

FUNDAMENTALS

GHANA'S 1Q2025 REAL GDP GROWTH: Green Shoots in Tight Soil

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IN BRIEF

- Ghana's economy showed early signs of outperforming expectations in 2025, with real GDP growing by 5.3% y/y in 1Q2025, well above the 4.9% posted in the same period of 2024 and above our 4.3% forecast, despite ongoing fiscal restraint. Excluding the contraction in oil & gas sector, non-oil real GDP surged by 6.8% y/y, highlighting strong real sector momentum and bolstering our optimism for FY2025 growth although fiscal tightening is a downside risk.
- **From market stalls to megabytes: Trades and ICT lead the service charge to offset fiscal-dependent sectors.** The services sector grew by 5.9% y/y, led by trade (+7.1%), ICT (+13.1%), transport (+8.6%), and financial services (+9.3%), contributing 2.54pp to overall growth in 1Q2025. We believe easing price pressures and improving business confidence boosted activity in the price-sensitive trades sub-sector. However, public administration (-4.2%) and education (-4.0%) contracted in the period, reflecting a drag from fiscal austerity.
- **Robust growth in agriculture shows promise with a rebound in cocoa.** Agriculture sector grew 6.6% y/y in 1Q2025, driven by strong crops performance (+6.7%), ostensibly contributing to the easing food inflation. Though the 1Q2025 growth predate government investments, we expect the GHS 1.5 billion allocation under the Agriculture for Economic Transformation Agenda in the 2025 budget to boost crops output from 3Q2025, sustaining momentum through FY2025.
- **Industry sector loses steam as fiscal squeeze dampens momentum in construction with contraction in hydrocarbon.** Industry growth slowed to 3.4% y/y in 1Q2025, dragged by a 22.1% contraction in oil & gas and weaker construction growth (+1.5%), amid fiscal restraint and paused contractor payments. In contrast, manufacturing grew strongly by 6.6%, supported by easing inflation and improved Cedi stability. While fiscal austerity and low oil sector investment remain downside risks, we think a faster VAT reform rollout will boost manufacturing further. However, we retain our FY2025 forecast at between 3.8% – 4.8%, for now, pending the impact of fiscal squeeze on 2Q2025 growth.

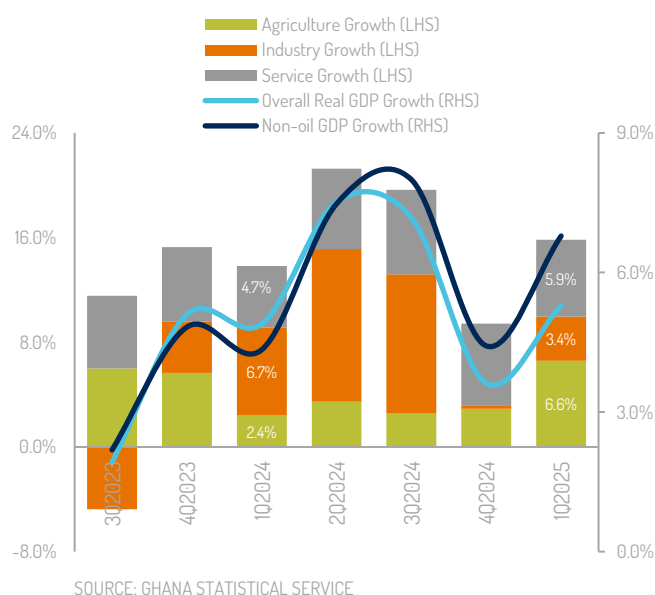
Private pulse defies public pause

The Ghanaian economy exhibited early indications of a possible outperformance in 2025 as real GDP growth defied the negative impact of fiscal restraint to post a better-than-expected outturn in 1Q2025. Overall real GDP growth came in at 5.3% year-on-year in 1Q2025 (vs our 4.3% estimate) compared to 4.9% recorded in the same period of 2024. Excluding the oil & gas sector (which shrank during the period), non-oil real GDP growth expanded by an impressive 6.8% year-on-year in 1Q2025. This reflects strong underlying momentum in the real economy and has significantly raised our optimism about Ghana's growth outlook for FY2025 despite the downside risks from fiscal tightening.

