

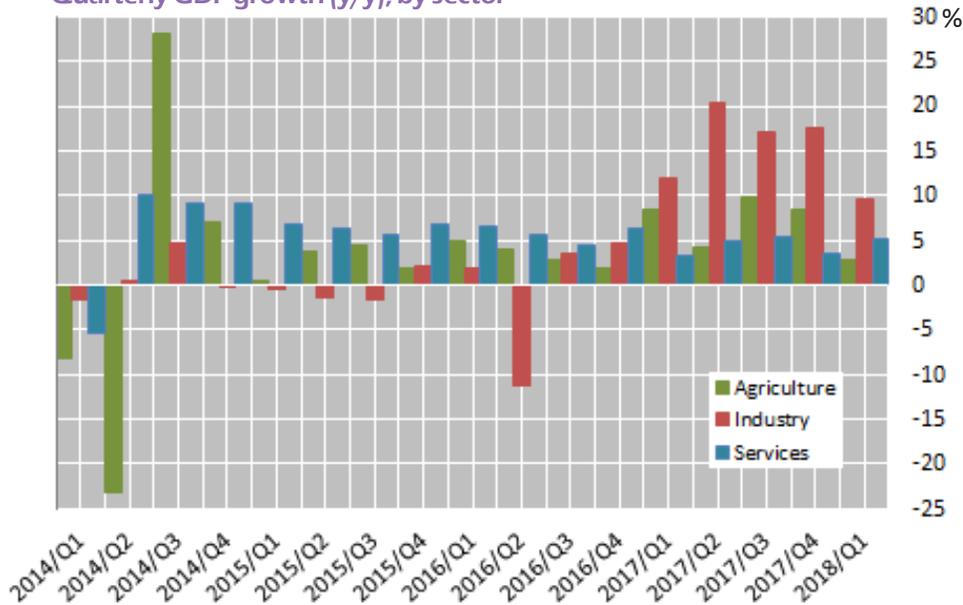


GHANA RESEARCH NOTE [REV]

The Q1/2018 GDP print - a few unpleasant surprises

Ghana's first quarter growth rate of 6.82% will have been the envy of its SSA peers¹. However, the GDP bulletin released earlier this week - the last before the time-series is rebased in September² - contained **a few unpleasant surprises, particularly in the non-oil sector**.

Quarterly GDP growth (y/y), by sector



1) Agriculture was the real shocker, expanding by a mere 2.8% (compared to 8.4% a year earlier), as its contribution to total output slid to **11.9%** (vs. 22.9% in Q1/2017). More specifically:

- Growth in *Crop production* shrank to 4.6% from 9.7% a year earlier;
- *Forestry and logging* experienced a comparable slide, from 3.0% to 1.6%; meanwhile,
- *Fisheries* actually contracted by 8.1%¹, having expanded by 4.4% during the same period in Q1/2017.

2) With a contribution to total output of 60.6%⁴, Services did manage to expand by a respectable 5.2%, (vs. 3.3% in Q1/2017). However, this was largely on the strength of **a spectacular performance by two sub-sectors:**

- Growth in *Information and Communications* almost doubled to 25.9%, from 13.4% a year earlier; and
- Activity in *Real estate and professional services* surged to 7.7% (vs. a mere 1.6% in Q1/2017).

These results more than offset the negative growth in *Finance and Insurance* (-7.9%); *Transport and Storage* (-1.7%); and *Personal Services* (-1.7%).

¹ With the notable exceptions of Ethiopia, Côte d'Ivoire and perhaps Senegal.

² The exercise is expected to add an additional 15-20% to the official estimate of Ghana's GDP.

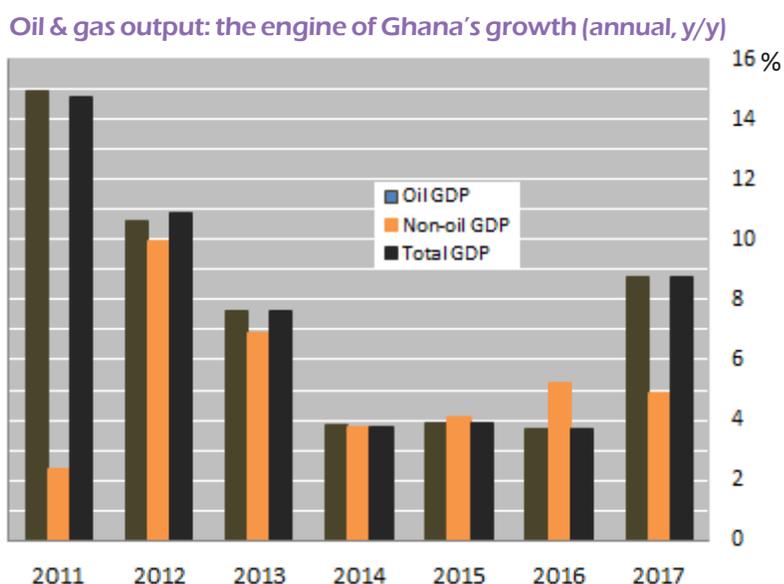
³In fairness, this was almost certainly attributable to the 2-month ban on commercial fishing imposed, to conserve dwindling fish stocks, in January 2018. However, the fact that this was the second such ban in as many years does raise questions about the long-term viability of the industry.

3) Predictably, **Industry** posted the highest growth rate among sectors, though its **9.6% expansion marked a modest deceleration** from the 11.8% recorded a year earlier. But here too, the headline figure masked a **significant divergence among the relevant sub-sectors**.

- **Mining and Quarrying** grew at a spanking 28.9%, which marked only a modest pull-back from the 31.9% rate posted a year earlier.
- Although the **Oil and gas** sub-sector expanded by an impressive 24.8%, this was **less than half the 58.9% pace recorded in Q1/2017**.

The strong performance by these two sub-sectors trumped the anaemic results posted by **Construction** (-.8%); **Electricity** (2.4%); and **Manufacturing** (3.1%).

4) Since 2011, Ghana's **growth trajectory has closely tracked the performance of the oil and gas sub-sector**, as illustrated below.



This is a disturbing pattern. *Ceteris paribus*, **the base effect alone is almost certain to produce a deceleration**⁵ - gradual, but cumulatively significant - from the blistering growth rate the economy was able to post last year. Arguably, the same **caueat is implicit in the IMF's end-of-mission statement**, published earlier this week⁶.

⁴ I.e. virtually unchanged from the 61.0% rate recorded in Q1/2017.

⁵ As it happens, the 6.82% expansion registered in Q1/2018 marks the second consecutive quarter of slowing growth (y/y) – i.e. +9.66% and +8.14% respectively, in Q3 & Q4/2017.

⁶ Viz.: 'Growth prospects remain positive, supported by strong oil production.' (See [IMF Press release](#), Jun. 26, 2018)

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