

Setting the Scene – Ghana’s investor friendly environment as the investment gateway to Africa



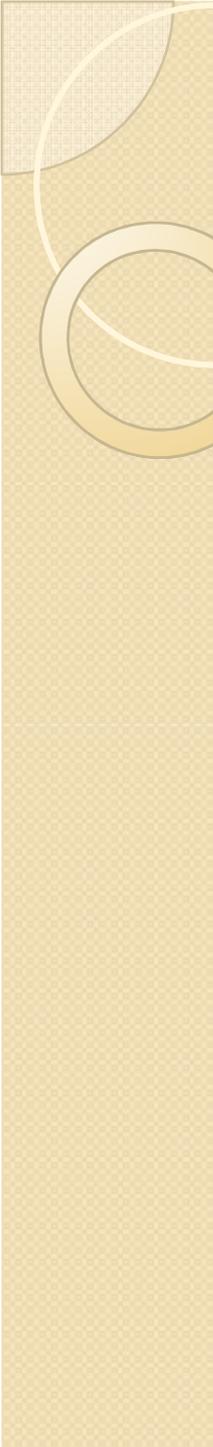
By Millison Narh

Deputy Governor, Bank of Ghana

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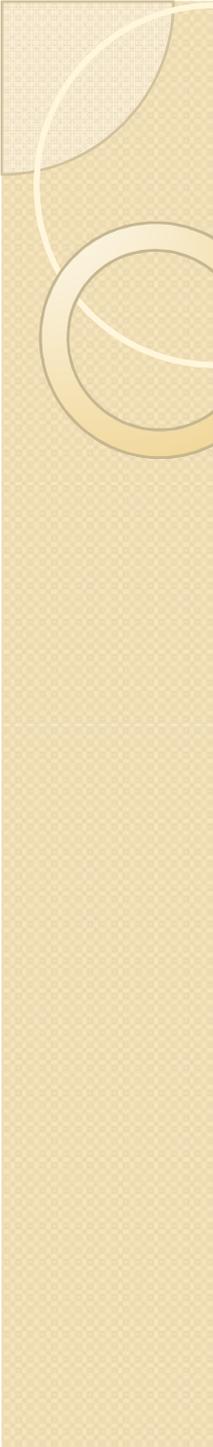
Introduction

- Central Banks acts in the broader financial system and in the macro-economy.
- I will seek to address this topic by focusing on these key objectives
- The Monetary Policy Stance
- Current state of the Ghanaian economy
- The outlook for economic growth in 2010 and beyond.



Objective of the Bank

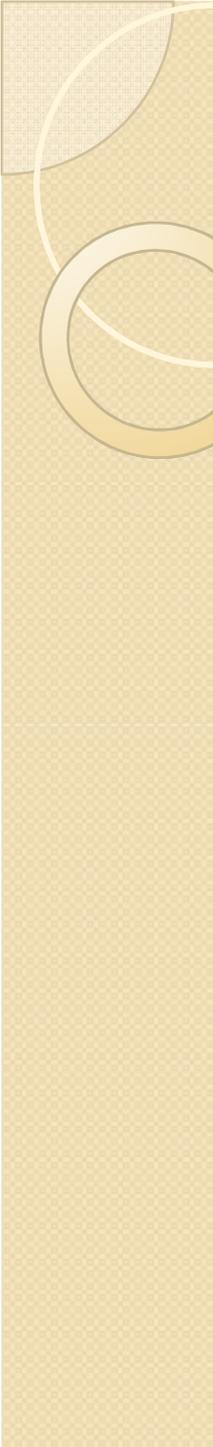
- The primary objective of the Bank is to maintain stability in the general level of prices. – BOG Act 612.
- In addition, the Bank shall support the general economic policy of the Government and promote economic growth and effective and efficient operation of banking and credit systems in the country, independent of instructions from the Government or any other authority.



Monetary Policy Stance

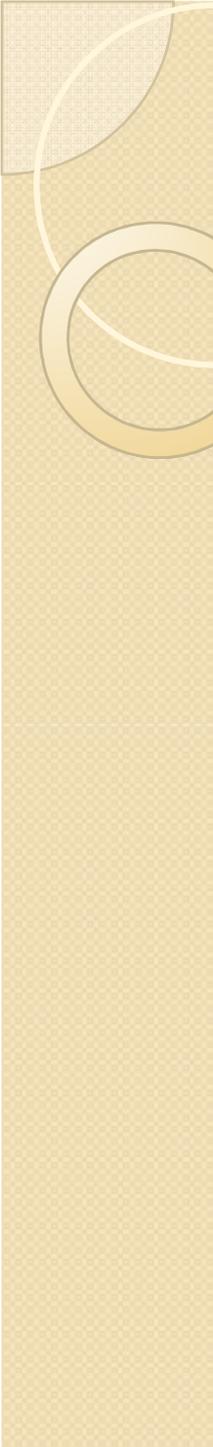
- Monetary Policy Committee was set up by Section 27 of the BOG Act 612 to achieve this objective.
- Inflation targeting is the framework for the conduct of monetary policy.
- The clear focus on price stability reflects a consensus from various policy dialogues which intimate that

