

Government of Ghana



Ministry of Finance

SPEECH

“2018 CAPITAL MARKET WEEK”

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LABADI BEACH HOTEL

By Charles Adu Boahen, Dep. Minister for Finance

1. Mr. Chairman, Deputy Minister for Finance, Charles Adu-Boahen, the Director General of the Securities and Exchange Commission (GSE), the Managing Director of the Ghana Stock Exchange (GSE), Managing Directors of Capital Market firms, organizers of the capital market week, friends from the Media, Ladies and Gentlemen, I am delighted to address you on this occasion.
2. It is remarkable to see how the Ghana Securities Industry Association (GSIA) has evolved into such a strong and vibrant organization, with a strong commitment to ensuring the growth of the capital markets, promoting market education, and encouraging good ethical practices among players. I understand that the GSIA is currently responsible for organising this event, taking over from the SEC two years ago. I will commend you all for the great commitment to working together to shape the industry and most importantly to support government policy for the capital market.
3. I am humbled by the progress that we have made since 1990. Today, the market capitalization of the GSE is about GHS 58.3bn (about 30% of GDP) as at October 2017, while for the Ghana Fixed Income Market (GFIM) the total outstanding value for government securities and corporate securities for the same period were GHS 48.7bn (29% of GDP) and GHS 615.7m (0.36% of GDP) respectively. In terms of industry

dynamics, for example, we have over 269 asset management and investment advisory companies and 23 brokerage firms. These institutions combined employ more than 3,000 Ghanaians and are at the heart of supporting the raising of capital and the provision of investment solutions to thousands of Ghanaians. The combined clientele base of mutual funds in Ghana is in excess of 300,000 which really shows the impact of continued education on creating and promoting a savings culture, and provides future financial security for families and the aged – this is the heart of social protection and capital formation, but more needs to be done.

4. Mr. Chairman, in April when we took over, our country was honestly distressed. The debt to GDP ratio was about 73% and the fiscal deficit to GDP was about 9.4% as at year end 2016. There was limited fiscal space, and government needed to fix these constraints and create fiscal space. We took the decision as a first step to re-profile the country's debt – to extend maturities – this decision was critical for enabling macroeconomic stability. One of the key success factors of this policy stance was the access to a pool of funds from global mutual funds, pensions and insurance companies – who have invested in our local currency bonds having invested almost GHS 10bn in our local currency bonds in April including a debut 15-year bond which helped us successfully lower interest rates and restructure the average tenor of our debt stock thereby reducing rollover risk. This success re-

assured me of the need for us to develop our own domestic market and to promote the sources of long term fund which are insurance, pensions and collective investment schemes. In the 2018, budget we will have measures to support these providers of long term funds to become critical players in the economy.

5. A key foundation for capital market growth is the macroeconomic foundation of the country. We have taken steps over the past 9 months to stabilize the economy. This was underpinned by the 5 pillars of our macroeconomic reform: revenue growth, expenditure management, debt management, wage bill management, and the capping of earmarked funds. In response, inflation has slowed from 15.4% as at the end of 2016 to 12.2% by September 2017. The public debt slowed from 73% of GDP as at Dec. 2016 to 68% by August 2017. This supported a broad decline in benchmark yields, with the interest on the 91-day bill declining from 16.4% in Dec. 2016 to 12.8% by September 2017. We believe that in assessing the country's macroeconomic prospect this macro foundation will support growth, reduce debt accumulation, and promote export competitiveness and a robust financial sector.

6. Mr. Chairman, the behaviour in the stock market (your turf) can attest to this. After more than 4 years of dismal performance, the GSE has picked up strongly this year. It is

interesting to note that, the Ghana Stock Exchange Composite Index (GSE-CI) recorded a YTD gain of 37.6% as at September 2017, compared to -15.3% recorded in 2016, while the GSE Financial Stocks Index (GSE-FSI) also stood at YTD gain of 30.1% in September compared to -19.9% at the end of 2016. I believe that as the economy recovers, growth in the stock market will be even stronger.

7. Importantly, government intends to build on this foundation to support a strong capital markets growth in the coming years. Government's commitment to the capital market is to:
 - a. Improve market depth, which includes size, liquidity, and diversity of products
 - b. Improve market infrastructure, transparency, and regulatory environment, which includes strengthening the capacity of the SEC and market players, increasing minimum capital levels, setting up rating agencies to rate banks and insurance companies, and improving on data collection and availability
 - c. Establish a national investment bank and an international financial centre to leverage foreign capital flows to critical areas of the economy and for the sub-region
 - d. Develop our mortgage and housing finance market, especially with the capacity to provide cheaper local

currency mortgage and affordable houses uses modern technology

e. Set-up a commodities exchange, on which work is in an advanced stage and its important in support agricultural prices and promoting food security for the country

f. Leverage mobile money platforms to encourage financial inclusion, harness capital and use as a distribution platform to market and sell products

8. Mr. Chairman, the development of local investor capacity is fundamental to the future of economic growth and stability. In fact, reforms in the pensions and insurance industry over the past decade have resulted in over GHS10 billion of investment funds accumulated by pension, insurance and collective investment schemes. Our objective as a government is to properly put this pension funds to use. We have seen an estimated value of about GHS 5 billion of long term funds being locked up in short term opportunities in the banking sector, while at the same time our banks, especially majority owned local banks, are struggling to have access to long term funding. It is important that the financial sector, working with government, converts these institutional funds from short term opportunities to long term opportunities for the banks. We will announce this measure in the 2018 budget. Additionally, our intention is to also encourage pensions and insurance firms to also commit to investment in private equity and venture

capital, especially as we create the right environment for their success.

9. We also committed to enhancing financial literacy and awareness under the National Financial Inclusion and Development Strategy (NFIDS). While addressing the supply of the capital market securities / opportunities, it becomes imperative that a coordinated financial education program is also pursued to reach out to the general public in addressing the demand for these products and services. We hope that the new national payments system bill being developed will enhance digitization and support access to services in the financial services industry. We believe that our country can become a regional financial services hub, underpinned by a strong and thriving Fintech industry, and our initiative with young Ghanaians who are in the Fintech industry is critical for success. Another area is affordable housing and property rights. In the 2018 budget, we will include a mortgage product that will be priced at interest rates that will make it affordable for the average worker to access. We will also need to deepen the real estate market by issuing the regulations for REITS and mortgage backed securities.

10. Mr. Chairman, as I conclude, I would like to reiterate that, without taking bolds steps to make gains in the development of our market, our efforts to develop the local capital markets would be slower than necessary. The steadfast pursuit of

sound policies will help build trust and confidence and foster private sector participation to deliver economic growth.

11. In order to make the financial market more vibrant and inspire public confidence, I urge all to be proactive to contributing your quota to the development of the market in our quest to attract investment and continue to instil trust in investors. It is important that all regulators work together, and be mindful of their respective responsibilities to protect their market; and the various players have that duty of care, healthy competition and strong corporate governance which is key to delivering sustainable value.

12. I end here wishing you all a fruitful discussion on this thought provoking theme. God bless you all and our country. Thank you.