

**GHANA FLASH NOTE****Deciphering the Article IV Release**

This morning's statement was a diplomatic *tour de force*, blending admonition with understatement. *A propos*, it is worth noting that the IMF team chose to delay the release by 24-hours - specifically to avoid raining on the President Mahama's State of the Nation (SoN) 'parade'.

- 1) Going back to 2010, each such press release has carried the bland caption, "*IMF Concludes Article IV Mission to Ghana*". However on this occasion the team has ditched the standard, value-neutral heading in favor of "*IMF Urges Ghana Government to Address Short-Term Vulnerabilities*", which speaks volumes.
- 2) After summarizing the economy's vital statistics in its initial paragraph, the team calls for "*urgent measures to address macroeconomic imbalances*". The point is reinforced in the following paragraph which stresses the importance of "*restoring macroeconomic stability*".
- 3) In the paragraph devoted to monetary and exchange-rate policy, the team pointedly observes that "*[the BoG's new FX] measures alone will not resolve the underlying pressures in the foreign-exchange market.*"
- 4) On the actual economic performance data, the team has largely chosen to spare the authorities' blushes. So, while noting the fading momentum of output growth, the statement chooses to go along with the 5.5% estimate for full-year GDP growth which your correspondent has previously noted would imply a 2013/Q4 expansion rate of 8.55%.
- 5) While the gaping fiscal deficit is only expressed in cash terms, at a 'mere' 10.9%, this is still 0.1% larger than the figure cited in the SoN address. Significantly, the statement pointedly observes that "*the overrun would have been higher in the absence of significant revenue measures [...] and compression of other expenditure.*" The latter item is almost certainly a reference to the massive build-up in arrears which will be detailed in the formal Article IV report, but which will include, *inter alia*, GHS 900 million (Ghana Road Fund); GHS 850 million (National Health Insurance Fund) and GHS 687 million (Ghana Education and Training Fund) – equivalent to approximately 2.4% of GDP.
- 6) The current account balance is recorded as -13%, a full percentage point higher than the figure cited in the SoN address. More importantly, the Article IV statement notes that this deficit contributed to "further pressure on international reserves". This detail implicitly repudiates the claim by the authorities that gross international reserves actually increased during 2013, from USD 5.3 billion to USD 5.6 billion.

In short, despite its generally diplomatic tone **this is anything but satisfactory report card.**

*This Report has been prepared purely for the purposes of information and neither constitutes, nor is intended to constitute an offer to sell or the solicitation of an offer to purchase securities. Although the statements of fact in this Report have been obtained from, and are based upon sources that Rhombus Advisors LLC believes to be reliable, the Firm does not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions and forecasts included in this Report represent the Firm's judgement as of the date of the Report and are subject to change without notice. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express, implied or otherwise, is made regarding future performance. Investment in non-US securities by US investors may entail certain risks, including possible loss of the principal invested.*