“inflation is a major obstacle to the growth process and price stability can contribute to accelerating growth by promoting an enabling environment for efficient investment and savings decision – making”



Monetary Policy Stance

- Various country experiences, including that of Ghana show that sustained period of strong growth have always gone hand in hand with low inflation whereas low growth episodes occur under highly inflationary environments.
- In view of this, the Bank is committed to bring inflation down to single digit level by the end of 2010 and further subdue its variability.

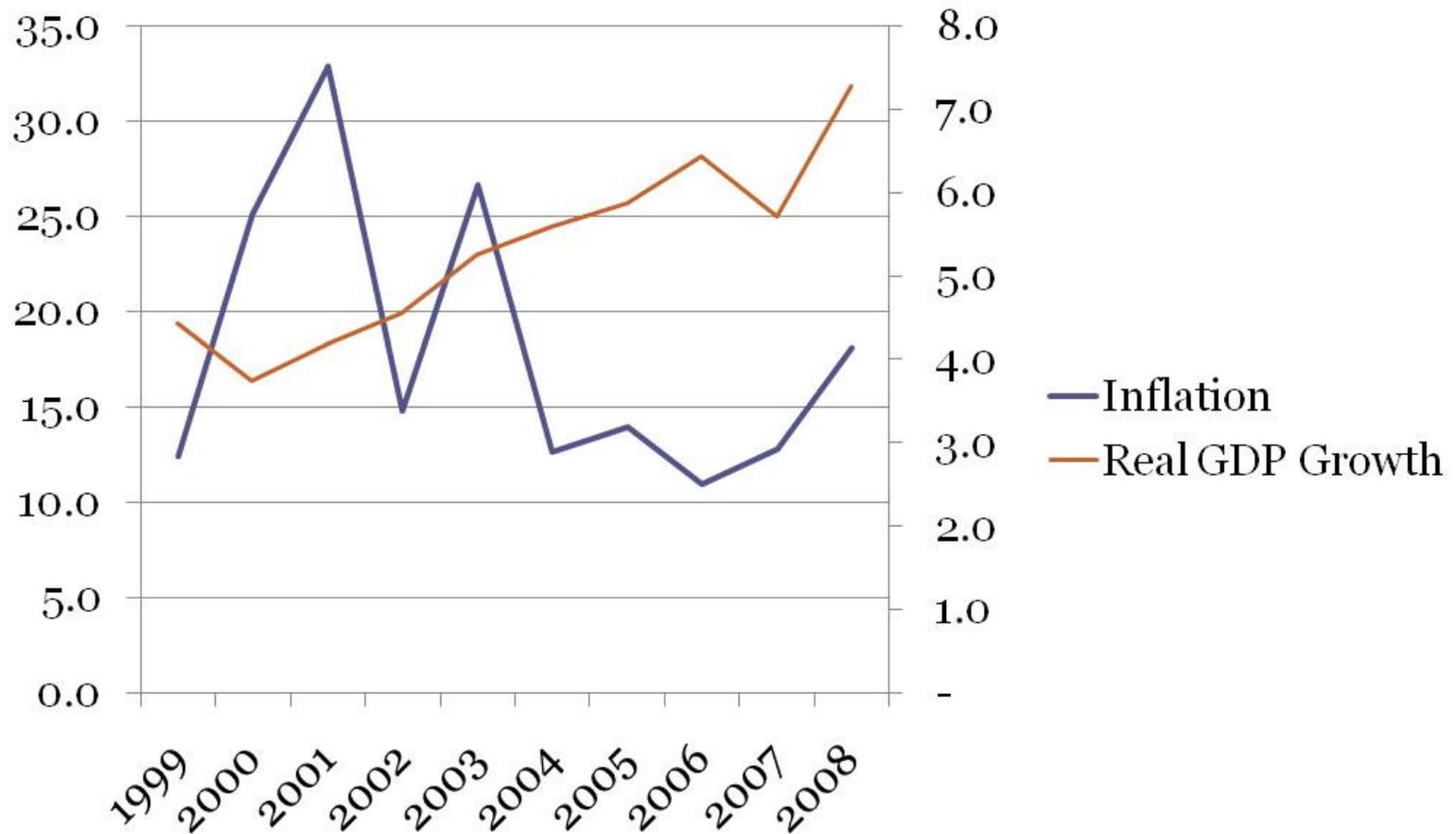


Price Stability promotes Growth

In the recent past,

- Ghana's real GDP growth increased steadily from 3.7 per cent in to 7.3 per cent within a spate of nine(9) years (2000 – 2008)
- This growth phase was largely supported by a policy environment aimed at macroeconomic stability which anchored inflation expectations

