Databank
Leadership

GHANA MARKET OUTLOOK 2025

Charting the Course for Sustainable Growth

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Databank Research

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Foreword

We are pleased to present our 2025 outlook for Ghana, titled: "Charting the Course for Sustainable Growth". This report highlights our analysis and expectations of the key economic trends, policy developments, and investment opportunities that are likely to shape Ghana's financial landscape in the coming year.

Despite the harsh economic realities of the past three years, characterised by weak GDP growth, soaring inflation, and a rapidly depreciating local currency, Ghana's economy is now at a turning point. Although the debt exchange process has been challenging, it is nearing completion, bringing a renewed sense of optimism. As a result, Ghana's economy is stabilising, and the recovery outlook is becoming more promising. With key reforms, fiscal discipline, and international support in place, we believe the worst of the crisis is behind us.

As we look ahead to 2025, we anticipate that the economy will continue to recover, although at a slower pace than in 2024. This slowdown is likely to be influenced by the transition to a new administration post-election, which may bring changes in policy priorities and strategies. We expect inflation to decline further in 2025 together with interest rates, though geopolitical risks remain a potential threat. We expect the cedi to be better supported in 2025, resulting in only mild depreciation compared to 2024.

As for the financial market, we expect the stock market to continue its positive momentum, with broad-based performance across multiple sectors, particularly banking, telecommunications, and fast-moving consumer goods (FMCG). The banking sector, in particular, is poised for a continually strong recovery, buoyed by a solid earnings outlook and the return of dividend payments. On the other hand, the sovereign fixed-income market is likely to see a mild recovery in 2025. Although the lingering effects of the debt exchange may continue to dampen investor sentiment in the short term, improved fiscal management and the resumption of debt servicing are expected to attract more investors and enhance liquidity in the fixed-income market.

As Ghana's economy stabilises, we expect the financial markets to mirror this positive trend, making 2025 an exciting year ahead. We welcome you to explore the investment opportunities emerging within Ghana's financial market.

Thank you for your continued partnership. We wish you success in 2025.

Alex Boahen

Head of Research

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Executive Summary

Ghana Macro Outlook

- **We expect Ghana's economy to remain on a recovery path, with real Gross Domestic Product (GDP) growth projected at 3.6% in 2025.** The services sector is expected to be the main driver of this expansion, while the cocoa subsector, despite lagging, is beginning to show promising signs of improvement.

- **We expect inflation to stabilise within the target range of 10% to 12% in 2025, creating a favourable environment for the Bank of Ghana to cautiously ease monetary policy.** We believe this strategic adjustment is vital for supporting sustained economic growth.

- **We believe the government's commitment to fiscal consolidation under the International Monetary Fund (IMF) programme will strengthen budget discipline, targeting a 1.8% reduction in the fiscal deficit**. We expect the revenue policies for 2024 - 2027 to significantly boost both tax and non-tax revenues, ensuring fiscal sustainability.

- **We expect Ghana's external sector to continue to improve with a positive Balance of Payments, projected to remain between 1.5% and 2% of GDP in 2025,** driven by increased crude oil exports and a rebound in foreign direct investment. However, potential short-term pressures from debt repayments may challenge financial buffers, necessitating careful management.

- **We expect the Ghana cedi (GHS) to weather 2025 relatively well, supported by factors such as increased gold production, which will boost reserves**, and higher portfolio inflows driven by the gradual recovery of the fixed-income market.

Fixed Income Market Outlook

- **We expect a continued dovish policy stance to drive yields downward, bolstered by improving market liquidity.** While a significant decline in the inflation rate is anticipated in 2025, we do not expect yields to respond strongly in the short term due to ongoing high money demand largely from the sovereign. However, we believe that strengthening macroeconomic conditions, enhanced access to alternative funding sources and likely drastic policy measures to reduce sovereign cost may lead to further yield compression for T-bills by mid-2025, with the 91-day yield projected to average around 22% by the end of 2025.

Stock Market Outlook

- **We expect the ongoing rally in equities to continue into 2025, driven by more favourable market conditions and continued recovery in corporate earnings.** From a technical analysis viewpoint, we forecast the GSE Composite Index to close 2025 at 6,850 points, marking an annual gain of 45% (±500bps). We expect this performance to be broad-based across the various sectors, particularly banking, telecommunications, and Fast-Moving Consumer Goods (FMCG) sectors.

- **We expect the FMCG sector to continue recovering, with Unilever Ghana, Fan Milk, and Guinness Ghana Breweries leading the charge**, supported by stronger earnings growth and a more favourable operating environment.
- **We expect the banking sector to continue to perform well in 2025, supported by strong earnings and the return of dividend payout. Bank profitability is likely to benefit from factors such as higher treasury yields, increased lending, and improved efficiency.** We continue to favour large banks like GCB, Standard Chartered, and Ecobank, which have strong fundamentals and healthy balance sheets, trading well below their book values.

Commodities Market Outlook

- **We believe 2025 will be a promising year for gold**. We expect gold prices to rise between USD2,500 and USD3,100, benefiting from geopolitical tensions and potential interest rate cuts by the US Federal Reserve. We recommend that local investors diversify their portfolios into gold-backed securities to capitalise on this potential price increase and hedge against the local currency depreciation.

- **We anticipate cocoa prices to remain elevated, closing 2025 between USD7,000 and USD9,600, as the ongoing supply challenges persist**. Additionally, we believe the implementation of the EU Deforestation Regulation (EUDR) in early 2025 is likely to further restrict supply, contributing to sustained high cocoa prices throughout the year.

- **We foresee brent crude oil prices to close 2025 trading around USD76 per barrel as ongoing supply pressures**, reduced global demand, and a shift towards cleaner energy sources continue to weigh on prices.

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Macroeconomic Outlook

Wilson Elorm Zilevu
Economic Analyst

We See a Buoyant Yet Pragmatic Growth Ahead

Key Highlights:

1. In our view, Ghana's real GDP growth in 2024 has rebounded significantly from 2023's downturn, thanks mainly to support from the IMF and World Bank.
2. We expect policy shifts from the new administration to temporarily hinder sectoral activity in 2025, but continued disinflation should encourage further policy easing.
3. We believe Ghana's commitment to consolidating its fiscal deficit and meeting debt obligations amid an IMF programme sets the path for a strong recovery.

Key observations so far in 2024: A strong Showing in Recovery compared to 2023

- **We expect Ghana's Real GDP Growth to end FY '24 at a median rate of 4.5% y/y ± 50 bps:** Ghana's economic growth in 2024 rebounded strongly from a downturn in 2023, largely driven by increased funding from the IMF and World Bank, improving export and tax receipts, and easing inflation rate.

- **We note 2Q '24 growth came stronger than expected, with real GDP growth of 6.9% and non-oil growth at 7.0% for y/y, compared to 2.5% and 4.4% in 2Q '23, respectively**. This growth was largely driven by the industrial and services sectors, which expanded by 9.3% and 5.8% y/y, respectively. The increase in government spending, particularly ahead of the December elections, played a key role in supporting this growth. However, ongoing challenges in the cocoa sub-sector continued to impede growth in the agriculture sector.

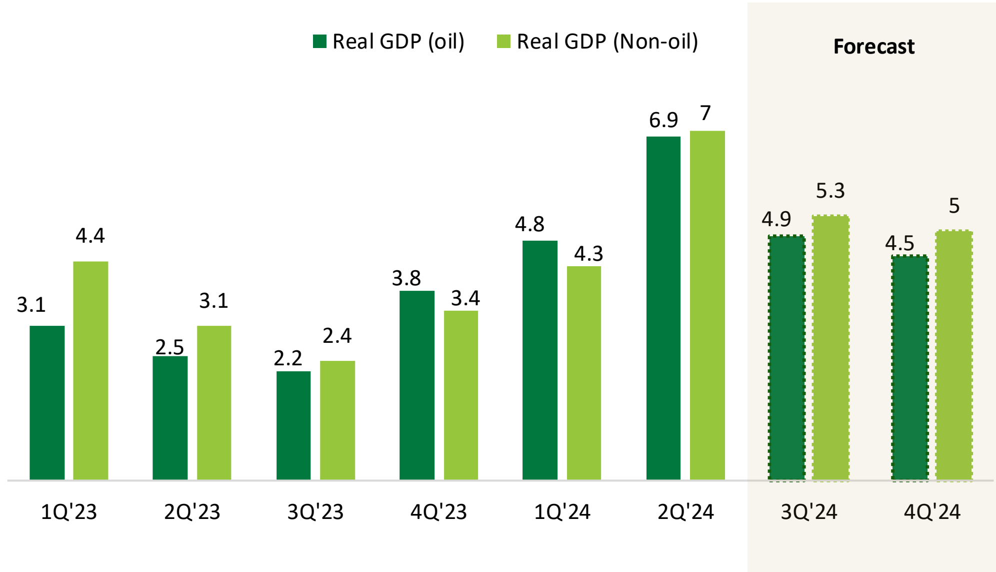
- **We observed that headline inflation in 2024 has generally followed a declining yet volatile trend,** primarily due to external shocks and the cedi's underperformance against major currencies. Overall, Inflation declined from 23.5% in Jan '24 to 21.5% as of Sept '24.

- **The Monetary Policy Committee (MPC) kept the policy rate (PR) at 29%, significantly above an average year-on-year inflation rate of 22.9%,** before reducing it to 27% in Sept '24. With broad money slowing due to contractionary open market operations, we expect Ghana's headline inflation rate to end 2024 around 18% ± 200 basis points (bps) year-on-year.

- **A significant fiscal milestone in 2024 was the restructuring of over 90% of Eurobond debt, reducing the principal owed from USD13bn to USD8.4bn**. However, renewed government spending has hindered further compression of Ghana's debt-to-GDP ratio, which stood at 75.7% as of Jul '24. While we foresee upcoming revenue streams to help absorb potential expenditure shocks, we anticipate Ghana's fiscal deficit widening to 5.0% of GDP ± 50 bps by FY '24, with debt-to-GDP increasing to 79% ± 200 bps of GDP.

- **The external sector markedly improved in 2024, with the Balance of Payments (BoP) rebounding to 1.6% of GDP in 1H '24.** This represents a notable turnaround from the deficits of 1.1% recorded in 2023, driven by an improved trade balance, which increased to 3.3% in Aug '24 from 2.2% in Aug '23, supported by rising gold and oil receipts amid reduced imports. With gross international reserves (GIR) exceeding 3.4 months of import cover, we expect the Balance of Payment to close 2024 above 1.5% of GDP.

