



2023 OUTLOOK OF THE BANKING INDUSTRY

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INTRODUCTION

- Over the years, the Ghanaian banking sector is noted for playing a pivotal role in the mobilisation of funds from disparate savers for short- and long-term investment. The sector further acts as a conduit towards the realisation of monetary policy; and promotion of financial inclusion, among others.
- The banking sector is entangled in macroeconomic instability, which comes with soaring inflation; unrelenting spike in interest rates; unsustainable debt levels; increasing unemployment; weakening domestic currency, etc. These macroeconomic indicators have a direct bearing on banks' performance; with the IMF predicting a gloomy picture for the banking sector in Ghana, if the economic conditions do not improve.
- Presentation on the 2023 outlook for the Ghanaian banking industry is hinged on prevailing economic conditions; and the eminent IMF programme. However, the following are key highlights:

01

Contributions of the Banking Industry

02

Current Performance

03

Fiscal and Monetary Position on the Banking Industry

04

Global Outlook and its Potential Impact on the The Ghanaian Banking Industry

05

Direction of the Banking Industry in 2023

CONTRIBUTION OF THE BANKING SECTOR TO THE BROADER ECONOMY

01 Credit to the Private Sector

04 Direct Contribution to Society through CSRs

02 Tax Revenue to Government

05 Facilitation of Gov't Programmes/Policies

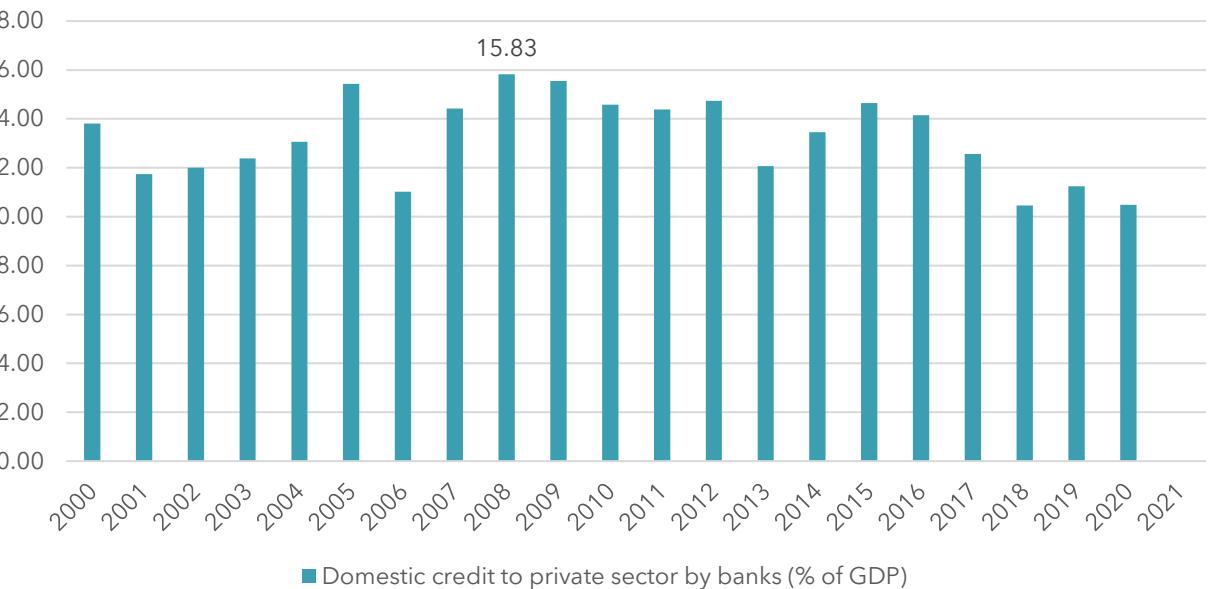
03 Employment Creation

06 Financial Inclusion

Credit to the Private Sector

The banking sector continues to be the fulcrum for SMEs; and the private sector in general. From the year 2000 through 2020, the banking sector's average contribution to the private sector was approximately 13.2% of GDP. Such contributions stimulate growth in the private sector where most businesses operate. In spite of severity of the pandemic during 2020, the banking sector provided credit equivalent to 15.83% of GDP to the private sector.