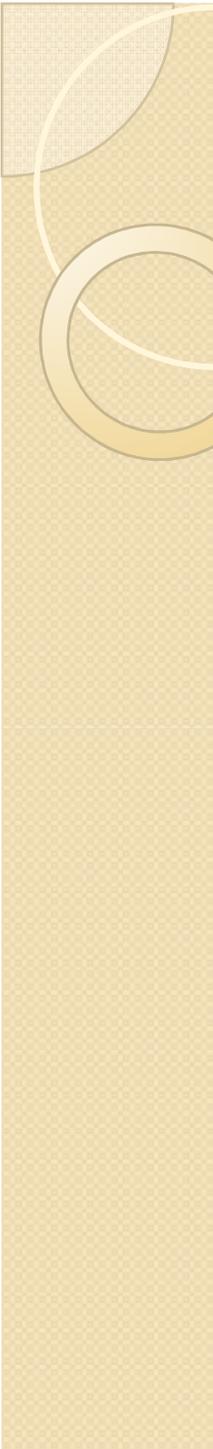
Low inflationary era contributed to Ghana's economic growth.....





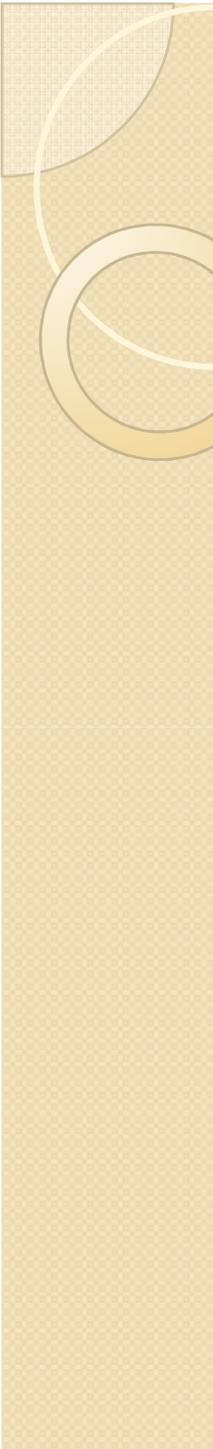
Price Stability promotes Growth

- In addition to the low inflationary era, the growth process was also supported by other policy reforms, particularly in the financial sector.
- Together, these contributed to increased financial intermediation, and raised credit growth to the productive sectors of the economy.



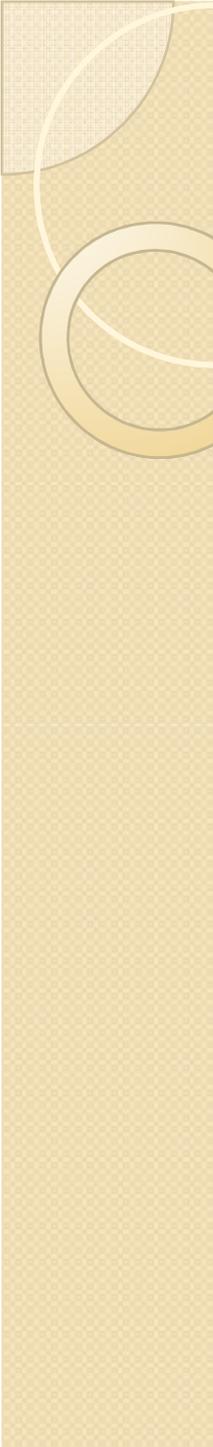
Some Financial Sector Reforms

- The Bank has since 2002 undertaken a series of reforms aimed at positioning the Bank to focus on its core mandate of promoting macroeconomic and financial stability.
 - Banking Act 2004,
 - Banking Amendment Act 2007,
 - the Payment System Act 2003,
 - Foreign Exchange Act 2006,
 - Credit Reporting Act 2007,



