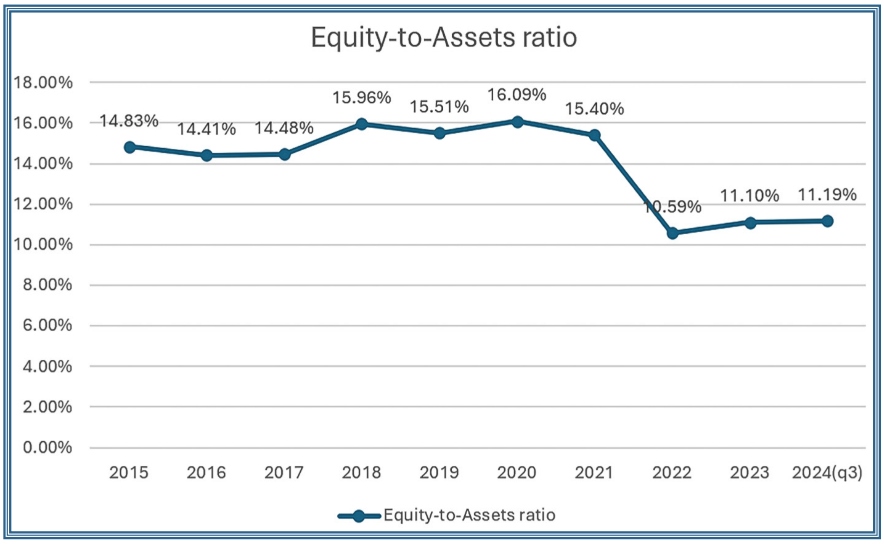
Source: *Bank of Ghana, Database portal, (2024)*

Figure 21: CAR of Some Selected Sub-Sahara African Countries



Source: *Fitch (2024)*

Figure 22: Equity-to-Assets Ratio



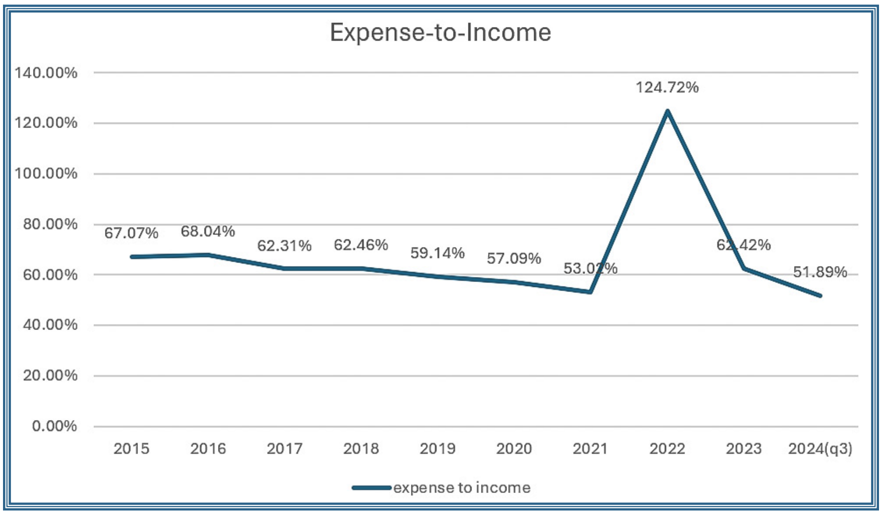
Source: *GAB's construction, (2025) using a balanced panel data from 18 Banks*

Efficiency Analysis:

Operational efficiency in Ghana's banking sector has improved significantly over the period, reflecting better cost management and strategic investments in technology. The expense-to-income ratio decreased from 67.07% in 2015 to 51.89% in Q3 2024, showcasing consistent efforts to optimise operational spending.

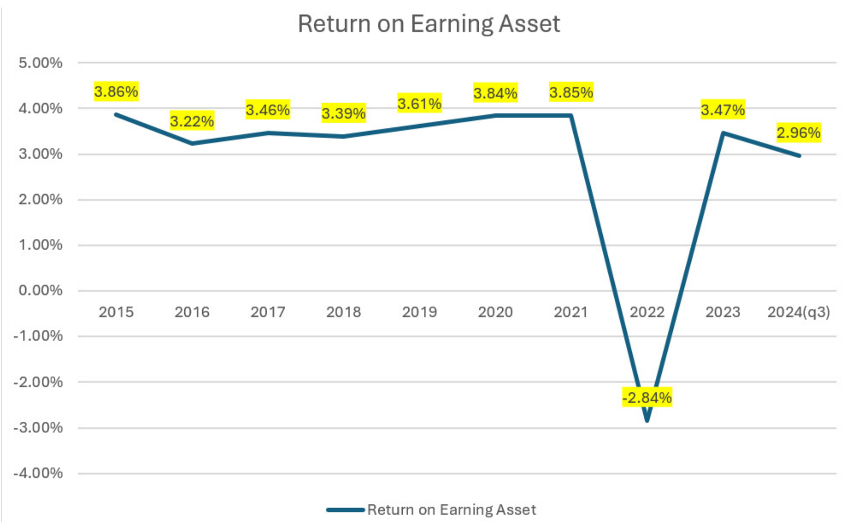
Return on Earning Assets (ROEA) for 18 banks also improved, peaking at 3.47% in 2023 before slightly declining to 2.96% in Q3 2024. These efficiency gains underscore the sector's ability to enhance profitability while containing costs, positioning it for long-term competitiveness and growth.

