

Business Briefing

*Fitch Revises Ghana's IDR from Stable to Negative*

Fitch, the International Credit Rating Agency, has revised the Outlook on Ghana's Long-term foreign and local currency Issuer Default Ratings (IDR) from stable to negative, casting doubts over the country's ability to service its debts in the future on time. It however affirmed the ratings at 'B'. The agency has also affirmed the Short-term foreign currency IDR at 'B' and Country Ceiling at 'B'. The issue ratings on Ghana's senior unsecured foreign and local currency bonds are also affirmed at 'B'.

The key rating drivers included Ghana's fiscal position which has worsened further over the past six months. Revenue underperformance and intractable expenditure on wages and interest led to a budget deficit of 10.8% of GDP in 2013, wider than the government's target of 9%. This, combined with a sharp 20% depreciation of the exchange rate, caused government debt to rise to 61.8% of GDP in 2013 from 48.9% in 2012. Fitch's public debt figure differs from the authorities' figure of 52.8% of GDP, due to Fitch's use of exchange rate data provided by Bloomberg to convert end-year external debt into domestic currency, in contrast to the authorities' use of the Bank of Ghana transaction rate. Also, Fitch forecasts a deficit of 9.3% of GDP for 2014, narrowing to 8.2% in 2015.

Ghana's current account deficit widened to 13.7% of GDP in 2013, with the balance of payments recording a deficit of USD1.1bn. Despite this deficit, gross reserves were unchanged due to increased use of swaps. However, Fitch expects inflation to average 15% in 2014. Fitch forecasts growth to average 5.7% between 2013 and 2015, compared with 8.1% over the previous five years. Ghana's business environment compares favorably even with 'BB' median countries. This is reflected in Ghana's ability to attract foreign direct investment.

Fitch assumes Ghana's GDP growth will remain above 5% in 2014-2015 and in the medium term. This in turn will depend on oil production coming on stream as expected; the continued development of the gold sector; and further investment in infrastructure. Fitch assumes that some fiscal consolidation will take place, albeit at a slower pace than the authorities' projections. Fitch assumes no sustained deep fall in commodity prices that would undermine an already weak external position.

Source: myjoyonline

GSE Snapshot

*Laggards are Double the Advancers*

Trading during the week on the GSE closed with fifteen (15) price changes, involving five (5) gainers and ten (10) losers, with Total Petroleum Ltd (TOTAL) emerging the highest gainer, adding 9% value to close at GHS6.50 per share.

Market Capitalization rose by 19bps, to GH¢58.68 billion.

A significant block trade in HFC of about 3 million shares culminated in the rise in the total volume traded to 4.87 million shares. Total value traded rose to GH¢7.33 million.

Nonetheless, the indices extended losses in the week. The GSE Composite Index (GSE-CI) slipped 2.35 points to close at 2,386.39 points, returning a YTD gain of 11.24%. Also, the GSE-FSI shed 18.19 points, closing at 2,092.75 points, returning a YTD gain of 17.14%.

	21-Mar-14	28-Mar-14	% Chg
Market Cap (GH¢ 'm)	58,575	58,685	0.19
Value Traded (GH¢)	2,342,511	7,333,537	213.06
Volume Traded	723,910	4,865,444	572.11
GSE Composite Index	2,388.74	2,386.39	(0.10)
GSE Financial Index	2,110.94	2,092.75	(0.86)

Week's Gainers & Losers				
Equity	Week Open	Week Close	Change	YTD
	GH¢	GH¢	%	%
TOTAL	5.94	6.50	9.43	▲ 28
HFC	1.13	1.20	6.19	▲ 25
ETI	0.22	0.23	4.55	▲ 21
GOIL	0.79	0.81	2.53	▼ (9)
FML	7.44	7.45	0.13	▲ 13
MLC	0.37	0.35	(5.41)	▼ (8)
EBG	7.50	7.15	(4.67)	▲ 27
BOPP	3.10	3.01	(2.90)	▲ (6)
UTB	0.44	0.43	(2.27)	▼ (4)
CAL	1.00	0.98	(2.00)	▲ 1
PZC	0.64	0.63	(1.56)	▼ (20)
EGL	2.40	2.39	(0.42)	▲ 27
SCB	20.05	19.98	(0.35)	▲ 34
GGBL	5.92	5.90	(0.34)	▼ (5)
GCB	4.10	4.09	(0.24)	▼ (16)