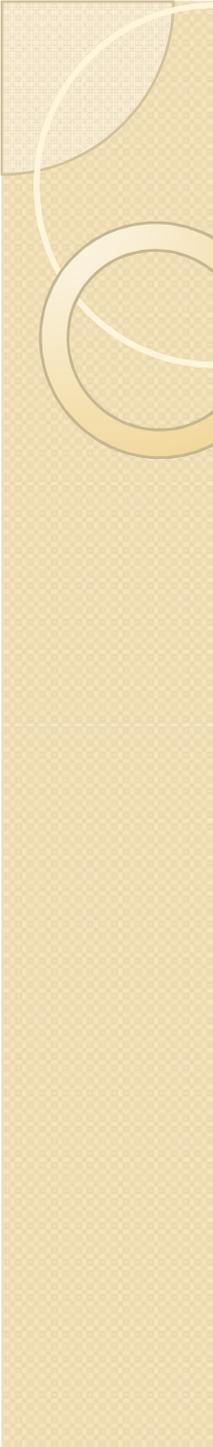
Some Financial Sector Reforms

- Anti- Money Laundering Act 2008,
 - Borrowers and Lenders Act 2008, and
 - the Non-Bank Financial Institutions Act 2008.
-
- Introduction of universal banking
 - Re-capitalisation of the banking sector to make them more resilient and thereby engender healthy competition among them
 - Risk based banking supervision



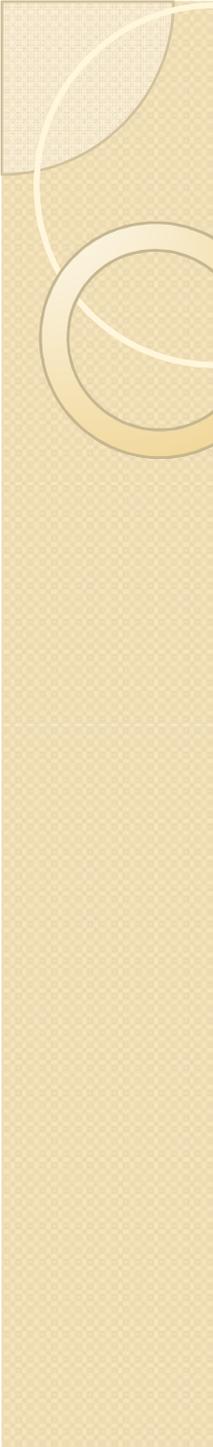
Some Financial Sector Reforms

- Efficient payments systems infrastructure;
 - Real Time Gross Settlement (RTGS) for large value transactions,
 - Central Securities Depository(CSD) system for government debt instruments
- Established GHIPSS as an independent entity to handle different components of the Ghana Payment's System
 - E-zwich Smartcard
 - Cheque Codeline Clearing and
 - Automated Clearing House
- Established a collateral registry



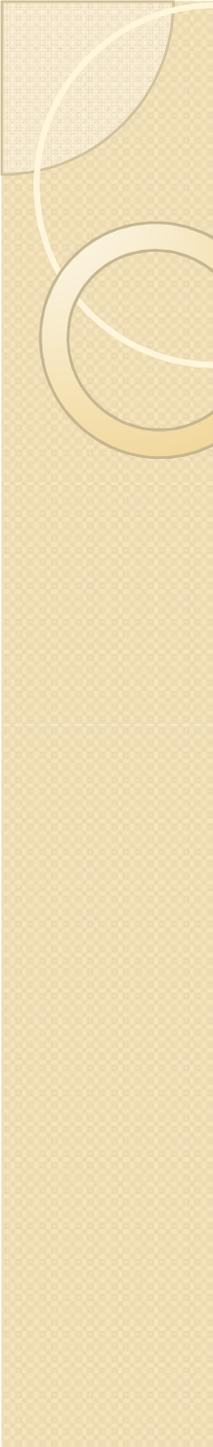
Given this evidence...

- The Bank of Ghana remains committed to its mission of price stability as well as improving the regulatory and supervisory frameworks to secure a strong financial sector for efficient intermediation.
- These policies and others are targeted at improving the financial system and creating the needed stable macroeconomic environment required to attract and sustain the flow of investments into the domestic economy.



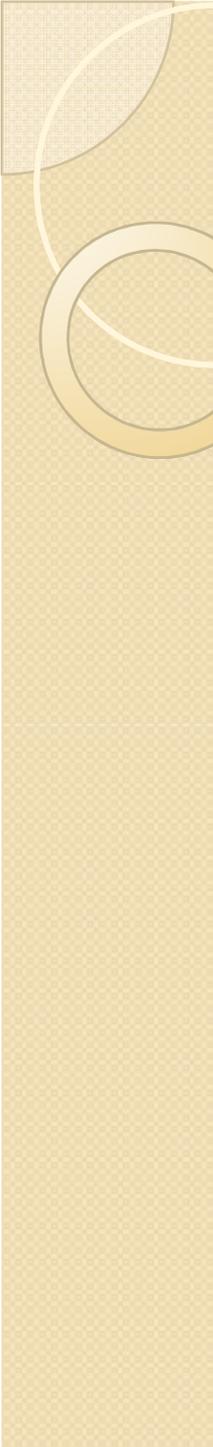
Current State of the Ghanaian Economy

- Ghana has made considerable progress in recent years. This include:
 - Prudent macro economic policies and structural reforms
 - Supportive international environment
 - Massive debt relief
 - Donor financial support
- These have contributed to macroeconomic stabilization, growth, a vibrant private sector and poverty reduction