Figure 23: Expense-to-Income Ratio



Source: *GAB's construction, (2025) using a balanced panel data from 18 Banks*

Figure 24: Return on Earning Assets



Source: *GAB's construction, (2025) using a balanced panel data from 18 Banks*

non-performing loans (NPLs) ratio to increase from 14.2% in February 2022 to a record high of 26.7% in March 2024, although it softened to 22.7% in October. Fitch however, do not expect this to threaten financial stability, and that banks will continue to see improvements in loan quality in 2025, this will continue to weigh on banks' profits and capital until the NPL ratio normalises. Lower interest rates in 2025 will support this, but it is expected that Ghana will remain on the higher end compared to its peers, in terms of its NPL ratio (see Figure 25)

Risk Management:

Risk management remains a critical focus for the banking industry, particularly in addressing credit risks and asset quality. The average non-performing loan (NPL) ratio reached at 21.2% in 2022, reflecting persistent challenges in credit risk management, but improved to 14.4% in 2022. It however increased to 24.8% by Q3 2024, signalling persistent challenge in addressing non-performing loans issues in the industry. Impairment losses for the 18 banks in question, peaked at GH¢16 billion in 2022, and then declined sharply to GH¢1.37 billion in Q3 2024, highlighting improved credit risk assessment and provisioning practices.

The industry's enhanced risk management frameworks are pivotal for the sector's overall stability and resilience however, NPLs remained a systemic bane that needs to be addressed.

Fitch observed that, the challenging economic environment, characterized by high inflation, elevated interest rates and weak economic growth, caused banks'

Figure 25: NPL in Some Selected Africa Countries

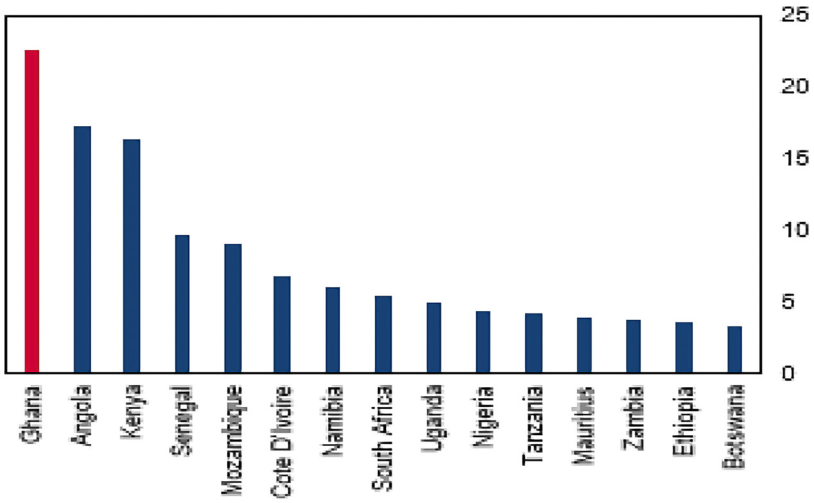
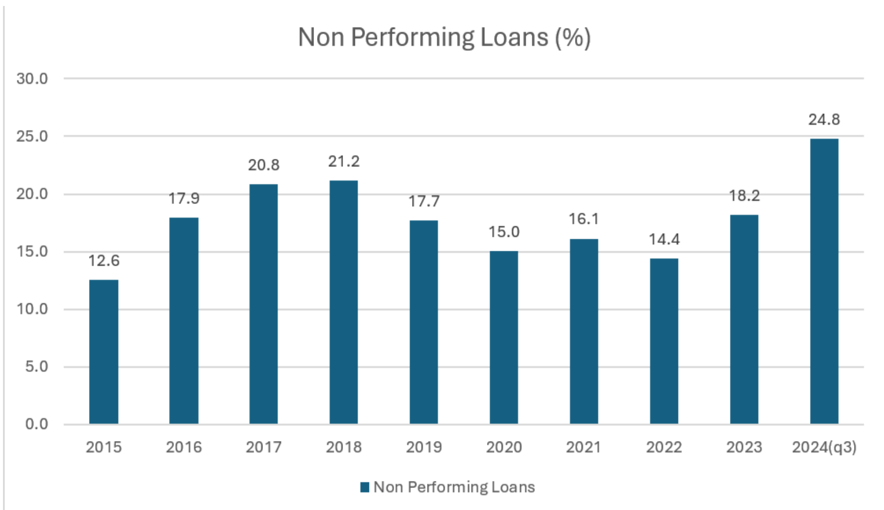