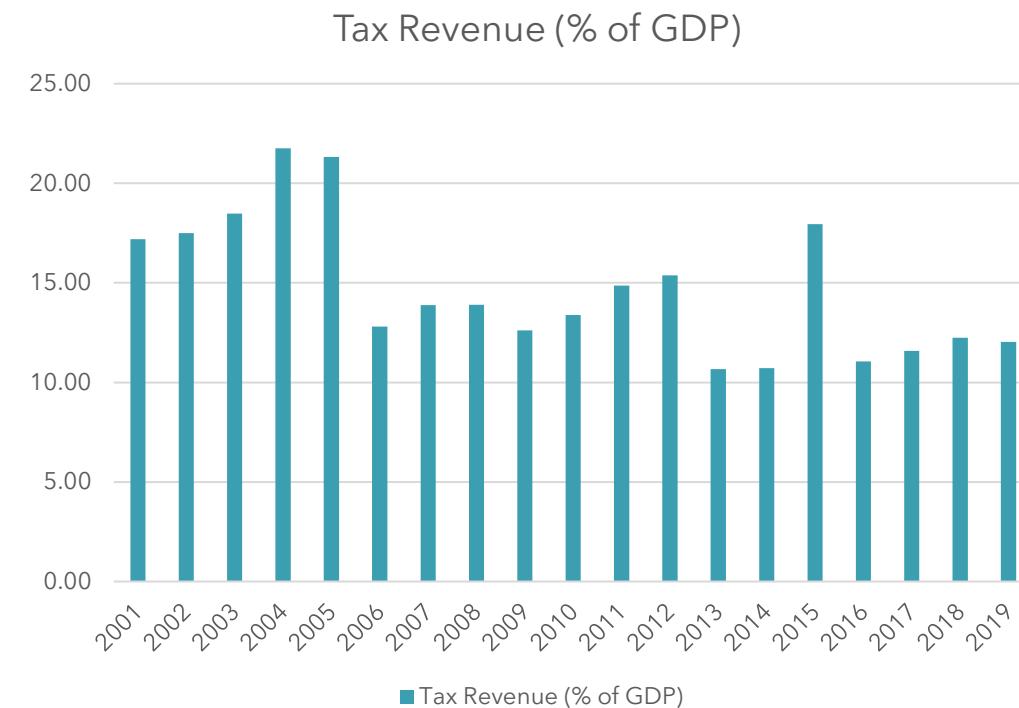
Domestic credit to private sector by banks (% of GDP)



CONTRIBUTION OF THE BANKING SECTOR TO THE BROADER ECONOMY (Cont'd)

Tax Revenue to Government

Ghana's tax revenue as a percentage of GDP is one of the lowest in Sub-Saharan Africa. The tax net is skewed towards the formal sector whilst the vast majority operate in the informal sector. With banks constituting huge chunk of the formal/service sector, it remains undoubtedly true that the sector generates a lot of revenue to government. Data from twenty-one (21) commercial banks indicated a sum of GHS2,620,900,000 as tax provisions for the banking industry in the 2021 financial year.



No.	Banks	Profit Before Tax		Profit After Tax
		(in GHS '000)	(in GHS '000)	
1	ADB	126,097	81,602	
2	ACCESS	500,906	321,578	
3	ABSA	1,060,472	692,519	
4	BOA	119,768	73,373	
5	CAL	325,674	215,239	
6	ECOBANK	886,318	579,442	
7	FIDELITY	504,544	341,520	
8	FAB	155,851	116,358	
9	FNB	-7,526	-4,090	
10	FBN	111,842	73,568	
11	GCB	809,805	556,667	
12	GTB	477,242	315,446	
13	REPUBLIC	125,649	81,698	
14	OMNIBSIC	-8,993	-8,993	
15	PBL	136,259	86,296	
16	SG-G	281,967	184,330	
17	STANBIC	647,662	405,190	
18	SCB	694,497	436,934	
19	UBA	218,814	141,765	
20	CBG	102,656	72,261	
21	ZENITH	334,204	220,105	
Total		7,603,708		4,982,808

CONTRIBUTION OF THE BANKING SECTOR TO THE BROADER ECONOMY (Cont'd)



Direct Contribution to Society through CSRs

In addition to providing credit to businesses, the banking sector also contributes directly to community development and nation building through its corporate social responsibilities (CSRs). Within the contemporary global business environment, CSRs have become instruments for promoting organisational image, enhancing growth; fulfilling moral obligation, tool for recompensing negative externalities, etc. In prior and recent years, Ghanaian banks have provided countless support for socio-economic development via their CSRs. The Development Bank Ghana for instance, has injected GH¢24.5 million into SMEs; ADB donated GH¢50,000.00 to the Tolon District Hospital; CBG donated GHS100,000.00 to support the Appiatsi explosion victims; First Atlantic Bank constructed classroom blocks for the Abua D/A Primary School; and the list continues.