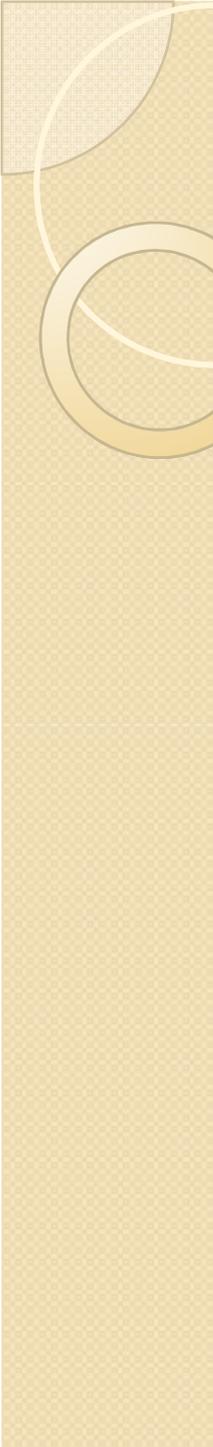
Current State of the Ghanaian Economy

- Fiscal consolidation and sound monetary policies have taken the centre stage.
- Fiscal policy focused on revenue expansion and expenditure management with the ultimate goal of reducing the domestic debt burden.
- Monetary policy is aimed at achieving price and exchange rate stability consistent with an anti-inflationary monetary stand.



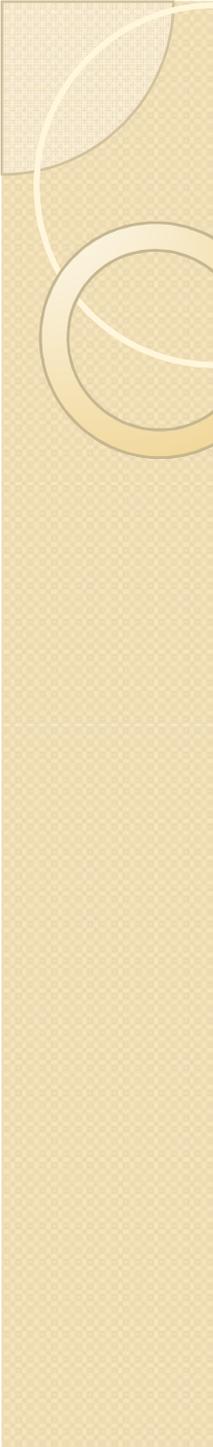
Current State of the Ghanaian Economy

- The economy has persistently witnessed consistent economic growth from 3.7 per cent in 2000 to 7.3 in 2008 and down to 4.7 per cent in 2009.
- Macroeconomic policy for the medium term aims to raise the current growth rate of 4.7 per cent to 6.5 per cent by end 2010, and to maintain growth over the medium term consistent with Ghana's strides to middle income country status.



Current State of the Ghanaian Economy

- The macro-economic picture is underpinned by strong fundamentals.
- On the budgetary front, the public domestic debt has been moderated in relation to GDP reducing the pressure on the money market, and freeing resources for the private sector.



Current State of the Ghanaian Economy

- Monetary policy has kept firm and steady on keeping inflation down; and moving towards the single digit level.
- The financial sector has grown competitive, liquid, and banks are mobilizing savings for on-lending to the private sector.