Figure 26: Non-Performing Loans



Source: *Bank of Ghana, Database portal, (2024)*

2025 Outlook for Ghana's Banking Industry

The outlook for 2025 suggests a mixed trajectory for Ghana's banking sector. Profitability is expected to remain under pressure due to narrowing margins and rising operational costs. However, robust liquidity levels and stable capital buffers provide a foundation for resilience. Efficiency gains through digital transformation and cost optimisation are likely to continue, supporting operational performance. Meanwhile, sustained efforts to reduce non-performing loans and enhance credit risk monitoring will be critical for improving asset quality. As the macroeconomic environment stabilises, banks must balance caution with strategic growth initiatives to navigate the evolving challenges of 2025 successfully.

Fitch Outlook: Ghana's banking sector is expected to face challenges in 2025, reflected in weak financial soundness indicators and declining profitability. While slight improvements in capital, loan quality, and loan growth are anticipated, the sector will continue to grapple with difficult conditions, particularly due to the cash reserve ratio (CRR) regime. On a positive note, an improving economic environment and supportive policies from the newly-elected National Democratic Congress (NDC) government offer optimism. However, risks remain, particularly concerning the NDC's pledge to restore collapsed banks, which could introduce uncertainties into the sector.

Some Key Developments to Support the Financial Sector

Introduction of the MyCreditScore System

The rollout of the MyCreditScore system in Ghana represents a pivotal advancement in addressing the persistent challenge of high non-performing loans (NPLs) in the banking sector, which currently stands at an alarming 24.3%. By providing a transparent and standardized credit scoring framework, this initiative equips lenders with actionable insights into borrowers' creditworthiness. Such a mechanism not only mitigates lending risks but also fosters a culture of responsible borrowing among individuals and businesses.

From a banking sector perspective, the implications are profound. Enhanced and credible credit scoring can significantly improve the quality of loan portfolios by reducing default rates, thereby contributing to sector stability and profitability. Moreover, it supports the broader agenda of financial inclusion, enabling previously underserved demographics to access credit facilities more easily.

That said, the system's ultimate success hinges on continuous refinement. Key areas of focus should include:

- **Data Integration:** Expanding the scope of credit assessments by incorporating data from diverse financial and non-financial sources, such as utility payments and digital transactions.
- **Data Security:** Implementing stringent cybersecurity measures to safeguard sensitive financial information and maintain public trust.
- **Consumer Education:** Rolling out comprehensive awareness campaigns to help borrowers understand the role of credit scores in accessing loans and fostering financial discipline.

By addressing these critical areas, the MyCreditScore initiative can maximize its potential, positioning it as a cornerstone for sustainable growth and innovation in Ghana's banking landscape.

Open Banking: Transforming the Financial Landscape

The Open Banking directive being developed by the Bank of Ghana signals a transformative shift in the country's financial sector, aimed at fostering innovation, competition, and inclusion. Open Banking enables third-party providers (TPPs) to access consumer banking, transaction, and other financial data through secure application programming interfaces (APIs), with the customer's consent.

The implications of this initiative are wide-ranging and transformative:

1. **Enhanced Customer Experience:** Open Banking empowers consumers by giving them greater control over their financial data. It enables them to seamlessly access tailored financial products and services, from budgeting tools to alternative lending platforms,

fostering a more personalized and efficient banking experience.

2. **Catalyst for Innovation:** By providing fintech companies and non-bank institutions access to critical banking data, Open Banking creates an ecosystem ripe for innovation. Startups and established players alike can leverage this data to develop cutting-edge solutions, enhancing competition and driving efficiency across the sector.
3. **Financial Inclusion:** Open Banking has the potential to democratize financial services, extending access to underserved and unbanked populations. Through innovative credit-scoring models and alternative lending solutions, individuals and SMEs with limited banking histories can access financing opportunities previously unavailable to them.
4. **Operational Efficiencies:** For traditional banks, the shift to Open Banking encourages collaboration with fintechs, leading to streamlined operations and cost efficiencies. It also prompts incumbents to modernize their services, ensuring they remain competitive in a rapidly evolving market.
5. **Regulatory and Security Considerations:** The success of Open Banking will depend heavily on the Bank of Ghana's ability to establish a robust regulatory framework. This includes ensuring compliance with data protection laws, preventing cybersecurity threats, and maintaining customer trust through stringent safeguards.

