

# Ghana to default on most external debt as economic crisis worsens

By [Christian Akorie](#) and [Cooper Inveen](#)

20 Dec 2022

Ghana on Monday, 19 December, suspended payments on most of its external debt, effectively defaulting as the country struggles to plug its cavernous balance of payments deficit.



Source: [Nutchu Dhiphiranyakul](#) © [123RF.com](#)

Its finance ministry said it will not service debts including its Eurobonds, commercial loans and most bilateral loans, calling the decision an "interim emergency measure", while some bondholders criticised a lack of clarity in the decision.

The government "stands ready to engage in discussions with all of its external creditors to make Ghana's debt sustainable", the finance ministry said.

The suspension of debt payments reflects the parlous state of the economy, which had led the government last week to reach a \$3bn staff-level agreement with the International Monetary Fund (IMF).

Ghana had already announced a domestic debt exchange programme and said that an external restructuring was being negotiated with creditors. The IMF has said a comprehensive debt restructuring is a condition of its support.

The country has been struggling to refinance its debt since the start of the year after downgrades by multiple credit ratings agencies on concerns it would not be able to issue new Eurobonds.

That has sent Ghana's debt further into the distressed territory. Its public debt stood at 467.4 billion Ghanaian cedis (\$55bn as per Refinitiv Eikon data) in September, of which 42% was domestic.

It had a balance of payments deficit of more than \$3.4bn in September, down from a surplus of \$1.6bn at the same time last year.

While 70% to 100% of the government revenue currently goes toward servicing the debt, the country's inflation has shot up to as much as 50% in November.

Ghana has been experiencing what some say is its worst economic crisis in a generation. Last month, more than 1,000 protesters marched through the capital Accra, calling for the resignation of the president and denouncing deals with the IMF as fuel and food costs spiralled.

Its gross international reserves stood at around \$6.6bn at the end of September, equating to less than three months of imports cover. That is down from around \$9.7bn at the end of last year.

The government said the suspension will not include the payments towards multilateral debt, new debts taken after 19 December or debts related to certain short-term trade facilities.



## Biden says US is 'all in' on Africa's future

15 Dec 2022



## 'Not coming out of the blue'

Holders of Ghana's international bonds confirmed in an emailed statement late on Monday the formal launch of a creditor committee aimed at facilitating the "orderly and comprehensive resolution" of the country's debt challenges.

Any good faith negotiations, the creditor committee said, would need to avoid unilateral actions and require the timely exchange of detailed economic and financial information between international bondholders, the government and the IMF.

The steering committee was made up of Abrdn, Amundi, BlackRock, Greylock and Ninety One, the group said in its statement.

Kathryn Exum, who co-leads Gramercy's Sovereign Research department, was hopeful about debt restructuring, noting that it should prove easier for creditors than other recent emerging market restructurings.

"It is more straight forward than the likes of Sri Lanka and Zambia, in the respect that there is not a lot of China debt," Exum said on Friday in comments anticipating the external restructuring.

One bondholder who requested anonymity said the lack of detail in the announcement could be cause for concern for investors.

Ghana's external bonds, which are trading at a deeply distressed level of 29-41 cents in the dollar, dropped with the 2034

bond losing more than 3 cents, Tradeweb data showed.

Nonetheless, some investors said the suspension of external debt payment was expected.

"It is in line with Ghana getting into talks about restructuring with various debt holders, so not coming out of the blue," Rob Drijkoningen, co-head of emerging market debt at Neuberger Berman, which holds some Ghanaian Eurobonds.

Ghana did pay a 16 December coupon due on a 2049 Eurobond, according to a person familiar with the matter.

It was not immediately clear if the debt service suspension would include a \$1bn 2030 bond that has a \$400m World Bank guarantee.

"We will not be commenting on the specifics of any particular bond or debt owed at this time, but... we are fully engaging all stakeholders," a finance ministry spokesperson told Reuters.

For more, visit: <https://www.bizcommunity.com>