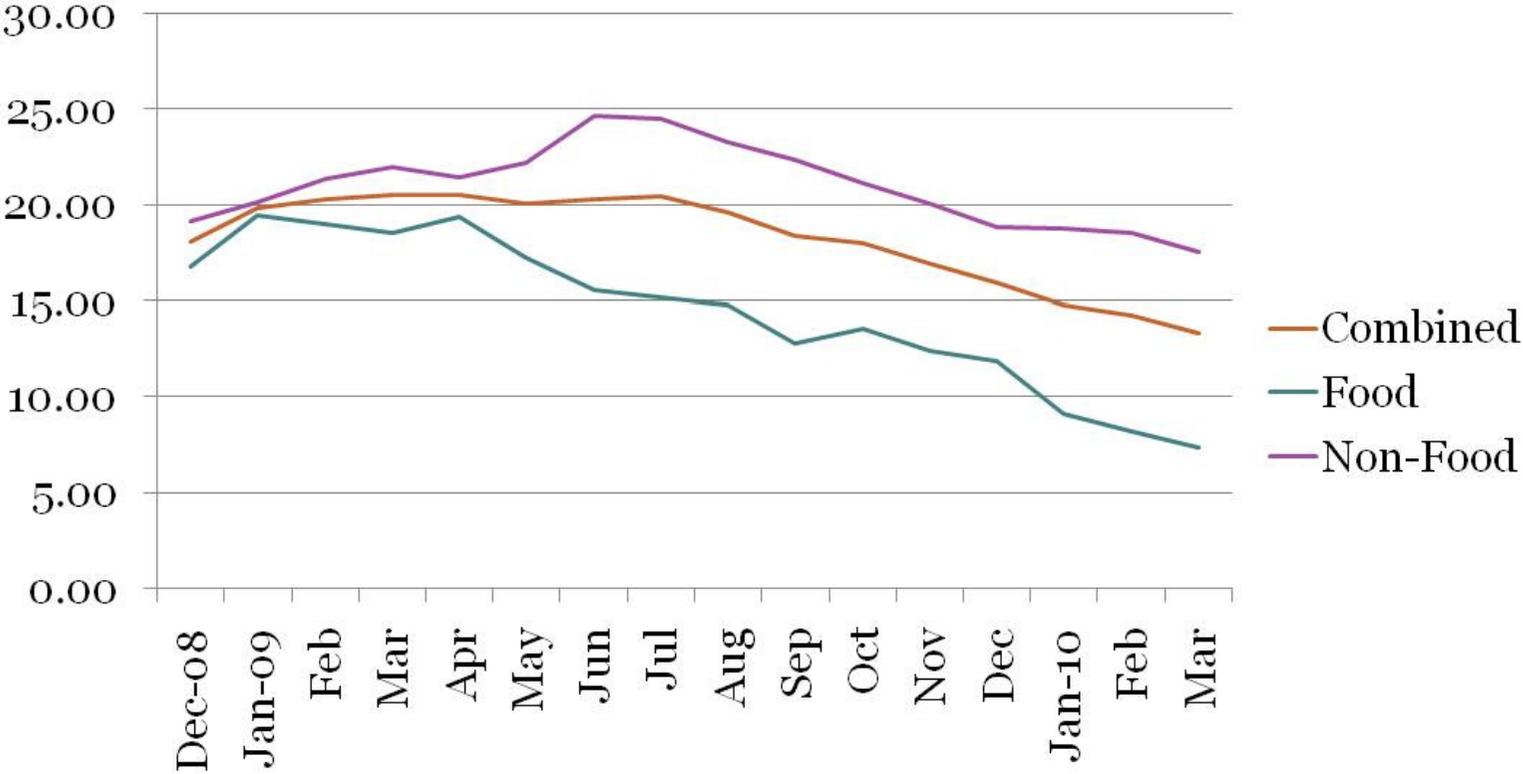
Current State of the Ghanaian Economy

- The latest assessment of the economy by the Bank of Ghana points to improved economic fundamentals driven by
 - Diminishing inflationary pressures
 - Exchange rate stability
 - A gradual pick up in economic activity
 - Improvement in investor and consumer confidence
- The external position has strengthened with significant increases in the reserve level (up to 3 months import cover) as well as improvements in the trade and current account balance

