

## Sub-Saharan Report

Sub-Saharan Africa is one of the focal regions of Global Challenge 2015.

These reports are by Mr. Kenshi Tsunemine, an expatriate employee working in Johannesburg with a view across the region.

### Vol. 6: Ghana

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When the weather turns cold in Japan, we will often drink hot chocolate. It is not only hot chocolate that we consume, in workplaces throughout Japan we like to eat chocolate when we feel a little bit hungry, need an energy boost, or want to change our mood. I would say chocolate is an essential part of the Japanese diet.

When Japanese hear the word “chocolate”, or the derivatives “cacao” and “cocoa”, they immediately think of Ghana because Ghana is famous for its production of cocoa (Ghana is also the name of a famous brand of chocolate in Japan). So, this time I want to introduce to you the country of Ghana.



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In order for the Marubeni Research Institute to acquire live information from the field and contribute to the Company's strategy, young Marubeni staff well-versed in economic and industry analysis have been posted to the region.

**Table 1: Senegal Country Information**

Basic Data (2013)	
Population	26 million
Land Area	239 thousand km <sup>2</sup>
Nominal GDP	\$48 billion
Per Capital GDP	\$1,871
Official Language	English

Source: IMF

Ghana is located in West Africa and faces the Gulf of Guinea on its south side. The climate is in the tropical and steppe climate zones. Accra, the capital of Ghana, is located at a latitude of 5 degrees north and its annual average temperature is about 30 degrees Celsius. It is a hot country as is usual for African countries.

Its population is 2.6 million (ranked 9th among sub-Saharan African countries) and its nominal GDP was 48 billion USD (ranked 5th among sub-Saharan African countries, following Nigeria, South Africa, Angola, and Kenya) in 2013 (table 1).

The main industries in Ghana are agriculture and mining. Agriculture's share of Ghana's GDP, mostly from cocoa production, is about 22%, and mining's share, consisting mainly of oil and gold, is 10%. As for exports, cocoa beans, cocoa products, gold and oil make up almost 80% of all Ghana's exports. As you can see, Ghana's economy strongly relies on its primary industry (table 2).

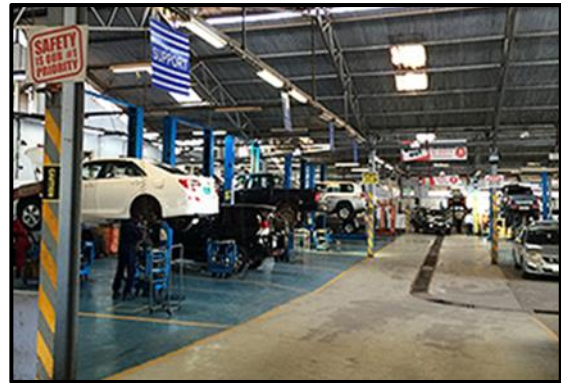
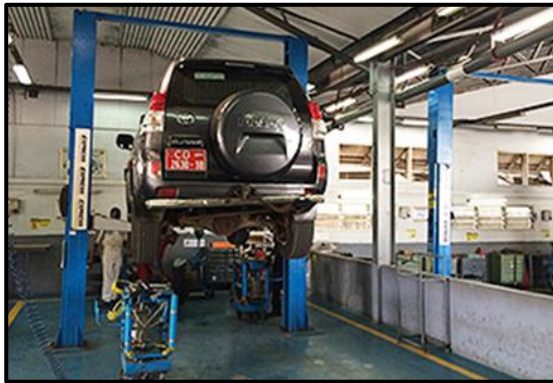
**Table 2: Main Export Items**

Items	million \$	(%)
cocoa beans	1,612	11.7%
cocoa products	655	4.8%
gold	4,966	36.1%
oil	3,885	28.3%
timber and timber products	166	1.2%
other products	2,468	17.9%
Total	13,752	100.0%

Source: Bank of Ghana

On the subject of cocoa, Japan imports a total of 41 thousand tons of cocoa per year and 80% of this is imported from Ghana. Ghana is the world's 3rd largest cacao/cocoa producer (880 thousand tons) after the Ivory Coast (1.65 million tons) and Indonesia (940 thousand tons). Japanese confectionery producers prefer cocoa from Ghana because they find the quality is stable. For these reasons, many Japanese people strongly associate Ghana with cocoa (chocolate). The Japanese people also associate Ghana with Dr. Hideyo Noguchi who died in Accra in 1928 of yellow fever of which he was researching the causes. In recognition of his contributions the Noguchi Memorial Institute of Medical Research was established at the University of Ghana with funds from the Japanese government, so Dr. Noguchi is well known in Ghana as well. (Dr. Noguchi's picture is on the Japanese 1,000 yen banknote.)