Financial Inclusion

The competitive nature of the sector has caused most banks to extend their frontiers by penetrating other sectors and geographical locations that are unbanked; thereby paving way to all manner of individuals and businesses to access useful and affordable financial products and services.



Facilitation of Gov't Programmes/Policies

The banking sector serves as a channel in the implementation of monetary policy and other policies such as the infamous E-Levy, YouStart, Agric. financing, etc.



Employment Creation

The sector has created dozens of jobs for the teaming unemployed youth in the country hence, curbing the level of unemployment in the country. Presently, the sector remains one of the largest employers in the services sector; not to talk of the jobs created by the banking services' value chain.

CURRENT INDUSTRY PERFORMANCE



Industry fundamentals remain strong with better revenue conversion, but concerns remain over shrinking margins and liquidity challenges fueled by massive withdrawals; caused by the speculation on debt restructuring and inflation which is affecting the cost of living of Ghanaians. As at the end of the third quarter, return on assets (ROA) and return on earning assets (ROEA) recorded were 4.57% and 22.13% respectively. Industry total assets increased by 28% from GHS167 trillion in 2021(Q3) to GHS213 trillion in 2022 (Q3). Owing to inflationary pressures, the central bank increased the policy rate by 1000 basis points and had effect on short-term interest rate, reference rate and the average lending rate in the industry.

CAR and NPL

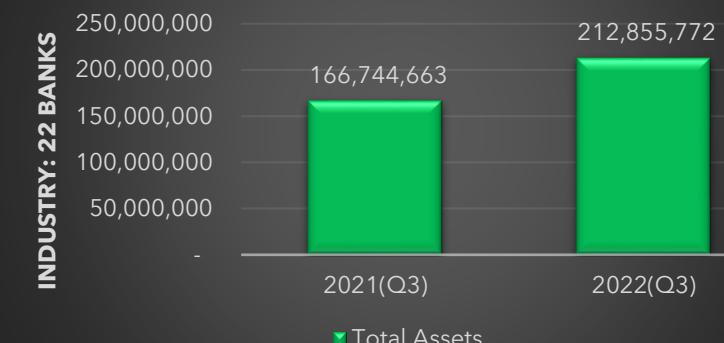
Capital Adequacy Ratio Non-Performing Loans



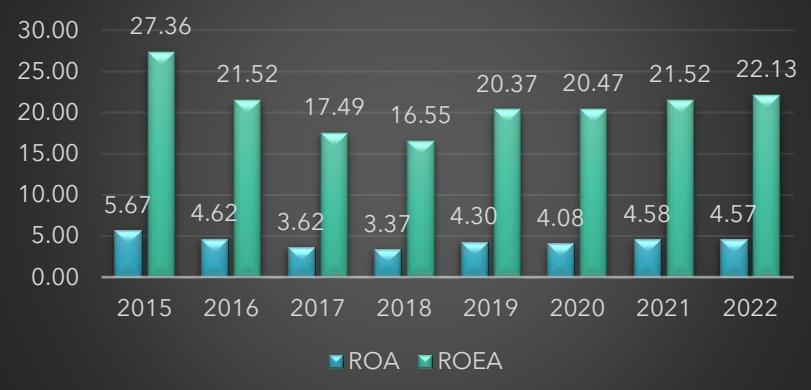
91 Day (Int)
182 Day (Int)
Policy Rate
Interbank
Ave Lending Rate
GRR



Total Assets: (in '000')



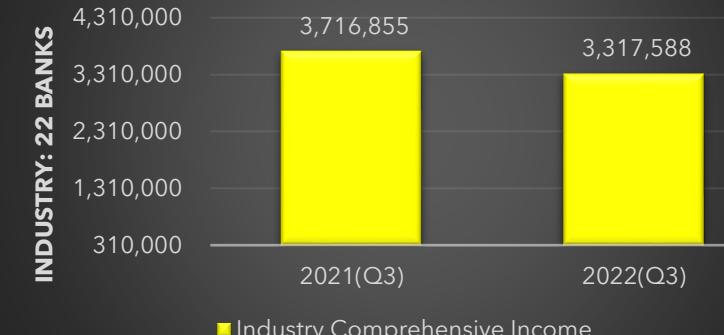
Returns (%)



Earning Assets/Total Assets (EA/TA)



Industry Comprehensive Income (in '000')



FISCAL POLICY POSITION AND THE BANKING INDUSTRY IN 2023

Government has outlined numerous contractionary fiscal measures intended to stabilise macroeconomic variables. Some of these measures that may have direct impact on banking activities are as follows:

01 2.5% increment in VAT and 35% marginal income tax rate



02 Reviewed E-Levy Act



03 Debt Operations



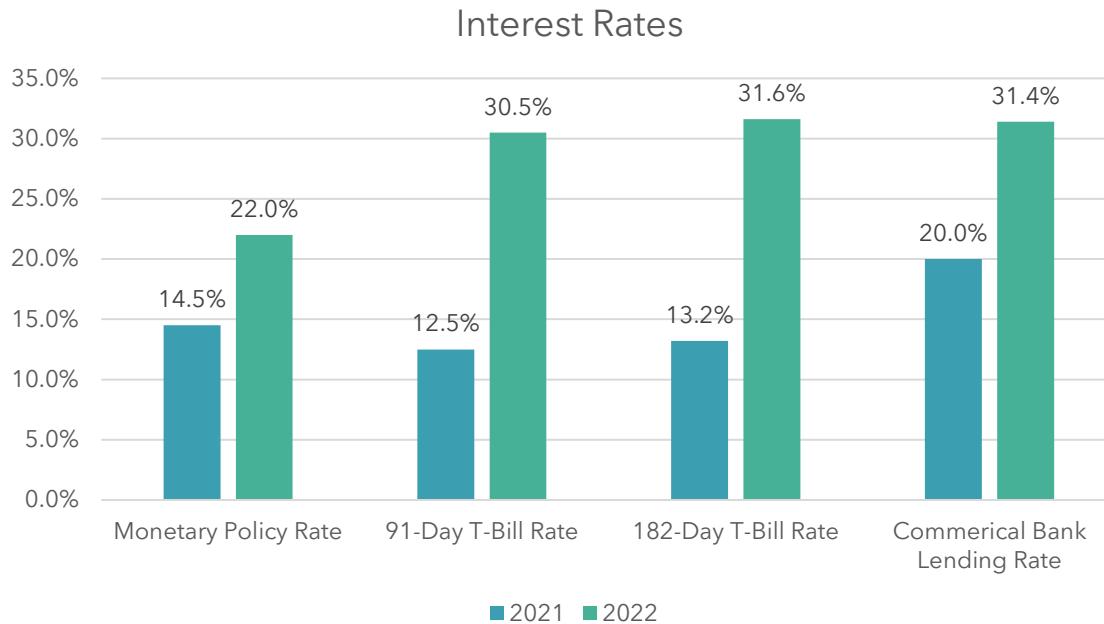
04 IMF Programme



MONETARY POLICY POSITION AND THE BANKING INDUSTRY IN 2023

01

Use of MPR to contain inflationary pressures



The central bank intends to use the Monetary Policy Rate (MPR) as the key monetary policy tool in managing inflationary pressures in the coming year.

It is worth-noting, this measure alone is not sacrosanct; and difficult to achieve the desired outcome in the short-term. In 2022, the MPR increased by 1000 basis points, yet inflationary pressures kept soaring. MPR should be complemented by efforts/policies aimed at strengthening the Ghana Cedi. Findings from a recent empirical research revealed bi-directional relationship between the exchange rate and inflation; and between interest rate and inflation. Therefore, addressing inflationary pressures transcends the scope of MPR.

02

Forex Purchases

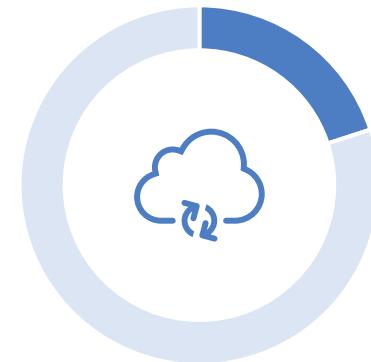
The Bank of Ghana is considering purchase of foreign exchange arising from the voluntary repatriation in the coming fiscal year. This is to help minimise the demand for the American dollar. Strong domestic currency has a favourable impact on the exchange rate and the interest rate. It is worth-stressing, the Bank of Ghana has successfully been working with the mining firms, international oil companies, and their bankers to purchase all foreign exchange.

GLOBAL OUTLOOK



Increasing Interest Rates in Advanced Economies

This is causing capital flight from developing economies like Ghana to the US, putting more pressure on the domestic currency; and on banks' capital.



Russia-Ukraine War

This would continue to affect global oil prices and performance of the Euro. The implications would reflect in the cost of imports from Europe and the price of petroleum products.



Oil Supply Declines

This is likely to cause a surge in fuel prices and its cascading effect on inflation.



COVID-19 in China

New cases are still sprouting, making it difficult for the government to abolish lockdowns; and fully open up the economy to the rest of the world. Ghana imports a lot of finished goods from China; and if this continues, access to certain products would become difficult.