Some economic indicators

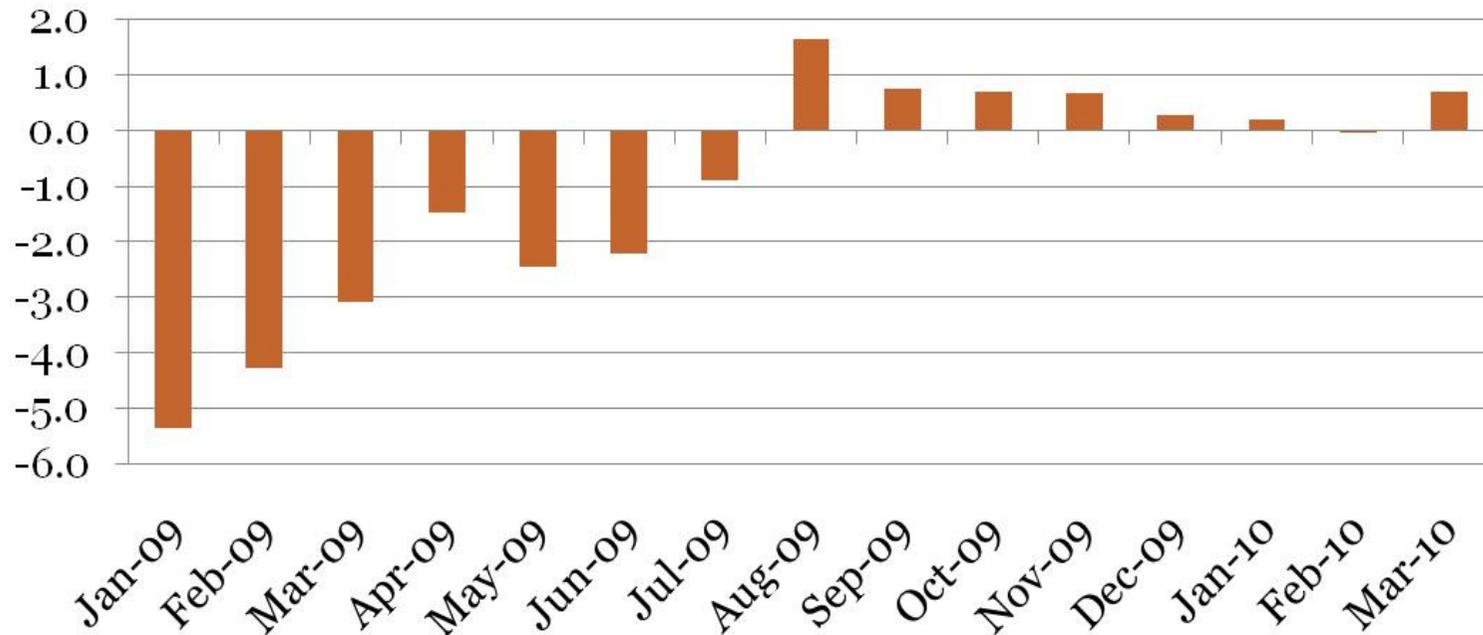
	2003	2004	2005	2006	2007	2008	2009	2010
Inflation rate	23.6%	11.8%	14.8%	10.50%	12.75%	18.13%	15.97%	10.68% (May)
Prime Rate	21.50	18.50%	15.50%	12.50%	13.50%	17.00%	18.50%	15.00% (May)
Bank's Base Rate (Average)	29.00%	25.00%	21.45%	21.25%	18.77%	27.22%	30.96%	28.71% (May)
GDP Growth Rate (annual)	5.2%	5.7%	4.8%	6.4%	5.7%	7.3%	4.7%	6.5%*
<ul style="list-style-type: none"> •* Projection •Inflation from 2006 is based on COICOP new series •Figures reported are end period December figures 								

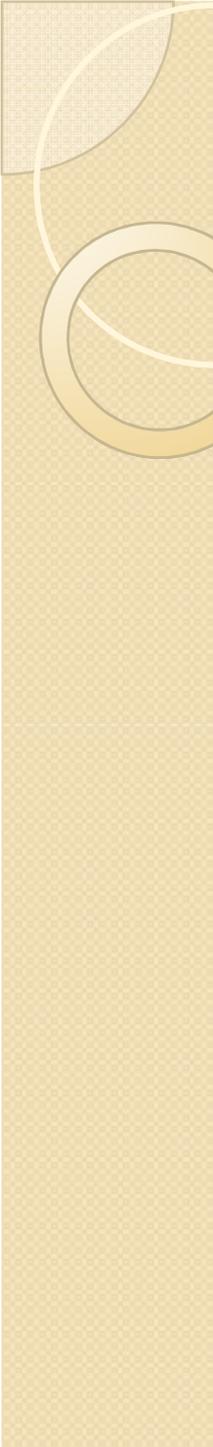
Inflation trends downwards to 13.3% in March 2010 from 20.7% in June 2009.....



The domestic currency market stabilizes...the cedi begins to appreciate against the US\$

Monthly Changes – [depreciation (-)
appreciation (+)]





Outlook for Economic Growth

- The outlook for economic growth remains positive.
- Although growth was constrained in 2009 on the basis of tighter policies, improved economic conditions have paved the way for monetary policy easing to stimulate growth in 2010 and beyond



Outlook for Economic Growth

- There are indications of a rebound in business and consumer confidence, as well as increasing investor confidence in the economy. Hence as economic stability gains a firm hold, the private sector is expected to reposition itself to drive the growth agenda.
- As stated in the 2010 budget and economic policy statement, the government will continue with the fiscal consolidation process which started in 2009 with a view to stabilizing inflation and reducing exchange rate volatilities.