Exhibit 1: Ghana's quarterly real GDP growth outlook

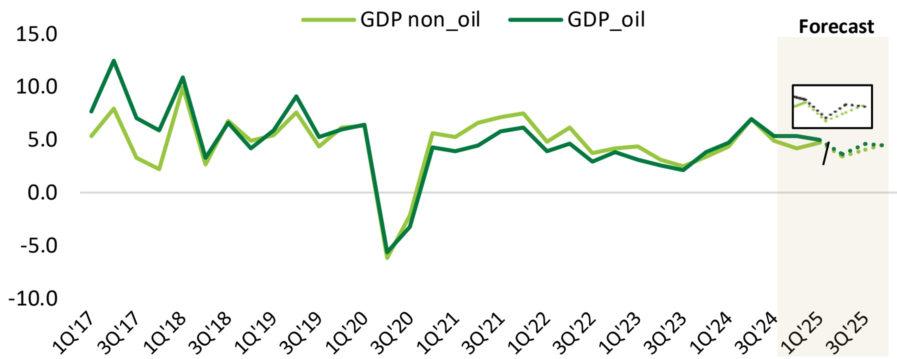


Source: Ghana Statistical Services (GSS), Databank Research

2025 Outlook: Leadership Changes and Policy Tweaks Could Dampen Growth Sparks

- **We expect real GDP growth in 2025 to ease steadily at 3.6% y/y based on the following factors:** Building on the strong recovery seen in Ghana's economy in 2024, we expect growth to moderate in 2025. The transition to a new administration following the elections is likely to bring changes in policy priorities and strategies. While the new government's plans may support long-term growth, the adjustment process and the efforts to consolidate the achievements of the previous administration may slow down policy implementation and sector activities in the short to medium term.

Exhibit 2: Real GDP growth to moderate in FY '25

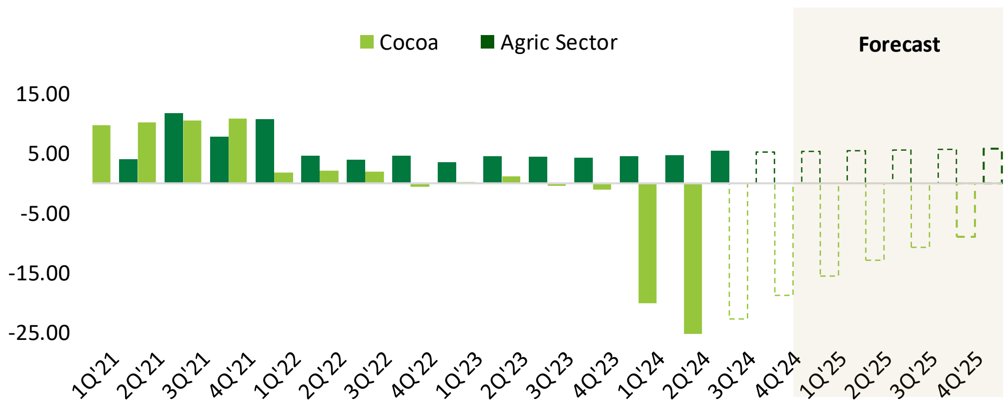


Source: Ghana Statistical Services, Databank Research

Government efforts to revive the cocoa subsector will likely support modest growth in the agriculture sector.

- We foresee steady improvement in the cocoa subsector's performance in 2025, although it will remain below historical averages. This enhancement is expected to support growth in the agriculture sector in the near term as the sovereign enhances efforts to incentivise cocoa farmers through stimulus packages, such as free tertiary education for their children and increases in the farmgate price of cocoa. We believe these initiatives will help reduce cocoa smuggling in the face of competitive prices from Côte d'Ivoire and Togo. Nevertheless, despite the government's commitment to addressing climate-related challenges, particularly the dry spells in the north, constrained financing and shifting power dynamics may delay crucial interventions, resulting in sluggish growth in the agriculture sector, averaging around 3.1% y/y for FY '25.

Exhibit 3: Cocoa challenges weigh on Agric Sector, but growth potential lurks

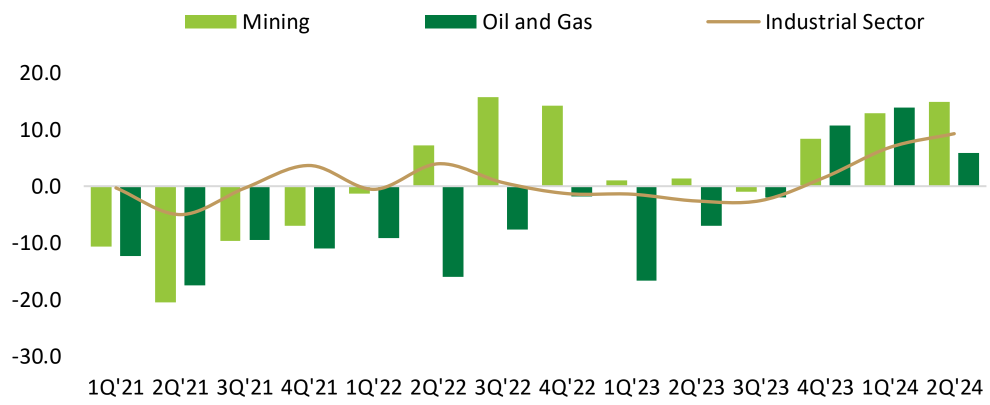


Source: Ghana Statistical Services, Databank Research

Cautious optimism remains for industrial sector growth, tempered by energy debt and budget constraints.

- The increase in gold prices amid global uncertainties has significantly benefited the industrial sector, with gold mining activities generating approximately USD7.27bn in Aug '24, up from USD4.48bn in Aug '23. Although this growth in gold mining and the government's project revitalisation ahead of the upcoming elections have stimulated the sector, ongoing energy sector debt issues and anticipated budget constraints may impede growth in construction and manufacturing subsectors. Nevertheless, we remain cautiously optimistic about potential support from the World Bank's Development Policy Financing (DPF) as part of its USD60bn Ghana Energy Sector Recovery Programme for Results (PforR). We believe that this assistance, coupled with contributions from Small and Medium Enterprises (SMEs) and new spodumene concentrate (lithium) production, will help reduce the challenges and contribute to a more balanced industrial growth rate in FY '25 to stabilising between 4% and 6% y/y in FY '25.

Exhibit 4: Mining activities fuel industry growth



Source: Ghana Statistical Services, Databank Research

Ghana's services sector is set for sustained growth in 2025, driven by key reforms and increased business activity and confidence.

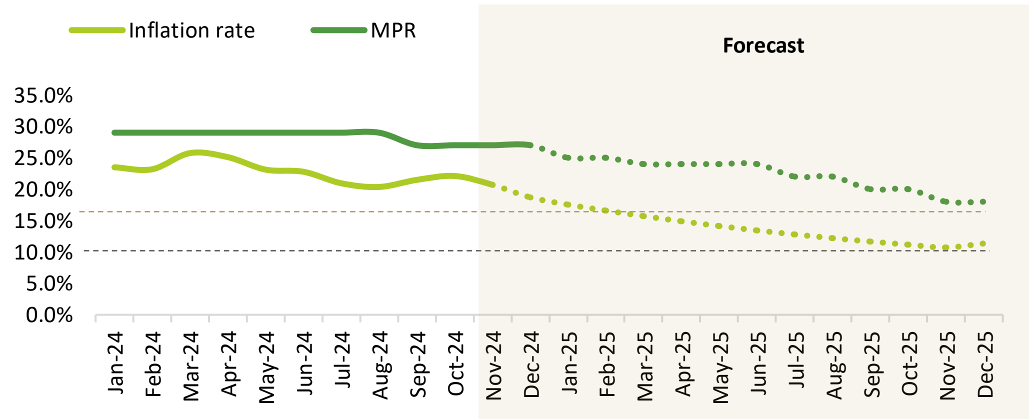
- We expect Ghana's services sector to expand in 2025, underpinned by key reforms, including the potential removal of taxes on electronic money transfers and imported goods. This will likely stimulate demand for both domestic and imported products as cost pressures ease. Additionally, the financial and insurance subsector is on a steady recovery path, supported by the successful recapitalisation of previously defunct financing houses, which has improved market sentiment.

We expect this positive momentum will carry into 2025, further bolstered by the Ghana Financial Stability Fund, a five-year USD750mn initiative aimed at enhancing sector stability. Considering the potential benefits of a full rollout of the 5G network amid enhanced investments in SMEs, we are optimistic about further expansion in the services sector in 2025.

A Cautious Reduction in the Benchmark Rate as Disinflation Continues in 2025

- **We expect Ghana's monetary landscape to stabilise, with the inflation rate trending towards a target range of 10% to 12% by the end of 2025**, potentially prompting the Monetary Policy Committee (MPC) of the Bank of Ghana to adopt a cautious approach to policy easing. With improving economic indicators and international support, we expect inflation to decline steadily towards the World Bank's projection of 11.5%. We believe that improving business confidence and moderating broad money amid contractionary monetary policies will help stabilise prices as demand and supply balance. As the global shift towards green energy progresses, we expect decreases in demand, particularly from China, to drive down international oil prices, further suppressing costs for domestic essentials and potentially sustaining a stable monetary environment.

Exhibit 5: Continues disinflation set to spark policy easing



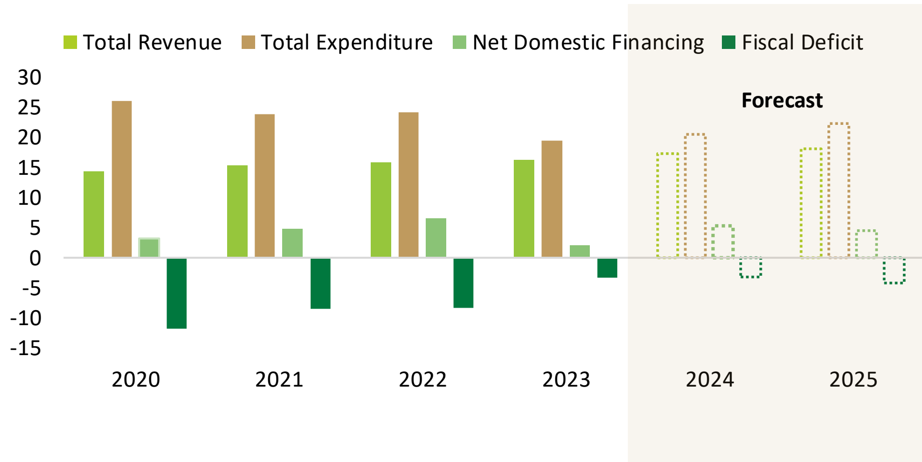
Source: Bank of Ghana, Databank Research

Imbalance in Fiscal Position Set to Ease by 2025 Amid Spending Cuts and Revenue Gains

- As we await Ghana's expenditure appropriation bill for 1Q '25 and the full budget presentation in Mar '25 for more colour, **we remain optimistic that spending pressures will stabilise by 2025, with a projected decrease from our FY '24 estimate of 5.0% ± 50bps to 4.7% ± 25 bps in FY '25:**

Following Ghana's successful restructuring of 90% of its domestic and external debt and plans to reinstate the fiscal responsibility law, which caps the fiscal deficit below 5% of GDP, we believe the government's commitment to fiscal consolidation will remain strong after the 2024 elections. The sovereign aims for a targeted 1.8% reduction in the fiscal deficit and a 0.5% primary surplus in FY '25, a crucial requirement under the IMF-supported programme. We believe key initiatives, like the Medium-Term Revenue Strategy and a newly integrated property tax system, may help achieve the aforementioned target, all things being equal. However, pressures to remove certain tax measures may necessitate intensified revenue mobilisation efforts, potentially leading to the renegotiation and extension of Ghana's USD3.0bn IMF bailout programme. With global tensions easing, we expect limited systemic shocks in 2025, allowing Ghana's fiscal operations to remain within budgetary targets.