The stronger-than-expected expansion in overall and non-oil real GDP appeared to partly reverse the sharp slowdown witnessed in 4Q2024 as seeds of growth sprouted in agriculture amidst shifting growth poles from public to private engines. Our review of the growth dynamics in 1Q2025 suggest that despite the weaker momentum in fiscal-dependent sectors, the economy appears to be finding new impetus from ongoing rebound in overall private sector activity.

The broad sectoral view showed a strong rebound in agriculture to 6.6% year-on-year from the subdued 2.4% posted in the corresponding period of 2024, while the services sector also strengthened to 5.9% (vs 4.7% in 1Q2024). However, industry growth weakened markedly to 3.4% year-on-year, slowing from the robust 6.7% posted in 1Q2024 despite a 7th consecutive quarter of improvement in manufacturing sub-sector.

SECTORAL DISAGGREGATION OF REAL GDP GROWTH



From market stalls to megabytes: Trades and ICT lead the service charge to offset fiscal-dependent sectors.

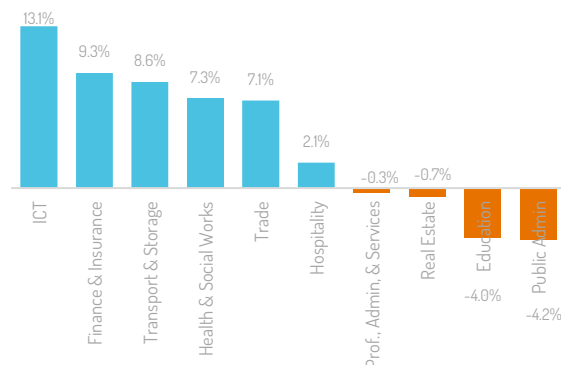
Services sector grew by 5.9% year-on-year in 1Q2025 (vs 4.7% in the like period of 2024), underpinned by stronger momentum in four engines of growth – consumer trade, digital economy, transport & storage, and financial services. Resultantly, the services sector contributed 2.54pp to overall growth in 1Q2025 (vs 2.04pp in 1Q2024).

The trades sub-sector, which represents the pulse of Ghana's informal economy, expanded by 7.1% year-on-year, marking the 4th successive quarter of strengthening growth momentum (vs 2.4% in 1Q2024). We believe this largely explains the 6.5% growth in the informal sector in 1Q2025 (vs 3.4% y/y in 1Q2024). In 1Q2025, we observed a steady improvement in the soft economic data as business and consumer confidence indices rose to 102pts and 103pts, respectively, from sub-100pts at the close of 2024. We attribute the improved soft data to easing price pressures and relatively stable exchange rate in 1Q2025, boosting activity in the price-sensitive trades sub-sector and pushing up the hard growth data.

Similar to trades, growth in transport (8.6% y/y) and financial services (9.3% y/y) sub-sectors strengthened for the 3rd and 6th straight quarters, respectively, as improving capital base boosted asset creation and profitability. We believe the transport sector benefited from the sustained decline in domestic ex-pump prices and renewed uptick in retail and wholesale trade activities. Despite a slower growth compared to 1Q2024, the ICT sub-sector continued its double-digit growth at 13.1% y/y in 1Q2025 (vs 18.0% in same period of 2024). We expect the double-digit momentum to continue in 2025 as CAPEX by telecoms operators is set to rise by USD 150mn (addition to investment plan for the year) on account of expected spectrum acquisition in early 3Q2025.

Unsurprisingly, we observed shrinkages in the fiscal-dependent sectors with education contracting by 4.0% y/y and public administration shrinking by 4.2%. We believe this reflects the economic drag from the fiscal austerity embarked upon by the new Ghanaian administration, which will cap the upside to FY2025 growth.

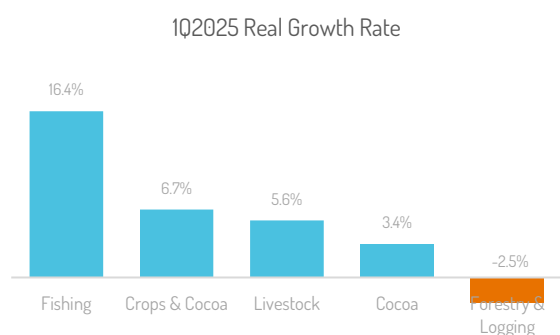
SERVICES SECTOR GROWTH DRIVERS IN 1Q2025



Robust growth in agriculture shows promise with a rebound in cocoa. The agriculture sector delivered a surprise 6.6% growth in 1Q2025 on the back of robust growth in the heavy-weight crops sub-sector (6.7% y/y) ostensibly reflected in the declining trend in annual food inflation since February 2025.