As for Marubeni Corporation, we have a branch office in Accra and also Toyota Ghana which is a 100% owned subsidiary company of Marubeni. In Ghana we handle chemical products as well as food and the distribution and sales of motor vehicles made by Toyota



**Pictures 1 and 2:** Toyota Ghana's auto service center, which was awarded an "Outstanding Customer Service Award"

Of course, Ghanaians don't just live off of chocolate. A traditional Ghanaian food is banku (picture 3). Banku is made from fermented maize and cassava and is eaten as a food staple. The taste is a little bit sour and its texture sticky, but it is so tasty that you may not be able to stop eating it. Banku is usually eaten with soup containing Guinea fowl or other meats (picture 4). The soup that I had tasted a lot like *tan-tan men*, or spicy Chinese noodle soup with small chunks of meat in it.



**Picture 3:** Banku

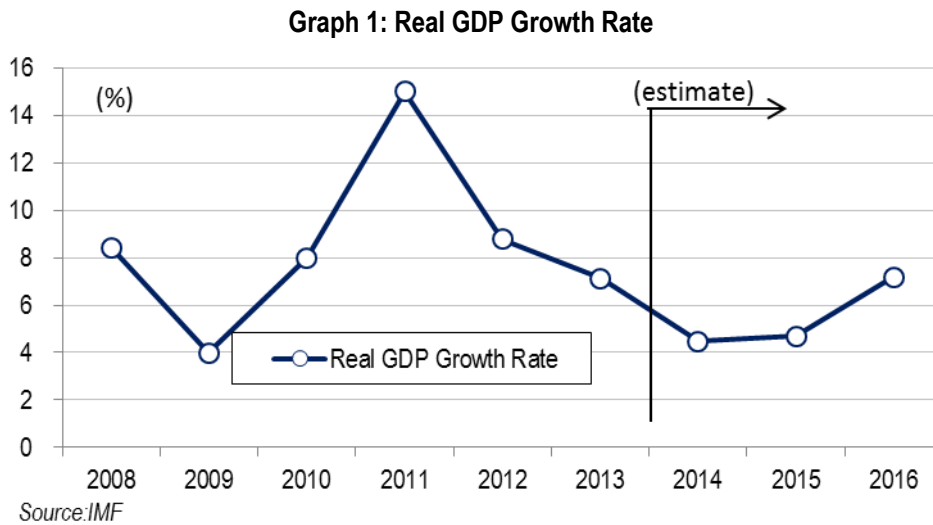
**Picture 4:** guinea fowl soup

**Picture 5:** Snail appetizer

Historically, Ghana gained its independence from Great Britain in 1957 led by Kwame Nkrumah and his Convention People's Party (CPP) and became a republic in 1960. Mr. Nkrumah, who has been called "the father of African nationalism", was overthrown by a coup in 1966. An unstable political period followed with many coups taking place until Jerry Rawlings came to power in a military coup in 1981.

In the 1990s, Ghana began to move toward democracy. The presidential election of 2000 saw a peaceful change of government take place and the political situation has remained stable since. Ghana's current president is John Dramani Mahama who was elected in 2012. He had worked at the Japanese embassy in Ghana at one time and tends to be favorable to Japan in his outlook.