Exhibit 6: Fiscal imbalance set to heal with IMF anchor – Government broad budget (% of GDP)

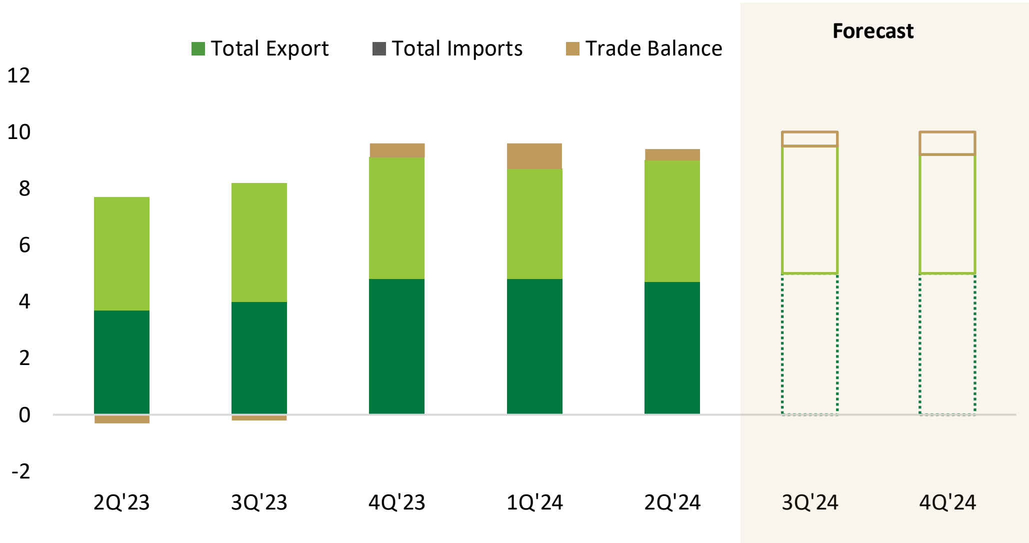


Source: Ministry of Finance - Ghana, Databank Research

A Positive External Balance Expected Despite Tight Forex Reserves

- **As we look ahead to 2025, we believe Ghana's Balance of Payments will remain positive, stabilising within 1.5% to 2% of GDP,** driven by enhanced crude oil export revenues, improving cocoa production, and anticipated tariff reductions. We expect private consumption and foreign direct investment to recover, with the capital account balance moving out of negative territory. While net transfers may bolster the current account balance, scheduled coupon payments on restructured debt could strain financial buffers in the short term. Nonetheless, with a forecasted reduction in inflation to around 12.4%, we expect investor confidence to rebound, paving the way for a more resilient external environment.

Exhibit 7: Trade balance strengthens with rising exports



Source: Bank of Ghana, Databank Research

Exhibit 8: Key macroeconomic indicators

Forecast	Overall GDP Growth	Overall Fiscal Deficit (% GDP)	Inflation Rate (y/y)	Indicative Retail USDGHS (GHS)
2024	4.5% ± 50bps	5.0% ± 50bps	18.0% ± 200bps	16.26 ± GHS 20p
2025	3.6% ± 50bps	4.7% ± 25bps	12.0% ± 200bps	17.70 ± GHS 20p

Currency Market

Grace Nmon Monanyun
Research Analyst

Cedi's Struggle Continues into 2024 But is Expected to Weather 2025 Relatively Well

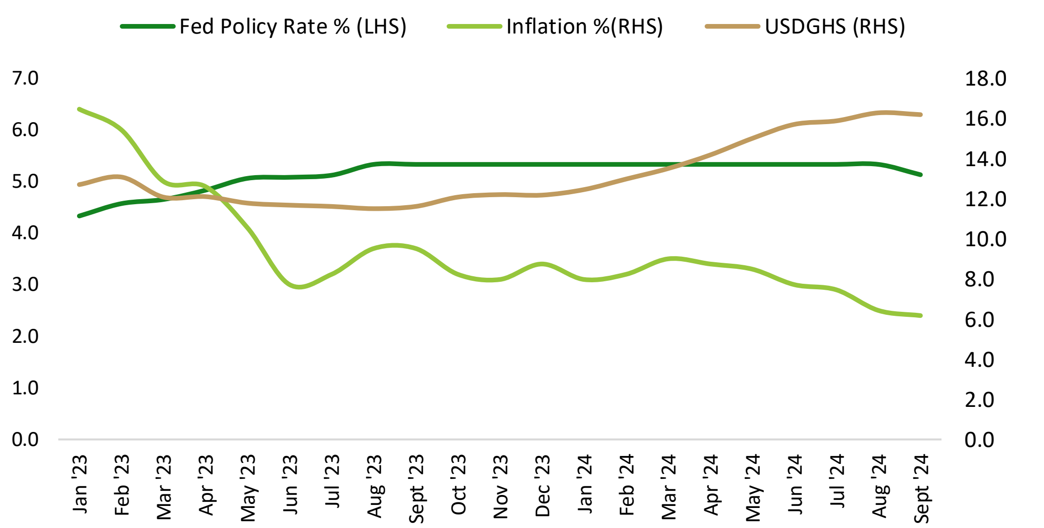
Key Highlights:

1. Cedi fell 28% in 9M '24, hit by strong USD demand, Fed policy shifts, and local bond coupon payments.
2. Further upgrades from rating agencies to bolster sentiment around the GHS, with more as the Ghanaian economy improves.
3. A smooth 2024 election could boost confidence and FDI, but Eurobond payments in 2025 remain a risk.

Our Key Observations in 2024: Cedi Continued to Face Turbulent Waters

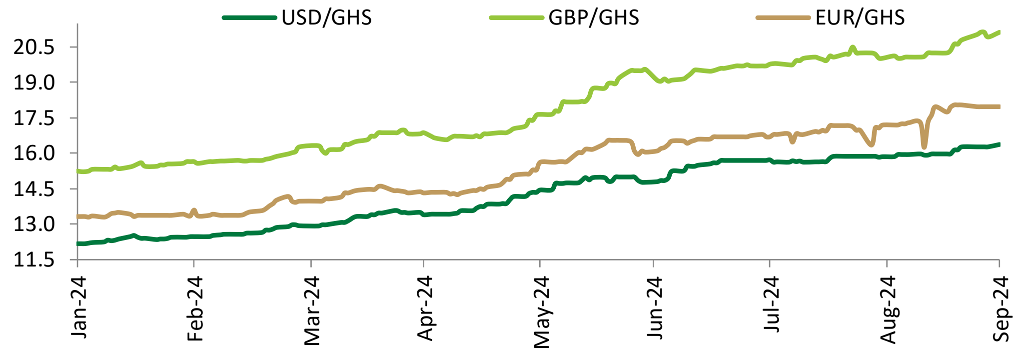
- **Cedi weakens on strong domestic demand and impact of a stronger dollar**: We observed that for the 9M '24, the Ghanaian cedi continued to face significant pressure, depreciating 28% y/y against the USD, compared to a 9.78% decline in the same period of 2023. This depreciation was driven by strong corporate demand for the greenback and changes in investor sentiment following the US Federal Reserve's decision to implement only a single rate cut instead of the two cuts anticipated at the beginning of the year as the US inflation remained elevated about the Fed's medium-term target of 2%. The Fed's decision caused the dollar index to remain strong for the most part of the year, shifting investors' interest toward USD and USD-denominated assets, which hurt the cedi's performance.

Exhibit 9: Impact of high US policy rate on GHS



Source: Federal Reserve Economic Data, Bank of Ghana (BoG)

- **Exhibit 10: Cedi's performance on the Forex Bureau**



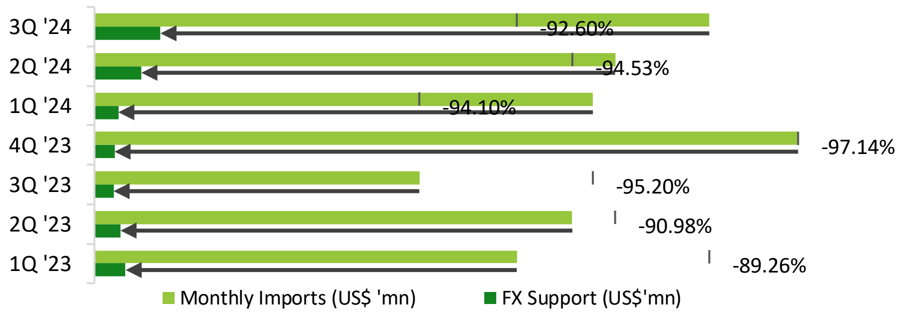
Source: BoG, Databank Research

- **Coupon settlement boosted market confidence but fueled cedi depreciation**: The government of Ghana settled about GHS5.1bn coupon payments on the local bonds in Apr '24, which we believe supported GHS funding towards FX demand as some foreign investors sought to repatriate their funds.

- **Ghana secures USD5.4bn in debt relief, but cedi struggles persist:** Ghana secured USD5.4bn in debt relief through an agreement with its official creditor committee, which activated USD1.5bn in funding from the IMF and World Bank as part of a three-year Extended Credit Facility (ECF). However, this financial support did little to stabilise the cedi for an extended period as the demand gap continued to widen.

- **BoG's 7-Day forward rate initiative faces challenges in closing FX demand gap:** We observed that, in an attempt to bridge the widening gap between FX supply and demand and help stabilise the cedi, the Bank of Ghana introduced a 7-day forward rate in the 3Q '24. This initiative involved the Apex Bank auctioning an average of USD40mn weekly, with settlement dates set for seven days post-auction. The BoG also redirected a chunk of corporate demand to the Bank, to be able to ease the pressure on the market. However, these measures proved insufficient in alleviating the cedi's challenges as demand for FX continued to outpace liquidity on the market.