Source: HFC Investments Research Database

## Corporate News

### *CAL Bank Appoints SSNIT Boss to Board*

CAL bank has appointed the Acting Director General of SSNIT Ernest Thompson as a member of its board of directors. Ernest Thompson was appointed by the board of the bank as a director on the 6th of February this year to fill a casual vacancy. The vacancy was created following the resignation of Ernest Kakra Essamuah last year. His election as a director was one of the resolutions passed by shareholders at the bank's Annual General Meeting (AGM) this week. The bank which saw its profits grow from a little over GH¢49 million to GH¢92 million for last year will also pay its shareholders GH¢0.053 per share in dividends for 2013. Addressing shareholders at the bank's Annual General Meeting in Accra, Board Chairman of the bank, Paarock VanPercy revealed that the bank paid GH¢ 33 million to government in taxes last year. CAL Bank has over the last five years seen consistent growth in profits. Meanwhile, CAL bank says it is still looking forward to merging with or acquiring another institution as part of its growth strategy. On the sidelines of the AGM, Managing Director, Frank Adu Jr. outlined the conditions for the planned move. He noted that they wouldn't mind a merger with a foreign bank but maintained that only on condition that it won't dilute the bank's indigenous identity. The bank recorded some strong growth in most of its areas of operations.

Source: citifmonline / myjoyonline

### *Finance Minister Calls for Establishment of Development Bank*

Finance Minister, Seth Tekper is calling for the establishment of a development bank. According to him, the development bank must have the Exim bank approach and must not necessarily be a state owned bank. He noted that we should be thinking of a development bank not necessarily a state owned but a bank that is deep enough to go into long term financing like mortgages as we don't have that yet. He was optimistic that the bank's establishment will tackle crowding out effects in borrowing and high interest rates in the country. Government and the private sector have for year's competed and depended on the same sources for short term borrowing. Seth Tekper explained that the bank's sole purpose will be tackling long term borrowing saying, "treasury bills we know are popular and till we started going into the sovereign bond, the three year and five year bonds the most reliable source of financing for the budget was the treasury bills which have high interest rates and we all know its effects." He added that "government itself must begin to look for a deeper source of financing particularly for the capital budget. Source: citifmonline

### *Paperless Clearing at Ports to Commence in April*

The Ghana Community Network Services Limited (GCNet), the e-Solutions provider to Government which developed and deployed the Ghana Customs Management System (GCMS) for clearing of goods at ports, in collaboration with the Customs Division of the Ghana Revenue Authority (GRA) is deploying the Paperless Clearing System across all customs entry points in the country. The Paperless Clearing System is currently implemented in Takoradi port and at the Kotoka International Airport (KIA). The new system requires that all Ministries, Departments and Agencies (MDAs) that issue permits and/or exemptions before goods are imported into the country are linked onto the platform to issue them electronically. Freight Forwarders and other actors in the Customs clearing process have also been migrated to the web-based platform namely the Ghana Integrated Cargo Clearance System (GICCS). GCNet was established to develop and operate a customised electronic system for processing trade and customs documents. The paperless clearing system would therefore mean that all parties involved in valuation, classification of imports, issuance of permits, settlement of cash and all other activities relating to the clearing process will be web-based so as to facilitate a seamless system without recourse to much paperwork. The system which also has an audit trail currently have over 16 MDAs and permit granting agencies, connected electronically onto the system. For instance, Ghana Free Zones Board, Minerals Commission, Ghana Investment Promotion Centre, Ghana Standards Board, Destination Inspection Companies (DICs), the Food and Drugs Authority (FDA), the Environmental Protection Agency (EPA) etc. all issue their permits electronically using the platform. It is in this vein that the GCNet has appealed to importers and Freight Forwarders to migrate on to the TradeNet electronic system by April this year to facilitate clearing at the Tema port.