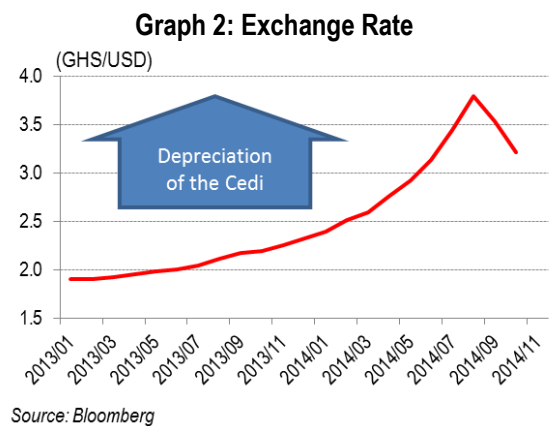
The recent economic situation in Ghana has been declining. It had an average annual GDP growth from 2008 to 2012 of 8%, largely supported by oil production which started in 2010. However, in 2013, the growth rate fell to 7.1% and the IMF has forecasted a growth rate of 4.5% for 2014 (graph 1).



The main reason for the economic downturn is a huge government deficit that has led to the depreciation of the cedi (Ghana's currency) and corresponding increase in import prices resulting in rising inflation. The root cause of all these negative factors is the fiscal deficit generated by aggressive fiscal policy (a result of election promises) that included large salary increases for civil servants and subsidies to cover electricity costs.

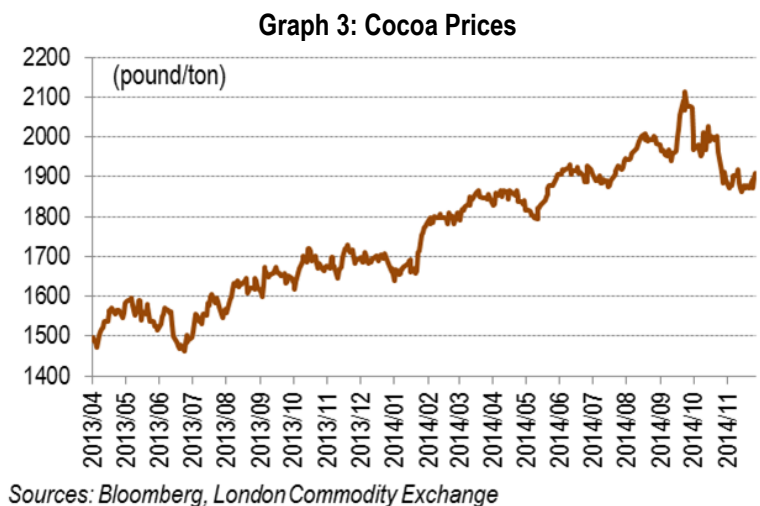
The rise in the salaries of government workers is a result of past government policies which promised salary increases to be carried out in stages. The problem is that the number of people who should not be receiving salaries has been increasing at each stage. These payments now account for more than 30% of all government expenditures, putting a great deal of pressure on the government's finances.

Initially, Ghana tried to deal with its deteriorating fiscal situation by rebuilding its finances on its own. However, the continuing depreciation of the Ghanaian cedi forced Ghana to turn to the IMF for assistance this past August. News that Ghana was seeking advice from the IMF seemed to have calmed the markets and the cedi's fall came to a halt (graph 2).



An IMF recommended course of action will naturally include tight fiscal policy. The introduction of austerity measures will initially lead to a decline in the economic growth rate, however, successful fiscal reconstruction would likely lead to a more sustainable growth path in the mid to long term.

While these austerity measures are unavoidable and the outlook for Ghana's economy will not be bright in the short term, cocoa prices are recovering from the sluggish market of 2012 and 2013, which contributed to the recent economic downturn, and re an important ingredient for an economic recovery [table 5].



Furthermore, production is expected to start in 2016 from a second new oil field in Ghana (the project is called T.E.N.), which more than anything else will help boost Ghana's economy in the mid to long term. Marubeni is investing in a floating production, storage and offloading vessel (FPSO) related to the new T.E.N. oil production project. So, although Ghana is facing a difficult macroeconomic environment in the short term, Marubeni has high hopes for the reemergence of the Ghanaian economy once this new oil project goes online.

In terms of doing business in Ghana, one merit is that it is one of the only officially English-speaking countries in West Africa. Another merit is that it is relatively peaceful and politically stable compared to neighboring countries. So, I would say it is a fairly easy place to do business.

So, please think about what kind of potential businesses we can do and the Ghana economy with chocolate in hand while you are working overtime.

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