- **Exhibit 11: Limited FX supply against demand**



Source: Bank of Ghana (BoG), Databank Research

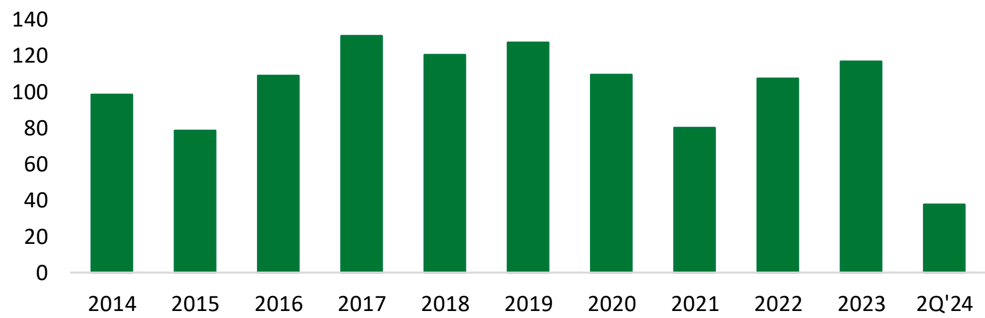
Given the ongoing pressures on the currency, we are revising our FY '24 forecast for the Ghana cedi to 16.26/USD, with a potential variance of ± GHp20 in the retail market. This adjustment reflects the significant depreciation and demand challenges observed in 3Q '24, as well as the broader economic factors influencing the currency's performance, particularly as we approach the yuletide season.

Ghana Cedi Expected to Weather 2025 Relatively Well

We expect a relatively stable FX market in 2025, with the cedi projected to close the year around 17.70/USD, with a deviation of ± GHp20. Our expectation is supported by the following factors;

- **Gold reserve to likely strengthen post-election:** In the aftermath of the elections, the new government may focus on enhancing domestic mining companies to boost gold production. This comes at a time when gold reserves have been steadily increasing in recent years, currently standing at 37.52 metric tonnes as of the second quarter of 2024, with projections indicating a rise above the levels recorded in 2023. We believe the move will further augment gold reserves and offer a potential cushion for the GHS.

Exhibit 12: Trends in gold reserves position - Gold volume (metric tonnes)



Source: Bank of Ghana, Databank Research

- **Rating agencies upgrades to improve market sentiments around the GHS:** Following the successful Eurobond debt rework in 3Q '24, global rating agencies Moody's and Fitch upgraded Ghana's long-term local and foreign currency issuer ratings. Moody's upgraded the issuer rating from "Caa3" to "Caa2" and "Ca", respectively. and assigned a positive outlook. Fitch Solutions followed with the upgrades, assigning a "CCC+" to Ghana's new USD bonds from the initial "CCC". We expect a further upgrade as the rating agencies cited that continuous improvement in economic indicators would attract higher upgrades. We expect these developments to improve sentiments around the GHS and allow for its stability.

- **Cedi to likely improve post 2024 election:** We expect a successful 2024 election to bring renewed confidence in the Ghanaian economy which should lead to increased foreign direct investment and portfolio inflows. This development would bolster investment sentiments around the GHS and reduce speculative attacks on the unit.

Fixed Income Market

Mac-Jordan Sika Narteh
Research Analyst

We See the Fixed-Income Market Looming Around a Comeback In 2025

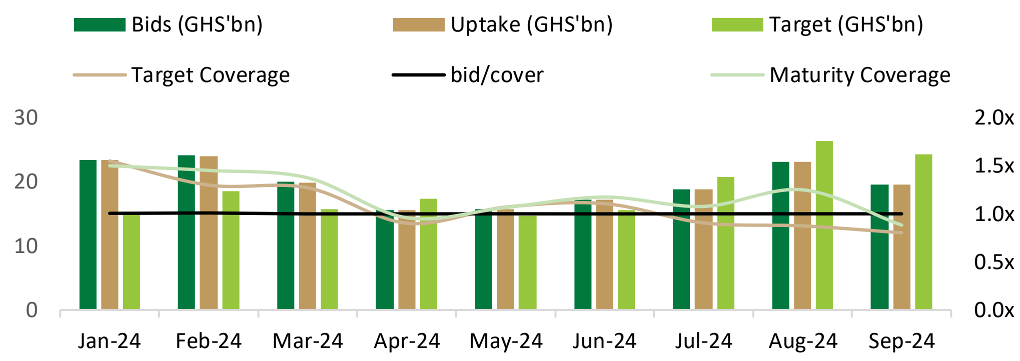
Key Highlights:

1. We expect the 91-day benchmark interest rate to average 22% in 2025, indicating ample opportunity for a significant decline.
2. The improving economic indicators may likely support the treasury's effort to source funding from long-term securities and other development partners, which could see an ease in the government's demand for money market funding.
3. The bond market may record a treasury issuance on the back of improving macros and sovereign credit ratings, but the magnitude and pace of yields decline on shorter-dated securities will determine the reality.

What we observed in 2024: Investors remained glued to T-bills while the bond market remained under scrutiny

- Eurobond restructuring led to slight improvements in sovereign credit ratings from Fitch (CCC+) and Moody's (Caa2), positively impacting investor confidence.
- Money market securities remain the favourite asset in the Ghana Fixed Income Market (GFIM) due to attractive returns over longer-dated securities.
- The government raised GHS175.75bn money market, achieving an average bid-cover ratio of 1.00x with a 1.10x target coverage ratio as of 9M '24 due to improving liquidity and strong investor interest.
- Yields on 91,182 and 364-day bills declined to 25.64% (-371bps), 26.92% (-502bps), and 28.68% (-381bps) YTD, due to slowing inflation and a cumulative 300bps cut in the monetary policy rate.
- The secondary market for Government of Ghana bonds continued to recover, but activities remain at pre-DDEP levels, with YTD volumes traded of GHS32.7bn versus GHS14.05bn in the same period in 2023.

Exhibit 13: Overview of Treasury Issuance in 9M '24

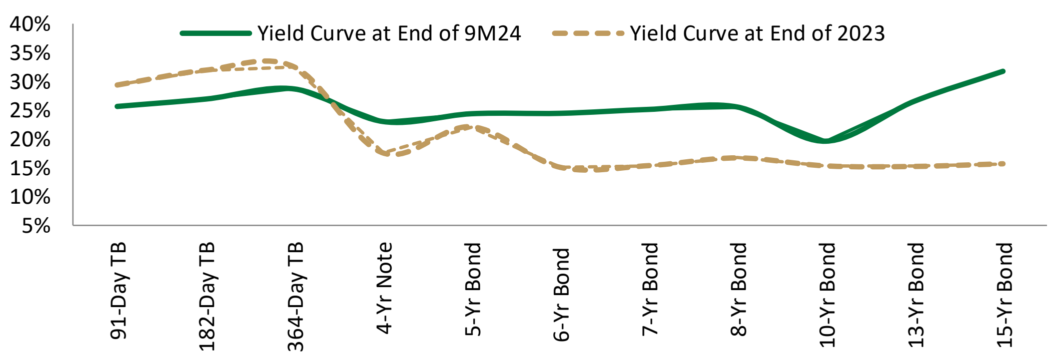


Source: Bank of Ghana (BoG), Databank Research

2025 Outlook: We See the Fixed-Income Market Looming Around a Comeback In 2025.

- **Easing Inflation and Policy Measures to Compress T-Bill Yields:** Despite anticipated easing inflation and a dovish monetary policy in 2025, we expect investor response to yield compression may be delayed until mid-2025. We believe that significant policy measures to reduce sovereign borrowing costs will be the main factor in the compression from a high of 27% as of November 2024. Additionally, the government's hints at reducing reliance on money market funding, along with potential longer-dated securities issuances, suggest that any new initiatives are likely to occur by mid-2025, further supporting a potential decline in yields at that time.

Exhibit 14: Overview of Ghana's Treasury yield curve

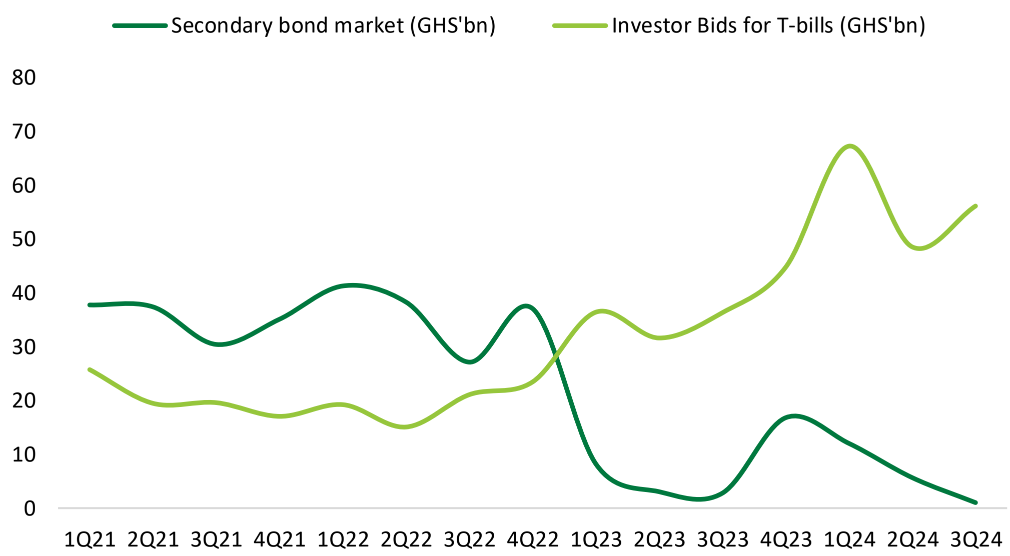


Source: Bank of Ghana (BoG), Databank Research

- Treasury's demand for money market funding to see ample decline on improving funds from other sources: In 2025, we foresee a notable moderation in the Treasury's demand for money market funding, driven by improved access to alternative funding sources and a strategic pivot towards long-term securities. We expect the ample decline in demand to offer the treasury some space to trim high T-bill yields.

We project the government to borrow about GHS200bn from the T-bill market in 2025, below our estimate of GHS220bn in 2024, translating to an average weekly uptake of GHS3.9bn versus GHS4.2bn, respectively. With improving access to international funding and most macroeconomic indicators showing signs of sustained recovery, the government may likely pivot towards longer-term financing options. However, this shift is expected to occur after 1Q ’25, as the treasury refinancing needs may keep demand for short-term funding elevated while it navigates maturities from high uptake in 2H ’24.

