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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**.