Source: Daily Graphic

## Numbers Making Headlines

### 179%

HFC Bank closed the year 2013 with an impressive growth of 178.99% in its profit after tax, which stood at GHS36.34 million. The bank recorded notable growth in its income lines, as interest income as well as net fees and commissions booked year-on-year (y/y) growth in excess of 70%. Despite a charge of about GHS10 million for impairment, the bank's operating profit more than doubled, growing y/y by 211.5% to GHS45.85 million. Notwithstanding a tax expense of approximately GHS10 million that was paid, HFC Bank's bottom-line increased from GHS13.03 million in 2012 to GHS36.34 million in 2013. Meanwhile, the Bank has announced that its Annual General Meeting will be held on April 24, 2014.

### 36%

Barclays Bank Ghana (BBG) has announced that last year, it recorded a profit before tax of GH¢202.5million, a figure that is a 34.2% jump from the previous GH¢150.8million recorded in 2012. The bank's Managing Director, Mrs. Patience Akyianu speaking at Barclays' annual general meeting, said the impressive out-turn was achieved despite volatility in the exchange rate, interest rate and margins pressure in the year under review. Profit after tax stood at GHS143 million, representing a 36% growth over the previous year.

### 27.1%

The year-on-year Producer Price Index increased by 27.1% from February 2013 to February 2014, representing an increase of 3.8% in producer inflation relative to the rate of 23.3% recorded in January 2014. According to Dr Philomena Nyarko, the Government Statistician, the month-on-month change in producer prices between January 2014 and February 2014 was 2.9%. She said the utilities sub-sector recorded the highest year-on-year producer price inflation rate of 55.7%. Dr Nyarko said during the 12-month period (Feb 2013 to Feb 2014), the highest year-on-year inflation rate of 27.1% for all industry was recorded in February 2014.

## Exchange Rates

By the close of the week, the Ghanaian cedi continued to loose ground to all the major international trading currencies. The year-to-date (YTD) performances indicates the cedi has depreciated against all the under-listed currencies, as indicated by the interbank mid-rates below:

Currency	21-Mar-14 (GH¢)	28-Mar-14 (GH¢)	Change (GH¢)	YTD (%)
US Dollar (USD)	2.6193	2.6725	0.0532	▼ 23.6
Pound Sterling (GBP)	4.3237	4.4401	0.1165	▼ 24.3
Euro (EUR)	3.6096	3.6726	0.0630	▼ 23.0
S/African Rand (ZAR)	0.2384	0.2502	0.0119	▼ 21.3
Naira (NGN)	0.0159	0.0162	0.0003	▼ 20.9

## Interest Rates / Yields

The returns on the funds managed by HFC Investments generally trended upward in the week. The short-term treasury securities (91-day and 182-day bills) also pursued an upward trajectory, by close of the week ended March 28, 2014, while the medium term notes (1-yr and 2-yr notes) remained unchanged, as indicated below:

Instrument	27-Dec-13 (p.a., %)	21-Mar-14 (p.a., %)	28-Mar-14 (p.a., %)	Investment Product	20-Mar-14 (GH¢)	28-Mar-14 (GH¢)	Change (GH¢)	YTD / Yield* (%)
91-Day Bill	19.22	23.51	23.69	HFC Equity Trust	0.4240	0.4268	0.0028	7.16
182- Day Bill	18.66	21.21	21.24	HFC Future Plan Trust	1.3036	1.3110	0.0074	6.04
1 yr Note	17.00	22.50	22.50	HFC Unit Trust (Bid)	0.2288	0.2299	0.0011	21.08*
2 yr Note (fixed)	16.80	23.00	23.00	HFC REIT (Bid)	1.6139	1.6199	0.0060	18.16*

## Contacts

### HFC Brokerage Services Ltd.

48A, 6th Avenue, North Ridge  
P. O. Box CT 4603, Cantonments, Accra  
Tel: 0302 664 203 / 0289 669 311

Emmanuel Agyekum, CEO, HFC Brokerage Services Ltd: ([eagyekum@hfcbank.com.gh](mailto:eagyekum@hfcbank.com.gh))

Madeline Nettey, Author & Publisher, HFC— ISL ([mnettey@hfcbank.com.gh](mailto:mnettey@hfcbank.com.gh))

Benjamin Ackah, Trading, HFC— BSL ([backah@hfcbank.com.gh](mailto:backah@hfcbank.com.gh))

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