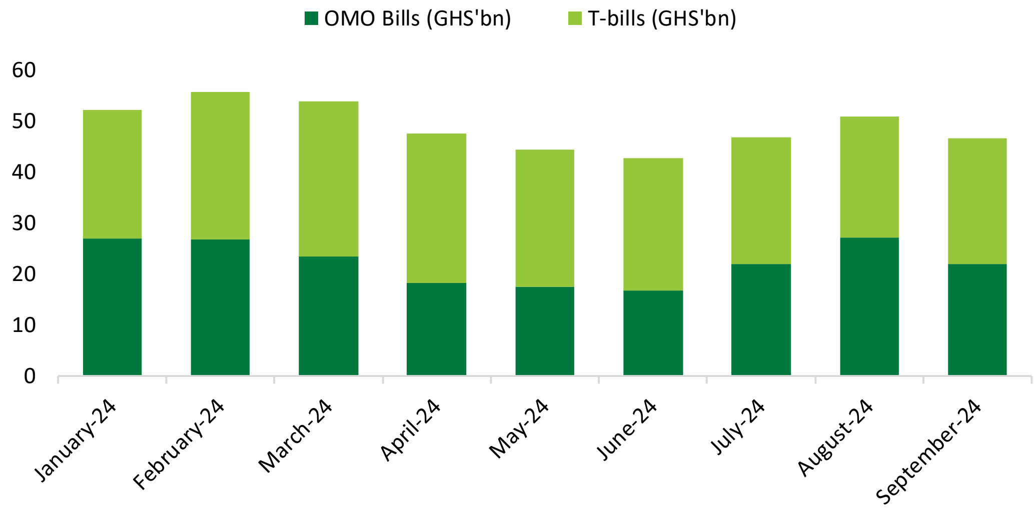
Exhibit 15: Investors maintain demand in T-bills over bonds



Source: BoG, Databank Research

- **Will an Easing Monetary Policy in 2025 Unlock Liquidity in the Fixed-Income Market?**
  We foresee an easing monetary policy stance in 2025, with considerable rate cuts, which typically translates to slowing economic borrowing costs. Additionally, we expect the softening monetary policy stance to prompt the Monetary Policy Committee (MPC) to reverse some of its previous measures, such as increased cash reserve requirement for banks, which had tightened liquidity. Consequently, we expect the fixed-income market to benefit from improved liquidity and a better macro environment in 2025, creating more opportunities for the Treasury to tap into longer-dated securities.

Exhibit 16: Commercial banks showing dwindling position in short-term securities after tiered CRR directive



Source: Bank of Ghana (BoG), Databank Research

- **How do we see the bond market in 2025?**

  We expect the recovery in investor sentiment in the bond market that began in 2024 to continue into 2025, potentially leading to treasury bond issuances as foreign investors return cautiously to the market. In 2024, we note the gradual recovery in investor sentiments in the bond market, reflected by the growth of sell-buyback as investors return to accepting GoG papers as collaterals in the secondary market. The ongoing economic recovery and improving sovereign rating benefit treasury bond issuance. Nonetheless, we believe the realisation of our expectation will largely depend on the pace and depth of yield decline across the treasury bills, which continue to offer competitive returns to investors.

Stock Market

Refuge Cudjoe Mensah
Equity Analyst

Equities Poised for Yet Another Bullish Run in 2025

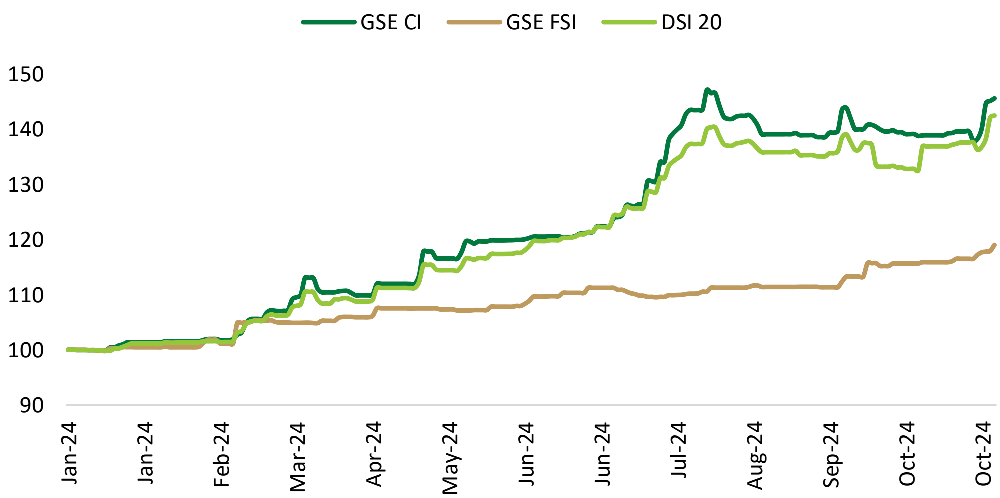
Key Highlights:

1. The Ghana stock market saw strong momentum in 9M '24, led by MTNGH and financial stocks, with the GSE CI reaching a six-year high.
2. Investor interest in the consumer goods sector, led by Unilever and Guinness, continued to rise, while MTNGH's robust financial performance and the banking sector's growth further supported market optimism.

What we observed so far in 2024: Equities Extend Rally as the Bond Market Remains under Scrutiny

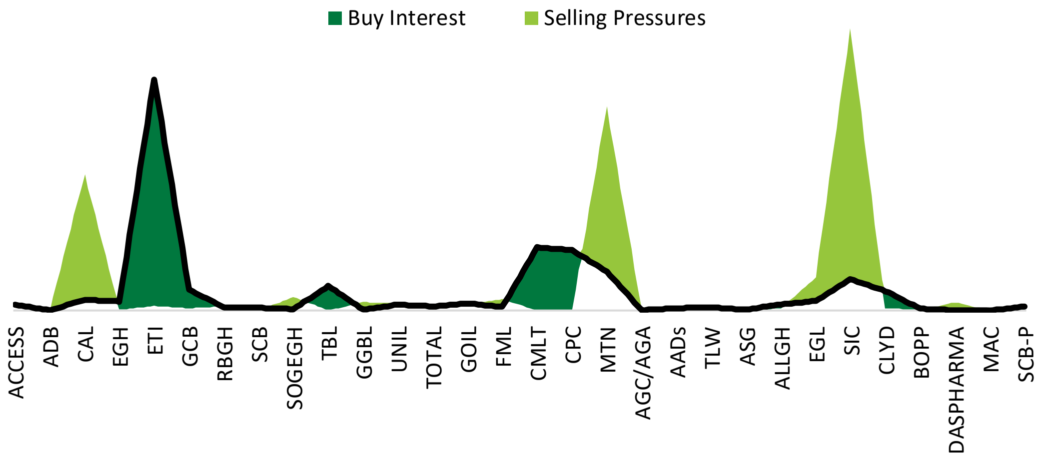
- **Market momentum builds with MTN and Financial stocks leading the charge:** The stock market recorded a bullish run in 9M ’24, influenced by continued investor interest in the telco giant MTNGH and a strong comeback of financial stocks. The sustained investor interest was driven by declining interest rates and ongoing economic expansion. The Ghana Stock Exchange Composite Index (GSE CI) marked a 6-year high of 4,369.44 points, closing 9M ’24 at a return of 39.59%, compared to +29.81% in 9M ’23. Similarly, the Databank Stock Index (DSI 20) registered at 168.62 points to a return of +33.19% in 9M ’24, up from +21.53% in 9M ’23. Consequently, the total market capitalisation increased to GHS 99.10bn at the close of 3Q ’24, with most stocks closing net demand, indicating growing investor interest in the stock market.

Exhibit 17: Improved market performance in 2024



Source: Ghana Stock Exchange, Databank Research

Exhibit 18: Market Order Flow - Buying vs Selling Trends



Source: Ghana Stock Exchange, Databank Research

- **The Financial Stock Index (FSI) closed 9M '24 impressively at 15.91% vs a loss of 7.92% in 9M '23, this marks the strongest levels post-DDEP.** Seven out of the ten listed banking stocks recorded gains in 9M '24, reflecting the sector's improved financial performance. The banking sector remains profitable with 9M '24 after-tax profit growth of ~33% compared to the previous year.

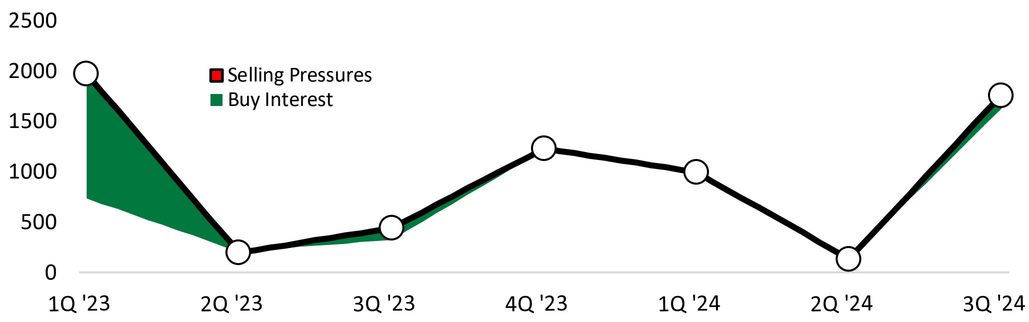
Exhibit 19: Bank Stocks – Gainers and Laggards

Counter	GCB	ACCESS	SCB	RBGH	ETI	EGH	TBL	SOGEGH	CAL
Open(GHS)	3.40	3.40	17.55	0.48	0.15	5.50	0.82	1.57	0.48
Close(GHS)	6.00	4.32	22.10	0.60	0.18	6.10	0.83	1.5	0.28
% Change	76.47%	27.06%	25.9%	25.0%	20.0%	10.9%	1.2%	-4.46%	-42%

Source: Ghana Stock Exchange, Databank Research

- **Foreign investors revived buy interest in equities:** The market breadth was positive, with twenty-one (21) price movements, including seventeen (17) gainers and five (5) decliners. Foreign investors showed renewed interest in the Ghanaian stock market in 3Q '24, although slower, with a net foreign investor buy position of GHS1.5bn.

Exhibit 20: Net Investor Position

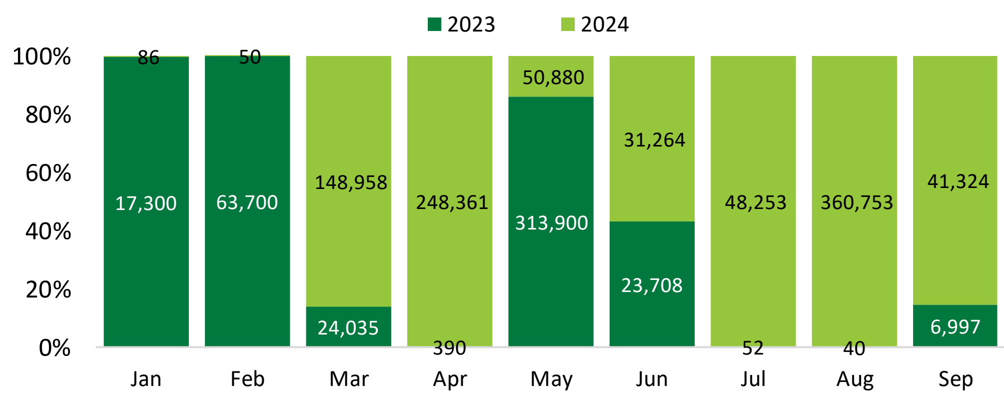


Source: Ghana Stock Exchange, Databank Research

- **The Consumer Goods Sector continued to keep its spot in the spotlight:** The fast-moving consumer goods sector topped the gainers' charts in 9M '24, buoyed by impressive corporate earnings, a bounce-back in sales, easing cost pressures, and the festive season's sales prospects. UNIL benefited from its cost-saving initiatives, expanding its gross profit margin from 37.5% in 9M '23 to 43% in 2Q '24. Investors' interest skewed towards UNIL, leading to an impressive 103.45% to GHS16.50 per share as of the close of 9M '24. GGBL followed suit with a 38.24% return, ending the period at GHS4.70 per share. The brewing company recovered from its 2Q '23 loss of GHS9.90mn to record a net profit of GHS 28.02mn in 2Q '24, largely due to improved product pricing. FML exhibited a 37% growth in gross profit margin resulting from improved product mix and strategic cost-saving initiatives. Consequently, FML's share price grew 7.69% to GHS3.50 in 9M '24.

