



New Kwame Nkrumah interchange Accra

Ghana ranked 18th most attractive investment destination

Ghana is the eighteenth most attractive economy for investments flowing into the African continent, according to the latest Africa Investment Index (All) by Quantum Global's independent research arm, Quantum Global Research Lab. In 2016, Ghana attracted a net foreign direct investment of US\$3.5 billion.

According to research by Quantum Global Research Lab (QGRL), Ghana's economy has experienced strong and robust growth over the past decade, making its success a case worth emulating by its regional peers. Industry was the main driver of overall growth with an annual average growth of about 13 percent, followed by services with 8.4 percent and agriculture with about 8 percent. The strong growth record has fostered the country's graduation to lower-middle-income status in 2010.

Commenting on the Ghanaian economy, Prof Mthuli Ncube, Head of Quantum Global Research Lab stated: "Ghana's democratic attributes are as robust as its economic growth, and by improving policies and institutions, successive governments have been able to build an attractive business climate conducive to growth. These measures include reducing the number of days it takes to register a limited liability company and days spent on resolving commercial disputes in the courts. Furthermore, the election of a new Government in 2016 has revitalized the drive for higher growth and infrastructure investment, all which augurs well for investment opportunities in the country."

The research noted that whilst the economy continued to grow on a steady pace

until 2013, the GDP growth slowed from 7 percent in 2013 to 3.6 percent in 2016 due to structural challenges such as the on-going fiscal deficits pushing public debt to over 70 percent of GDP, trapping the country in a cycle of debt service and borrowing.

Furthermore, a 3-year power crisis and power rationing slowed down private sector's productivity and competitiveness. In addition, the significant external sector deficit and low world prices for the country's gold, cocoa and oil export were a major factor behind the economic slowdown.

According to the research, the financial sector in Ghana has undergone restructuring and transformation, and the supervisory framework is relatively strong. Bank credit to the private sector has increased, and capital markets are developing. The sector was rated as fairly developed by the 2014-2015 Global Competitiveness, with Ghana ranking 67th from 116th out of 148 countries.

According to the All report, the top five African investment destinations attracted an overall FDI of \$13.6bn. Botswana was ranked the most attractive economy for investments flowing into the African continent followed by Morocco, Egypt, South Africa and Zambia.

The All is constructed from macroeconomic and financial indicators and the World Bank Group's Ease of Doing Business Indicators (DBI). The DBI ranks countries in terms of a regulatory environment conducive to business operation.

The All focuses on 6 pillars or factors from a wider range of investment indicators, which include the share of domestic

investment in GDP, the share of Africa's total FDI net inflow, GDP growth rate forecast, population augmented GDP growth factor, real interest rate, the difference of broad money growth to the GDP growth rates, inflation differential, credit rating, import cover, the share of the country's external debt in its GNI, current account ratio, ease of doing business and the country's population size (Figure 1). The All indicators are based on secondary data collected from World Bank Development Indicators, IMF World Economic Outlook, UNCTAD Data Centre and own estimates.

The All is a combination of individual indicator's rank into a single numerical ranking. It averages the country's macroeconomic and financial indicators rankings on the six different factors. Each indicator, and hence factors, receives an equal weight. Their rank score is then averaged to produce the total average score which is consequently ranked from 1 to 54. The lower the value of the ranking, the better the implied business investment climate.

To produce an index score that captures medium-term changing aspects, individual country's ranking is scaled relative to a benchmark or reference value (i.e., the past 3-year rolling average ranking). See Table 1A. In addition to the intended measurement, this approach enables us to avoid periods of structural changes (which may compromise the index) that may be present in a longer time span, whether we consider a change from a reference average value or a historical reference period.