Open Banking is poised to reshape Ghana's financial landscape, enabling a dynamic ecosystem that balances innovation with stability. As the initiative progresses, collaboration between banks, fintechs, and regulators will be crucial to unlocking its full potential. This marks an exciting chapter for the Ghanaian financial sector, one that aligns with global trends while addressing local challenges.

Call for Action

The banking sector faces a pivotal moment where proactive measures are essential to ensure resilience and growth amidst a rapidly evolving economic and technological landscape. The following strategic actions are recommended.

1) Digital Financial Services

Ghana's financial sector have made significant strides in digitalising services for customers. However, financial digitalisation pipeline is underdeveloped, with over-reliance on a single dominant player which poses systemic risks and potential risks to financial stability. To address this, banks must offer diverse digital services, including payment solutions, online lending, and investment products, while collaborating with fintechs and global partners to expand offerings and ensure platform integration. Investing in robust digital infrastructure to enhance access for underserved populations is essential. Further, policymakers and regulators should tackle market dominance by introducing incentives for new entrants and driving anti- trust regulations to foster a competitive and sustainable digital financial ecosystem.

2) Monitoring Government Policies

The increasing influence of government policies on banking requires agility and awareness. Banks Research Departments should have policy-monitoring mechanisms to track legislative changes, fiscal positions, and conduct scenario analysis to assess the impact of fiscal policies on economic fundamentals with a view to taking more active upfront policy influencing stance. Proactive engagement with policymakers and industry associations is crucial for advocating reforms that align with the sector's long-term goals. These measures will help banks adapt to and influence policy changes, ensuring they navigate the challenges and opportunities of 2025 effectively.

3) Financial Inclusion and Intermediation

Expanding financial access is key to Ghana's economic growth and equity. Banks should create products for underserved populations, including low-cost micro-savings accounts, mobile banking, and community lending schemes.

Strengthening partnerships and accelerating growth of GhanaPay through cooperatives, and local organisations to help extend services to remote and untapped areas, thereby creating credible alternative like other payment platforms. Financial literacy programmes are essential for empowering individuals to make informed decisions and join the formal financial system. These initiatives will bridge financial inclusion gaps and foster sustainable economic development.

4) Support for MyCreditScore Initiative
The MyCreditScore initiative can transform credit risk assessment and improve loan portfolio quality in Ghana's banking sector. Banks should integrate the credit scoring framework into their lending processes to enhance risk management and reduce non-performing loans. Collaborating with developers to expand data sources, including utility payments and digital transaction histories, will strengthen assessments. Promoting public awareness of the benefits of healthy credit scores can encourage responsible borrowing and financial conduct of the banking population. These efforts will maximise the initiative's impact and improve overall credit management.

5) Tackling Fraud Across All Levels
Fraud is a major concern for the banking industry, requiring a comprehensive response. Banks should adopt advanced fraud detection systems using artificial intelligence and machine learning for real-time prevention of incidents. A zero-tolerance culture for fraud must be established, with strict controls and accountability across all levels of the organisation. Regular training and increased awareness for staff and customers will enhance their ability to detect and report fraud for swift remediation. Collaboration with industry peers, regulators, and law enforcement to share intelligence and best practices will further bolster defences against financial crimes.

6) Cyber Security: Cybersecurity is crucial for the banking industry to safeguard financial systems and customer data amidst rising cyber threats like ransomware, phishing, etc. Banks must adopt AI-driven threat detection, real-time monitoring, and secure cloud infrastructure. Regular training for staff and customers is vital to minimise vulnerabilities. Collaboration with regulators, peers, and cybersecurity experts to share intelligence and best practices is essential. Strengthened regulatory frameworks will enhance data protection and ensure resilience against evolving cyber risks, maintaining trust and operational continuity.

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CONTRIBUTORS

MR. JOHN AWUAH
CEO, GAB

MR. LAWRENCE SACKEY
RESEARCH MANAGER, GAB

MRS. AUDREY MNISI MIREKU
BANKING OPERATIONS, RISK & CYBER SECURITY SPECIALIST, GAB

MS JANE KEZIAH KARIKARI
ADMINISTRATIVE MANAGER, GAB

MR. KWADWO OFORI BOATENG
CIO, AGRICULTURAL DEVELOPMENT BANK (ADB) AND PRESIDENT OF GAB'S TECHNOLOGY AND CYBER COMMITTEE

MS. RITA ALIFO
ADMINISTRATIVE ASSISTANT, GAB

MR. DERICK AYIKU WANORMETAH
NATIONAL SERVICE PERSONNEL, GAB

GHANA ASSOCIATION OF BANKS

GAB Research

Contact Information
030 2667138

Website:
www.gab.com.gh

Email:
info@gab.com.gh

Location:
No. 12 Tafawa Balewa St, North Ridge, Accra.