We note that the impressive performance in the crops sector is yet to reflect the Government's ongoing investment in agriculture with the target to support lower food inflation. The authorities earmarked GHS 1.5bn in the 2025 budget to support investment in grains, vegetables, and poultry under the Agriculture for Economic Transformation Agenda. We expect these public investments to start yielding results during the upcoming crop harvest in late 3Q2025, potentially sustaining the strong growth in Agriculture for FY2025.

AGRICULTURE SECTOR GROWTH DRIVERS IN 1Q2025



SOURCE: GHANA STATISTICAL SERVICE

Industry sector loses steam as fiscal squeeze dampens momentum in construction with contraction in hydrocarbon.

The industry sector lost momentum with a slower growth of 3.4% as a 22.1% y/y contraction in the oil & gas sub-sector compressed growth in mining & quarrying to 1.4% y/y (vs 12.8% a year ago). Additionally, construction sector growth weakened markedly to 1.5% y/y in 1Q2025 (vs 8.2% a year earlier). We believe the slower growth rate in the construction sub-sector reflects the restraint on public spending in 1Q2025 as the new administration paused claims payment to contractors, pending the audit of inherited arrears.

Notwithstanding the fiscal drag on key sub-sector, the price-sensitive manufacturing sector enjoyed a solid growth with a 6.6% expansion (vs 1.9% y/y in 1Q2024).

For the industry sector outlook, we continue to flag ongoing restraint in public spending as a downside risk to construction while the protracted low investment in oil fields exploration and development continues to weigh on growth in the hydrocarbon sub-sector. However, we expect the appreciation of the Ghanaian Cedi and the ongoing disinflation to sustain the improvement in businesses confidence, sustaining manufacturing sector growth.

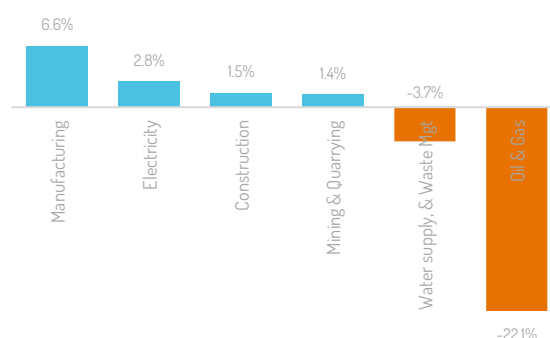
While we are less bullish on a quick completion of the VAT reforms in 2025, an earlier-than-expected completion for implementation in the 2025 mid-year budget review will further ease cost constraints for manufacturers. This will add further upside to overall real GDP growth for FY2025.

Against the backdrop of the solid growth momentum in 1Q2025 despite the fiscal restraints and given the much-improved outlook for the rest of 2025, we foresee FY2025 overall growth likely above our upper-band forecast of 4.8%. However, we opt to stay our forecast on hold within the current range of 3.8% – 4.8% as we await the extent of fiscal drag on the 2Q2025 performance.

YEAR-ON-YEAR		
	1Q2025	1Q2024
OVERALL REAL GDP	5.3%	4.9%
NON-OIL REAL GDP	6.8%	4.3%
AGRIC	6.6%	2.4%
Fishing	16.4%	4.7%
Forestry & Logging	-2.5%	-4.5%
Crops & Cocoa	6.7%	3.0%
INDUSTRY	3.4%	6.7%
Mining & Quarrying	1.4%	12.8%
Construction	1.5%	8.2%
Manufacturing	6.6%	1.9%
SERVICES	5.9%	4.7%
ICT	13.1%	18.0%
Finance & Insurance	9.3%	6.9%
Transport & Storage	8.6%	6.4%
Trade	7.1%	2.5%
Accommodation & Food Serv.	2.1%	6.4%

SOURCES: GHANA STATISTICAL SERVICE

INDUSTRY SECTOR GROWTH DRIVERS IN 1Q2025





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