

# The Potential Impacts on the Ghanaian and African Economy

U.S. Slaps 10% tariff on Ghanaian exports: The Potential Impacts on the Ghanaian and African Economy



## Trump's Tariffs: The Economic Impact

### Highlights

**Credit to the private sector increased by 16.2%** year-on-year as of January 2025, compared to 29.3% in January 2024.

**Real credit growth adjusted for inflation remains subdued**, reflecting monetary tightening.

**SMEs and agriculture still face limited access** to affordable credit.

**Banking sector clean-up and debt restructuring programs** are reshaping credit supply behavior.

**Policy rate at 29% is constraining loan demand** and limiting credit expansion.

## Content

# The Current State of Ghana's Private Sector Credit Growth

## Highlights

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**Real credit growth adjusted for inflation remains subdued**, reflecting monetary tightening.

**SMEs and agriculture still face limited access** to affordable credit.

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**Policy rate at 29% is constraining loan demand** and limiting credit expansion.

## Research Methodology

This article relies on data from:

**Bank of Ghana (BoG) Monetary Policy Reports**

**Ghana Statistical Service (GSS)**

**International Monetary Fund (IMF) country data**

**World Bank financial inclusion updates**

Analytical reports and press releases from major financial institutions and think tanks.

## Key Statistics and Facts

<b>Indicator</b>	<b>Value</b>
Private Sector Credit Growth (YoY, Jan 2025)	16.2%
Real Credit Growth (adjusted for inflation)	~3.4%
Policy Rate (March 2025)	29.0%
Non-Performing Loans (NPL) Ratio	15.2%
Share of Private Sector Credit to SMEs	~16%
Credit to Agriculture Sector	<5% of total credit

## Critical Analysis

Despite a nominal increase in credit to the private sector, **real credit growth remains weak** due to persistently high inflation and interest rates. Monetary tightening by the Bank of Ghana, aimed at curbing inflation, has inadvertently restrained the expansion of credit needed for private investment and economic recovery.

### Financial Sector Restructuring Impact

Following the **Domestic Debt Exchange Programme (DDEP)** and banking sector clean-up, many banks are still **risk-averse** and focusing on high-yield, low-risk government instruments over private lending. This has worsened the already constrained access to finance, especially for MSMEs.

### Limited Sectoral Reach

While manufacturing and commerce dominate credit allocation, the **agriculture sector remains underfunded**, receiving less than 5% of private sector credit despite employing a significant portion of Ghana's workforce. This reflects structural imbalances and high perceived risks in agri-financing.

## Factors Impacting Credit Growth

<b>Factor</b>	<b>Influence</b>
<b>Monetary Policy Tightening</b>	Suppresses credit demand through high interest rates.
<b>Debt Restructuring</b>	Crowds out private credit due to bank preference for government securities.
<b>Inflation Volatility</b>	Erodes real returns and borrower confidence.
<b>Weak Credit Risk Infrastructure</b>	Poor borrower profiling and enforcement mechanisms discourage lending.
<b>Banking Sector Liquidity Constraints</b>	Constrained capital following DDEP limits banks' lending capacity.

## Projections

**Short-term (2025):** Credit growth is expected to hover around 14–18%, with real growth remaining modest unless inflation sharply declines.

**Medium-term (2026–2027):** With IMF-backed fiscal consolidation and declining inflation, real credit to the private sector may gradually increase to 6–8% annually.

**SMEs will remain underserved**, unless government guarantees, fintech credit solutions, or development bank schemes scale up.

## Recommendations

1.

**Strengthen Credit Guarantee Schemes:** Support SMEs through state-backed guarantees to mitigate bank risks.

2.

**Lower Lending Costs:** Gradually reduce policy rates as inflation trends down to incentivize private credit uptake.

3.

**Enhance Credit Risk Infrastructure:** Expand credit bureau coverage and enforce borrower data reporting.

4.

**Boost Agricultural Financing:** Leverage public-private partnerships and digital platforms to reach agri-businesses.

5.

**Promote Non-Bank Financial Institutions (NBFIs):** Expand access to capital for sectors underserved by traditional banks.

## Conclusion

While Ghana's private sector credit growth has shown nominal improvement, **structural constraints and monetary rigidity are limiting its transformative potential**. For the private sector to meaningfully contribute to economic growth, a multi-pronged strategy involving credit risk mitigation, policy rate moderation, and sector-specific interventions is required.

## Notes

The high cost of borrowing (lending rates averaging 30%+) remains a deterrent to expansion, particularly for informal businesses.

BoG's financial inclusion agenda through mobile banking and fintech could be a game changer if properly regulated and expanded.

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