- **NewGold sees increased safe-haven demand in the face of economic uncertainties:** The only listed ETF, NewGold (GLD; +88.97%), surged as investors sought haven in the gold-backed security as a hedge against the rapid depreciation of the Ghana cedi and the US bearish policy stance.

Exhibit 21: 9M trading volume - Increased investor interest in NewGold ETF in 2024



Source: Ghana Stock Exchange, Databank Research

- **MTN Ghana remained investors' favourite on sustainably solid financial performance:** Ghana's telco giant's profit after tax increased by 36% y/y in 2Q '24, largely due to a 31% revenue growth. Additionally, investors continue to remain optimistic about the stock, following the expected impact of the yet-to-be-launched 5-G spectrum on the company's revenue and dividend yields. The spectrum seeks to improve the existing 4G services, providing faster data speed, low latency, and increased connectivity.

- **TotalEnergies continues to rally, bolstered by rising dividend payout:** TOTAL ended 2Q '24 with a decent 36.87% y/y profit growth, leading to an increase in the final dividend declaration to GHS0.7242 per share in FY '23 from GHS0.6889 per share in FY '22. This positive performance sparked significant investor interest, driving the stock's share price up by an impressive 40.11% to GHS12.61 per share. In contrast, TOTAL's counterpart, GOIL Plc's stock, remained unchanged on the stock exchange at the end of the third quarter of 2024.

Exhibit 22: Non-Banking Sector Gainers and Laggards

Top Laggards

Counter	Open (GHS)	Close (GHS)	% Change
DASPHARMA	0.4	0.38	-5
MMH	0.11	0.1	-9.09
EGL	2.39	1.99	-16.74

Top Gainers

Counter	Open (GHS)	Close (GHS)	% Change
UNIL	8.11	16.5	103.45
GLD	213.01	402.52	88.97
MTNGH	1.4	2.17	55
TOTAL	9	12.61	40.11
ALLGH	4.4	6.15	39.77
GGBL	3.4	4.7	38.24
CMLT	0.1	0.12	20
BOPP	22	25.21	14.59
FML	3.25	3.5	7.69

Source: Ghana Stock Exchange, Databank Research

Notable Corporate and Market News

- CalBank announced a renounceable rights issue at GHS0.29/share to raise a total of GHS600mn, of which the bank raised GHS145mn in Q3 '24. The Ghana Stock Exchange (GSE) officially approved trading the 47,765,376 CAL Bank Plc Preference Shares and 455,150,509 CAL Bank Plc Ordinary Shares on August 07, 2024.
- The GSE authorised the trading of 1,305,729,741 ADB Bank Plc shares, which were issued through a right issue, and trading commences on September 25, 2024.
- Atlantic Lithium was listed on the Ghana Stock Exchange on May 13, 2024, and is currently trading at GHS6.14, above the valuation of the listing price.

Stock Market Outlook: Non-financial Stocks to Keep Outperforming in 2025 on Stronger Earnings Growth and a Favourable Operating Environment

We expect the ongoing rally in equities to continue into 2025, driven by more favourable market conditions and continued recovery in corporate earnings. From a technical analysis viewpoint, we forecast the GSE Composite Index to close 2025 at 6,850 points, marking an annual gain of 45% (±500bps). We expect this performance to be broad-based across the various sectors, particularly banking, telecommunications, and fast-moving consumer goods (FMCG) sectors.

Sector Opinions

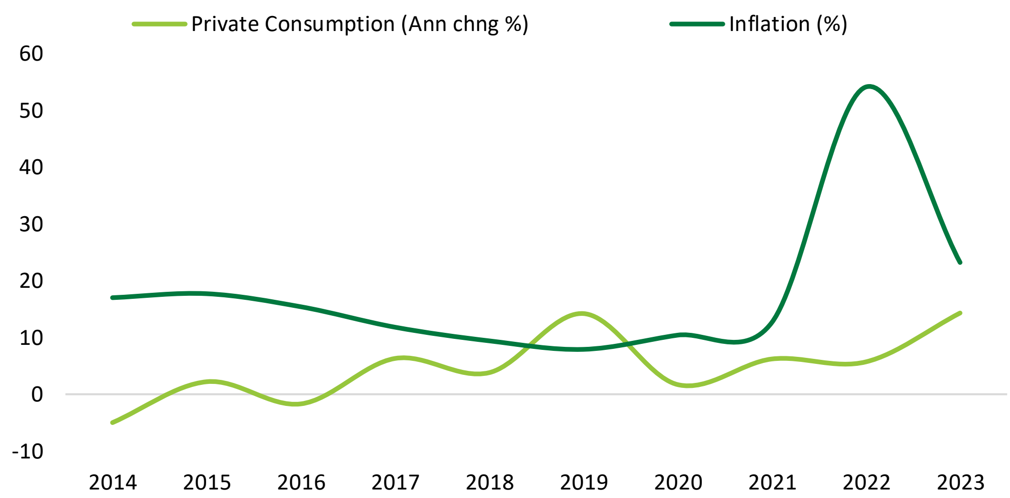
We expect the FMCG sector to continue recovering, with Unilever Ghana, Fan Milk, and Guinness Ghana breweries leading the charge, supported by stronger earnings growth and a more favourable operating environment. Below are our broader views on FMCG stocks:

- **Unilever Ghana remains a favourite on strong operational turnaround**: Unilever remains among our favourites, having recently experienced an operational turnaround and declared a dividend of GHS0.40 per share for the first time since 2018. We believe that the company is well-positioned to continue its earnings recovery, thanks to a revised route-to-market strategy coupled with an enhanced distributor model targeted at driving volumes of well-performing product lines. As we approach the festive season and the national elections in Dec '24, these factors are expected to boost consumer spending, further boosting the company's revenues and profitability.

- **Fan Milk's stock to do better in 2025 on improved earnings outlook:** Fan Milk is also poised to do well, benefiting from continued earnings growth in 2025, underpinned by an improved product mix. Introducing new premium lines, including chocolate, citrus, strawberries, vanilla, mango passion, and banana flavours, will support sales growth. Additionally, the company's profitability is expected to be bolstered by effective cost-saving initiatives such as adopting biomass energy for production. While Fan Milk faced challenges in its export business during 2Q '24, we are optimistic that the ongoing structural changes will help mitigate these issues.

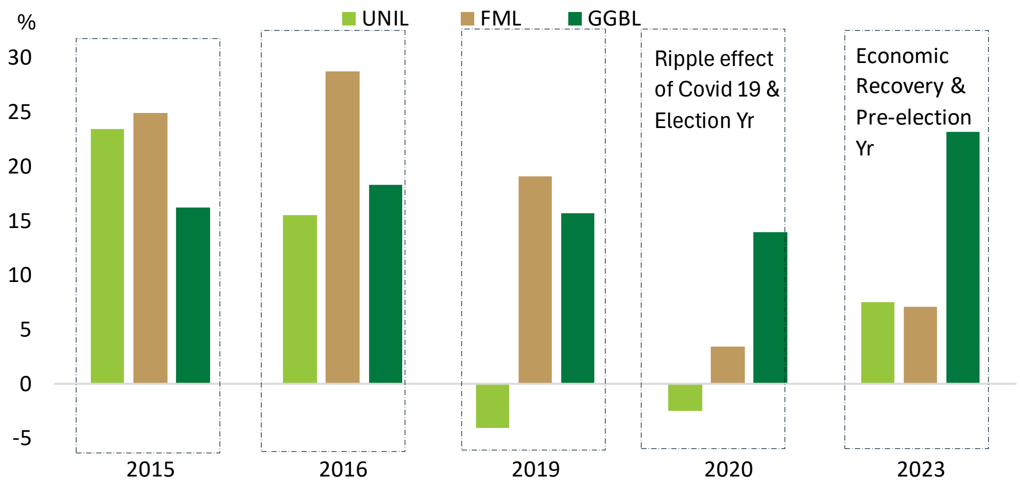
- **We expect GGBL to build on FY '24 financial results, fueled by price hikes, thereby enhancing dividend prospects**, attracting income-focused investors, and supporting strong stock performance in 2025. Notwithstanding the price hike across some product lines, we believe the company's quality and well-differentiated premium products will curb any drop in sales volumes, supported by the gradual recovery in consumer spending. GGBL to also benefits from tax savings due to the improving local content of most products, as the company announced about 75% local raw material for most.

Exhibit 23: Improving consumer consumption on declining inflation rate



Source: Ghana Statistical Service, Databank Research

Exhibit 24: Five-year compounded annual growth rate



Source: Ghana Stock Exchange, Databank Research

TotalEnergies Ghana poised for earnings growth amidst market challenges

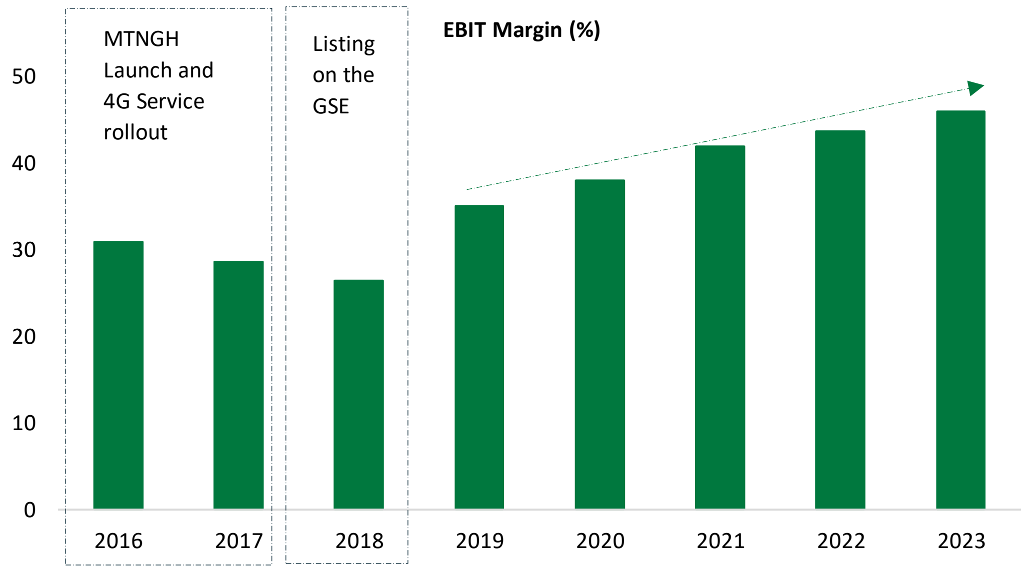
- We remain optimistic about the earnings outlook for TOTAL, with an expected upside of 18%. This positive outlook is driven by the company's aggressive strategies, including product renovation, advertising, and quality enhancement, all aimed at improving customer experience in light of an anticipated recovery in the mining sector. In the short term, we expect increased demand for oil fuel products driven by election-related activities. However, the OPEC+ announcement of crude oil production cuts could pose near-term challenges for OMCs. On a more positive note, we forecast a fairly stable cedi in 2025, with potential appreciation against the USD, which would help curb operational and importation costs for TOTAL.