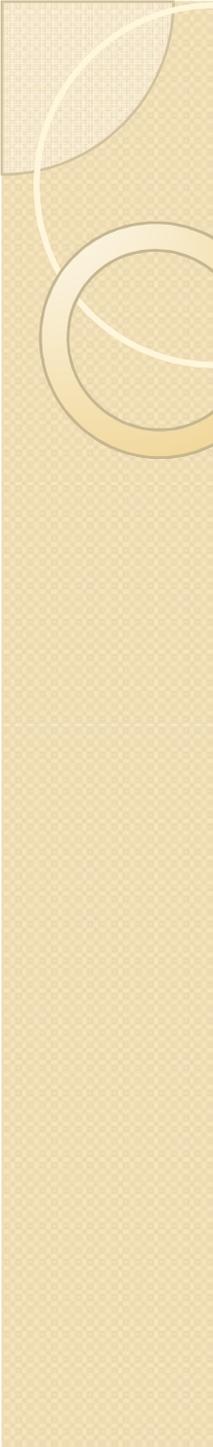
Outlook for Economic Growth

- External sector policies will also focus on building up reserves (which is currently at 3 months imports cover), and reducing the current account deficit, while pursuing strategies to increase economic growth in 2010.
- The budget is optimistic about growth prospects in 2010 with a revised real GDP growth of 6.5 per cent compared to an initial programme target of 5.0 per cent.



Growth Prospects heightened as Oil Production comes on board...

- Starting from 2011, Ghana will benefit from oil production which is expected to attract additional investments into the country, and boost economic growth.
- Initial production is projected to contribute about 17 per cent towards Ghana's GDP. Accordingly, real GDP growth has been estimated to increase above 20 per cent in 2011.



Growth Prospects heightened as Oil Production comes on board...

- It is anticipated that the increased government revenues from the oil production will create the much needed fiscal space to close the country's infrastructural gaps in the energy and road sectors and ease some of the growth constraints.
- Additionally, the implementation of credible fiscal consolidation policies underscored by growth enhancing measures should provide the needed boost for the private sector and accelerate economic growth.



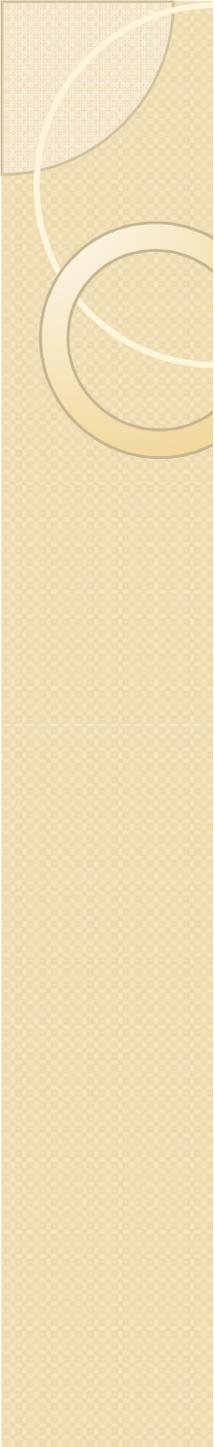
Conclusion

- High interest rates, less credit and depreciating currency are the killers of both trade and investment.
- Therefore it is the duty of the Central Bank to create a conducive environment for trade and investments to take place by ensuring low inflation in the long run and through it, by establishing a low interest rate regime and stable currency.



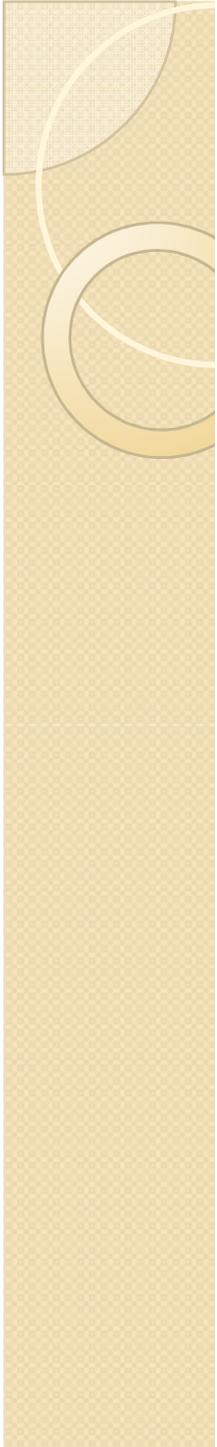
Conclusion

- Looking forward therefore, the Bank of Ghana's monetary policy stance will remain focused on steering the economy towards price stability whilst deepening financial intermediation processes to ensure that credit flows to the productive sectors of the economy.



Conclusion

- Recent trends indicate that macroeconomic stability has gained ground with declining inflation, exchange rate stability, growing reserves as well as increasing investor and business confidence.
- These conditions have paved the way to increase investments and spur economic growth.



Thank you