Energy Transition (Clean Energy)

Priority is being placed on clean energy and ESG which is yet to be fully assimilated by the Ghanaian banking industry.

DIRECTION OF THE BANKING INDUSTRY IN 2023

Tight Banking Environment

Both Fiscal and Monetary Policy would be contractionary. Hence the general outlook for the industry will be tight

Liquidity and Capital Adequacy Issues

Debt operations/restructuring as a result of the IMF programme would affect the capital and liquidity of the banks.

Propensity for NPL to escalate

The general economic environment would be tight; and this would make it difficult for businesses and private individuals to fulfil their debt obligations.

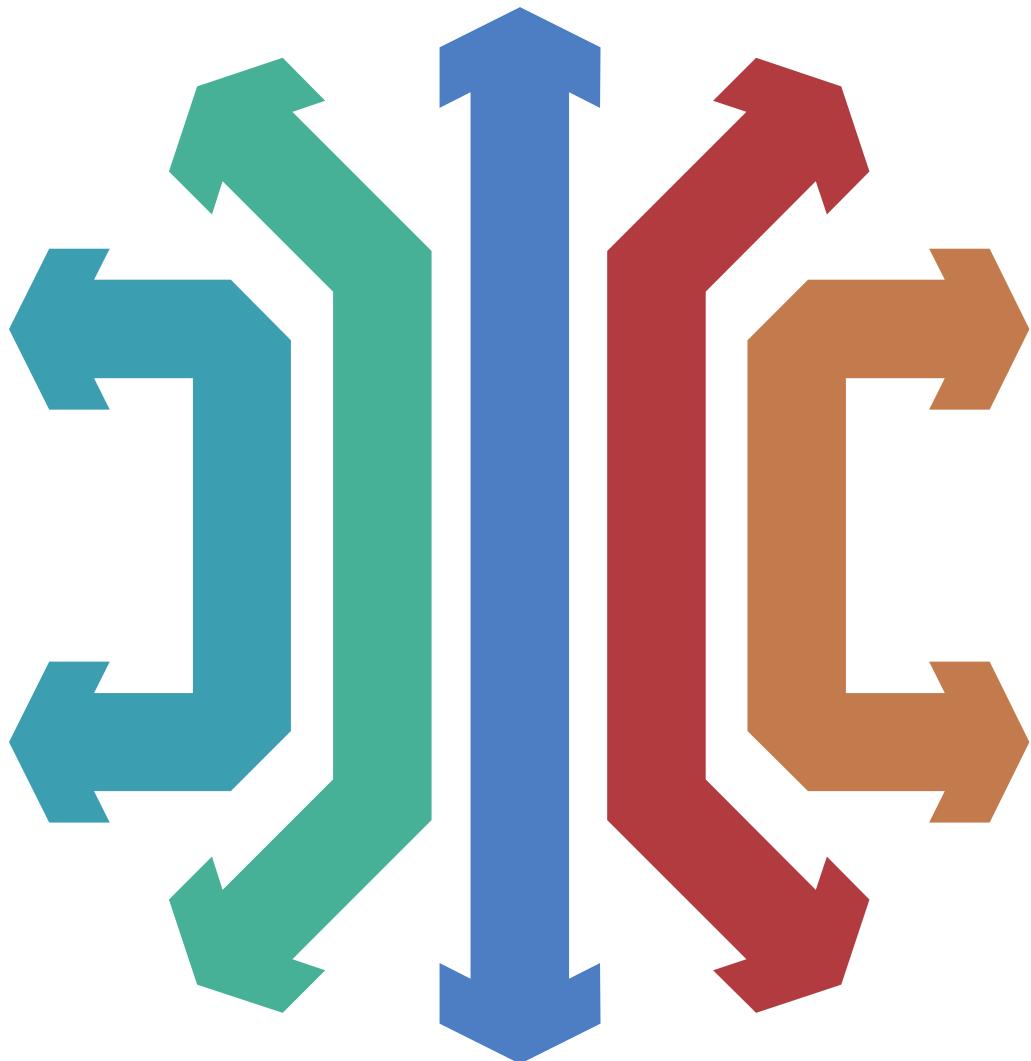
Low Credit to the Private Sector

As a precautionary measure, banks would generally be reluctant to lend to private businesses.

Increase in Operational Cost

General price level would go up, staffs would be demanding better conditions; and these would affect the operational cost of the banks.

COPING MECHANISM



**Liquidity Support from
Bank of Ghana**



**“Barbel” Investment
Strategy**



Innovation

THANK YOU



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