MTNGH likely to be Top Investment Choice for 2025 with Strong Earnings Growth and Dividend Potential

- We continue to favour MTNGH as a strong pick for 2025. We believe MTNGH offers a combination of growth potential and reliable income through dividends, making it an attractive option for both growth-focused and income-seeking investors. Since listing in 2018 to date, the telecom giant has generated an average dividend yield of 12%, fueled by robust growth in net profit. Despite its stock performance this year, we believe MTNGH still presents a good entry opportunity, trading at an attractive discount with forward P/E of 5.3x and 1.6x EV/EBITDA ratios below the 9.6x and 5.0x respective averages of most SSA peers. We expect continued robust growth, primarily driven by increased data and MoMo services revenue in 2025.

Particularly for data revenue, we believe a potential rollout of the 5G network will increase revenue growth, supported by rising internet users and growing demand for data. In terms of MoMo revenue, we believe robust growth in MoMo transactions will continue to favour revenue numbers as the telecom giant maintains a significant market share in the industry. With data and MoMo revenues jointly accounting for 70% of MTNGH's total revenue, we believe growth in these revenue lines is positive for earnings and dividend payout.

Exhibit 25: EBIT Margin Growth of MTNGH



Source: MTNGH, Databank Research

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Banking Sector Outlook

Evelyn Lavie
Equity Analyst

Bank Stocks to Thrive on Strong Earnings and Dividend Resurgence

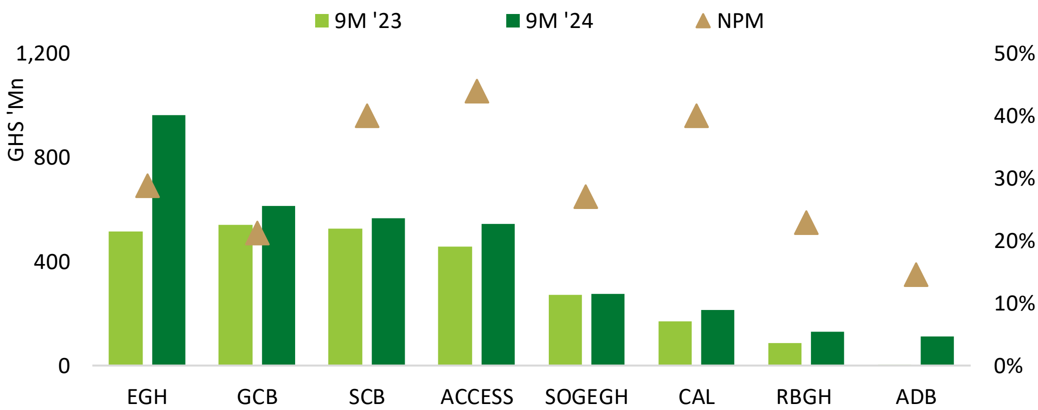
Key Highlights

1. The banking sector saw renewed interest in 2024 after recovering faster than expected from the impact of debt exchange, driving 15% gains in the Financial Stock Index by the close of 3Q.
2. Looking ahead to 2025, we expect banking stocks to continue to perform well, supported by a strong earnings outlook and the return of dividend payouts. These factors are likely to attract income-focused investors, further boosting the sector's appeal.
3. We expect banks' profitability to benefit significantly from loan book expansion and improved asset quality following the regulator’s new cash reserve ratio requirements.

2024 at a Glance: Consistent Rebound in Profits Post-Debt Exchange Stimulate Demand for Bank Stocks

- **The Banking Sector’s 9M ’24 results reflect robust profit growth and improved financial metrics:** Profitability increases by 33% year-on-year (y/y). This robust profit growth was largely driven by a remarkable 54% y/y increase in non-funded income and a 16% growth in funded income. Additionally, impairment charges declined significantly by 62%, signalling improved asset quality and risk management. Furthermore, average cost-to-income ratio improved, decreasing by 5.5% to 55.3%, thanks to easing inflationary pressures and improved cost management within the sector.

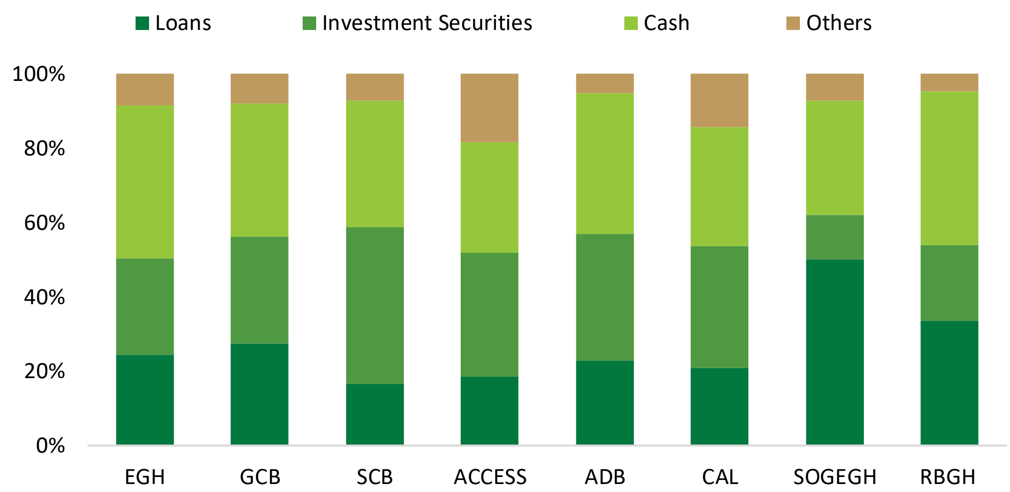
Exhibit 26: Profit After Tax of Listed Banks



Sources: Databank Research, GSE

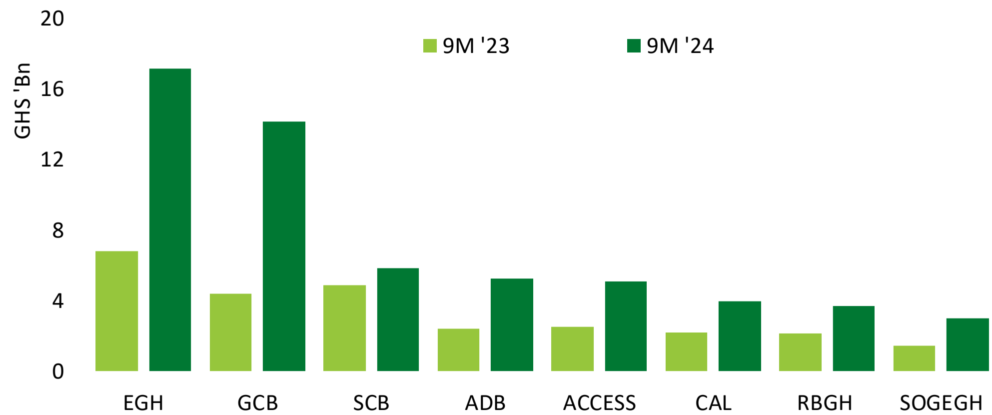
- **Solid deposit growth and improved liquidity despite rising NPLs:** Investment securities saw a significant increase of 44%, indicating a strong strategic focus on short-term investment portfolios while benefiting from favourable yields. Similarly, average cash holdings surged 2.2x y/y, indicating strengthened liquidity positions across the sector. Total deposits also increased significantly by 42%, reflecting a strong economic rebound and renewed customer confidence in the banking sector following the DDEP. Although loans and advances grew by 23%, the loan-to-deposits ratio declined by 5.5% y/y to 36.7% amid high interest rates as non-performing loans (NPLs) surged 11%, bringing the average NPL ratio to 25.9%.

Exhibit 27: 9M '24 Asset Mix - Investment and Cash Constitute ~65% of Banks' Total Assets



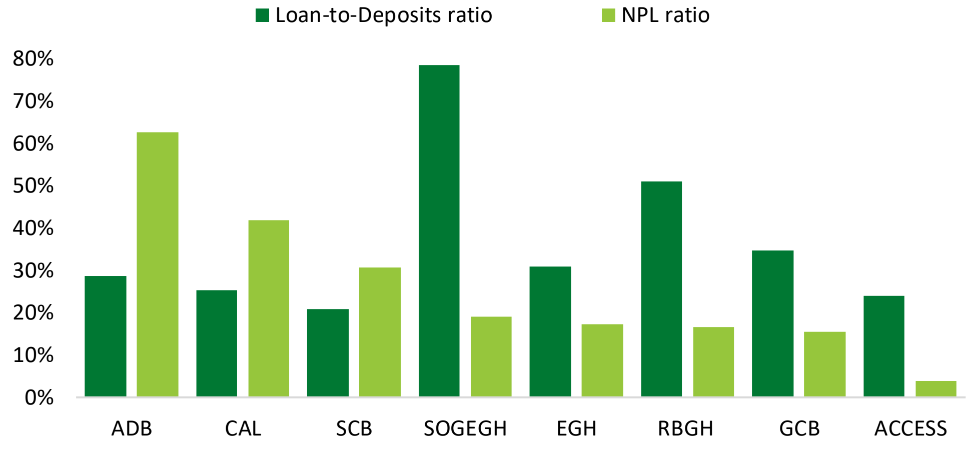
Source: Ghana Stock Exchange, Databank Research

Exhibit 28: Cash Holdings of Listed Banks



Source: Ghana Stock Exchange, Databank Research

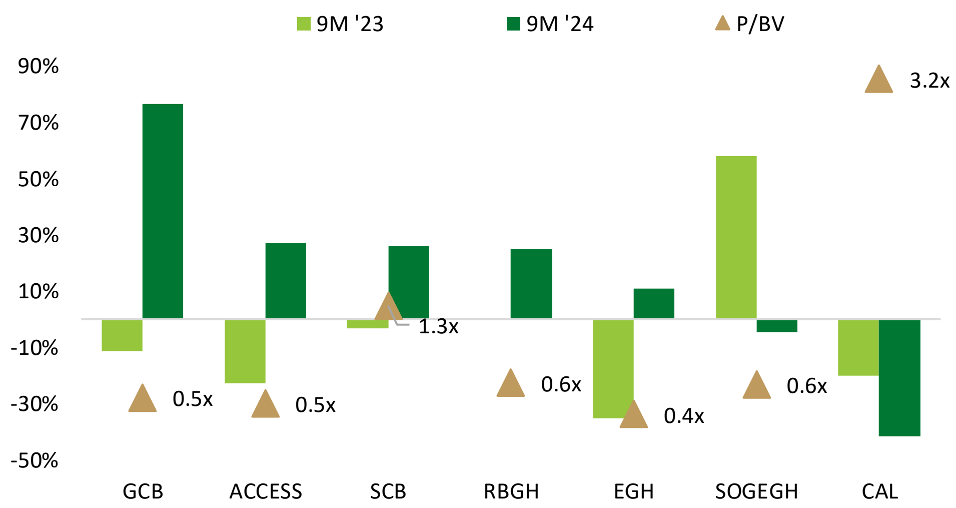
Exhibit 29: Loan-to-Deposits vs Non-Performing Loan ratio - 9M '24



Sources: Databank Research, GSE

- Overall, the banking sector's performance for 9M ‘24 demonstrated strong earnings growth, revenue generation, and liquidity, contributing to positive bank stock ratings. As a result, the Financial Stock Index market increased by 15.2% by the end of 3Q ‘24. Notable gainers among the bank stocks include GCB (+76.5%), Access (+27%), SCB (+26%), RBGH (+25%), ETI (+13%), and EGH (+11%).

Exhibit 30: Year-to-date return & Price-to-Book multiples of Listed Banks



Sources: Databank Research, GSE

Where we see the Banking Sector performance in 2025: Bank Stocks to Thrive on Strong Earnings and Dividend Resurgence.

We anticipate continued strong performance for banking stocks in 2025, supported by a robust earnings outlook and the return of dividend payouts. These factors are likely to attract income-focused investors, further boosting the sector's appeal. The following are the key factors supporting our positive outlook.

- **Banking on favourable yields on government instruments to drive earnings growth.** Banks are expected to benefit from attractive yields on short-term government securities, boosting interest income and driving earnings growth. Yields on treasury securities should remain favourable as the government is expected to continue to rely on the money market for financing its 2025 budget. While the newly launched Ghana Gold Coin (GGC) offers an alternative for investment diversification, banks are likely to retain a strong foothold in government securities due to their traditional stability and predictability. These instruments are crucial for maintaining liquidity and meeting regulatory requirements. However, the GGC is anticipated to stimulate deposit growth in the sector.

- **Banks set to pump up lending as the economy bounces back.** With adopting the regulator's new cash reserve requirement, we anticipate the banks capitalising on the positive macroeconomic outlook to increase private sector and retail lending along with other strategic growth sectors. This will allow the banks to diversify their loan portfolios, reduce concentration risk, enhance asset quality, and ultimately support earnings growth.

- **Banks to leverage softening operating environment and technology to improve operational efficiency.** Easing inflation and a stable local currency outlook will positively impact operational efficiency, further enhancing profit margins in the sector. Additionally, banks will continue to benefit from investments in digital banking channels, which improve customer experience and satisfaction, thereby driving growth.

- **Resumption of dividend payments to bolster investor appetite.** With a robust earnings outlook, we expect the resumption of dividend payments to catalyse bank stocks. Standard Chartered Bank (SCB) has set a good precedent by paying dividends for FY '23, and we believe that other banks will follow suit to meet regulatory capital requirements and reward shareholders with dividends in FY ’25.

- **Attractive valuation presents compelling entry opportunities for investors.** Bank stocks are currently trading at appealing valuation levels, with price-to-book ratios below their book values and historical averages. This presents a good entry point for income investors in the near to long term. We continue to favour the large banks like GCB, Standard Chartered, and Ecobank, which boast of strong fundamentals, healthy balance sheets and trading well below their book values.

In conclusion, barring a significant downturn, we expect the banking sector to do well in 2025, supported by strong earnings growth, probable return of dividend payout, and favourable economic conditions.

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Commodities Market

Reflector Mensah
Research Analyst

Bullish Outlook for Gold and Cocoa, while Brent Crude Faces a Decline in 2025

Key Highlights

1. In 2024, gold prices rose 25.6% over the first nine months, while brent crude oil declined 20.31% due to improved US inventory and growing demand for cleaner energy. Cocoa futures experienced a marginal 0.03% decline.
2. We expect gold and cocoa to perform well in 2025, driven by geopolitical tensions, potential US Fed interest rate cuts, and supply shortfalls. Gold prices may reach USD2,600-USD3,100, while cocoa prices could rise between USD7,000 and USD9,600.
3. We anticipate crude oil prices to trade below USD 76 per barrel in 2025 due to high US inventories, economic headwinds in major consuming nations, and growing demand for cleaner energy sources.

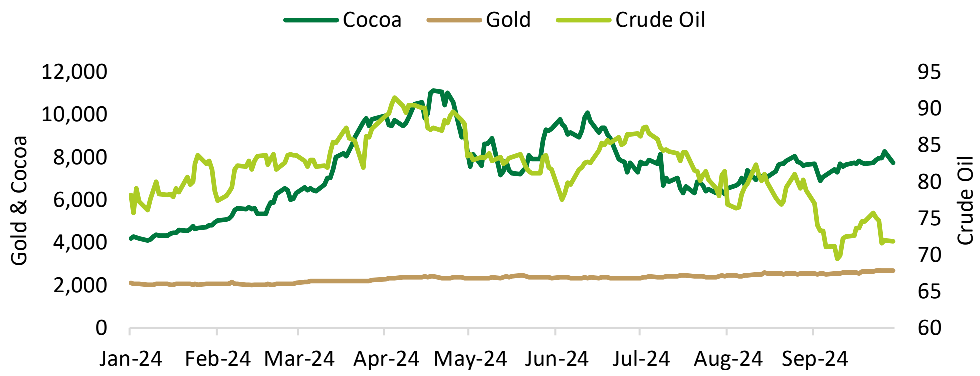
Key Observations in 2024: Gold Shines Amidst Uncertainty, Brent Crude Oil Falls on Weak Demand, Cocoa Prices Surge on Supply Shortfalls

- **For the 9M 2024 period, gold prices rose by 25.6%, driven by geopolitical tensions as investors sought a safe haven**. Concerns over inflation and strong central bank investments in gold-backed ETFs supported this growth. However, prices fell in 3Q ‘24 due to a stronger USD, despite recent U.S. policy rate cuts. The Central Bank of China also reduced its gold purchases, contributing to a decline from USD2,339.60 per ounce in 2Q to USD2,260.20 in 3Q, marking a 3.52% quarter-on-quarter drop.

- **Brent crude oil prices declined by 20.31% during the same period, primarily due to rising U.S. inventories linked to tighter oil rig restrictions by producers.** This led to more efficient crude production. Additionally, weaker demand from China, slower economic growth, and the growing adoption of electric vehicles and LNG-fuelled trucks further pressured crude oil prices.

- **In contrast, cocoa prices nearly doubled by mid-November 2024, jumping from USD4,916 to USD8,523 - a 73.4% year-to-date (YTD) increase**. This surge was driven by supply shortfalls caused by El Niño's impact on yields in Côte d'Ivoire and Ghana. Rising global demand for chocolate and increased cocoa grinding activity further tightened supplies, pushing prices to record high.

Exhibit 31: Commodities Spotlight: Cocoa, Gold, and Crude Oil Trends in 2024



Source: Databank Research, Bloomberg

Where we see Commodity Prices in 2025

- **We expect gold prices to trade higher in 2025, ranging from USD2600-USD3100 on the prolonged effect of geopolitical tension:** We are optimistic about a recovery in gold prices throughout 2025 as geopolitical uncertainties are likely to drive safe-haven demand. Additionally, we foresee further interest rate cuts by the US Fed in 2025, could drive gold prices high, potentially reaching between USD2,600 and USD3,100 per ounce following the January 2025 FOMC meeting. Given the positive outlook for gold prices, we believe local investors in Ghana could diversify their portfolios by considering the New Gold ETF and the Bank of Ghana's Ghana Gold Coin (GGC). We believe these assets provide an opportunity to benefit from rising global gold prices while serving as a hedge against local currency depreciation.

- **We expect Brent crude oil prices to trade below USD76 per barrel in 2025, influenced by high US inventories and a shift towards cleaner energy**. Our outlook remains cautious as major consumers, such as China and North America, face economic challenges alongside increasing demand for sustainable energy sources. Consequently, global oil demand growth is projected to decline from 1.74mn barrels per day (bpd) to 1.64mn bpd in 2025, reflecting a broader trend of slowing consumption amid economic uncertainties and a transition to alternative energy.

- **We anticipate cocoa prices to rise between USD7,000 and USD9,600 in 2025 due to significant supply constraints from Ghana and Côte d'Ivoire,** which are slowly recovering from adverse weather with illegal gold mining in Ghana affecting some cocoa farms. We asset that the EU Deforestation Regulation (EUDR), effective in early 2025, will further restrict supply availability, likely keeping prices elevated amid strong global demand for chocolate.

Risks to Outlook

- **Global Trade Tensions:** With Donald Trump potentially reinstating high tariffs on imports, particularly on China, global trade dynamics could shift significantly. Such tariffs, possibly reaching 40% by mid-2025, could disrupt supply chains, cause bottlenecks and raise production costs globally. This may result in higher consumer prices, increased inflation, and slower economic growth in emerging markets like Ghana.

- **Energy Sector Debt:** Ghana's energy sector debt of over USD2.0bn, primarily driven by liabilities to Independent Power Producers (IPPs) and low recovery rates from electricity tariffs, could threaten fiscal stability and could hinder investment in critical sectors, impacting economic growth in 2025.

- **Inflationary Pressures:** While there is hope for easing inflation, persistent global supply chain issues and rising commodity prices could counteract these efforts. This volatility may hinder consumer spending and affect the performance of fast-moving consumer goods sector in Ghana.

- **Fiscal and Monetary Policy Constraints:** Ghana's upcoming debt commitments could limit fiscal flexibility. Increased debt servicing costs may necessitate tighter monetary policies and strict fiscal measures to mobilise revenue, which could further dampen economic activity and profit margins of listed companies on the Ghana Stock Exchange (GSE).

- **Stock Market Volatility:** The stock market's projected strong performance in 2025 may be jeopardised by external factors such as changes in foreign investment patterns.

- **Impact on Yields from Potential New Bond Issuance:** We believe that the sovereign's decision to issue new bonds in 2025 without first improving its credit score by honouring existing debts could lead to limited investor participation and elevated yields. In this scenario, the government may be compelled to offer more attractive coupon rates to entice cautious investors. Consequently, this situation may raise borrowing costs for the sovereign, complicate fiscal management, and potentially result in a more volatile fixed-income market.

- **We believe that a major escalation may pose a systemic risk, resulting in high import costs and capital flight**, which would hinder Ghana's export capabilities, FDIs, and ultimately impact economic performance and investor confidence.

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