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NTHC asks for GH¢500m bailout

• RCBs, retail investors potential beneficiaries

By **Suleiman Mustapha**

DISTRESSED stated-owned investment firm, the National Trust Holding Company (NTHC) has requested an urgent bailout from the government to enable it to meet its indebtedness to rural and community banks (RCBs) across the country.

The GH¢500 million bailout request is also expected to help the trust to settle its numerous retail customers, who have been victims of its liquidity crunch since 2019.

The company's debt overhang has its roots in the financial sector clean up exercise that occurred since August 2017.

In spite of the huge monies spent as a result of the banking crisis that threatened that country's financial landscape over the years, the deep-rooted challenges still linger with the rural and community banks feeling the brunt of the problem that has so far cost the taxpayer in excess of GH¢21 billion and counting.

Aside individuals and companies that suffered, many RCBs which were established many decades ago to help deepen financial inclusion as well as fund small businesses within their jurisdiction are on the verge of collapse.

This is as a result of their over-exposure to many of the financial institutions that have either collapsed or are on the verge of folding up.

The bailout, when granted, will also inject fresh capital into NTHC and help to restructure the company's indebtedness to its clients.

The request for a bailout is also triggered by large volumes of demands from investors who have their funds locked up with the company.

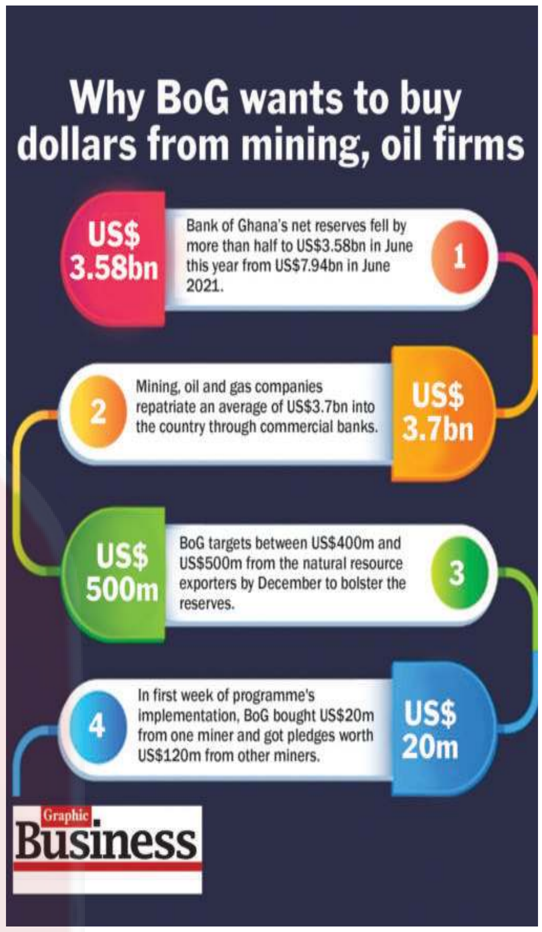
Debt obligations

The NTHC, which has a total portfolio of almost GH¢1 billion, has suffered some impairments from most of its assets and is currently unable to meet its debt obligations to customers and almost all the rural banks.

The Managing Director of NTHC, Isaac Charles Acquah, confirmed the company's

Continued on Page 06

Isaac Charles Acquah — Managing Director, NTHC



BoG to boost reserves by $500m

Page 03

Rising domestic airfares:

GCAA opens doors to more airlines

Page 14

GSE records GH¢31.13m profit

• Highest in 31-year history

Back page

Inflation

January '22	13.9	March' 21	10.3
February '22	15.7	April' 21	9.5
March '22	19.4	May 21	7.5
April '22	23.6	June 21	7.8
May '22	27.6	July 21	9.0
June '22	29.8	August 21	9.7
July '22	31.7	Sept '21	10.6
October	10.1	October '21	11.0
November	9.8	November '21	12.2
December	10.4	December '21	12.6

Macro Economic targets for 2022

Total Revenue	GH¢96.8bn
Total Expenditure	GH ¢135.7bn
Deficit	6.6% of GDP
Growth Target	5.7% of GDP
End of Year Inflation	28.5%
Primary Balance	0.4%
Gross Foreign Assets	4 months of import cover

TREASURY / INTEREST RATES

BoG Policy Rate	– 22%
91–Day T-Bill	– 27.61 %
182–Day T-Bill	– 29.94%
364–Day T-Bill	– 29.52%

Source: BoG

Illegal dollar trading fueling cedi fall

— Bankers

By ***Maxwell Akalaare Adombila***

BANKS have called for stringent measures to curtail access to foreign currencies (forex) in the country.

They said the easy access to forex, particularly the US dollar, through the informal sector was making it easier for people and institutions to hoard those currencies with the least sign of economic uncertainty.

The Chief Executive Officer of the Ghana Bankers Association (GAB), Mr John Awuah, said this created artificial demand for forex, leading to the perennial depreciation of the local currency.

Mr Awuah has, therefore, appealed to the Bank of Ghana (BoG) and the government to tighten control on access to forex and its discourage savings to help bolster the cedi's fortunes.

"Until the fight against illegal change of money from cedi to US dollar and vice versa is broken down and the few that will remain are abiding strictly by the Foreign Exchange Act, we cannot win this fight to strengthen the cedi," he said.

John Awuah — CEO, GAB

> *Until the fight against illegal change of money is broken down, we cannot win this fight to strengthen the cedi*

Policy tightening

Mr Awuah was speaking to the Graphic Business last Monday on the impact of the central bank's current tight policy stance in mopping up excess liquidity to mute inflationary pressures and strengthen the cedi.

At an emergency Monetary Policy Committee (MPC) on August 17, the bank raised the policy rate from 19 per cent to 22 per cent and also announced the phased increment of the cash reserve ratio from 12 per cent to 15 per cent.

The central bank said the measures were needed to reduce money in circulation and spur up demand for cedi assets to help douse inflation, strengthen the cedi and raise demand for domestic bonds.

The cedi has come under intense pressure this year, resulting in it losing about 25 per cent of its value to the US dollar as of mid-August.

The steep depreciation also fueled prices pressures, resulting in inflation peaking at 31.7 per cent in July.

Insufficient measures

Commenting on the development during the interview, the GAB CEO said he found the policy decisions to be insufficient in dealing with the current causes of the depreciation.

He said the excess liquidity that the central bank aimed to curb was either unrealistic or caused by activities in the informal sector, otherwise called 'black market.'

"I am not sure that banks have excess liquidity in the system.

"In the last two or three auctions that the government conducted, it was not able to raise the required amount.

"I am not sure if there was excess liquidity in the banks, the auctions would have failed," he said.

"There maybe excess liquidity but that may exist in the informal sector.

"It may be with people who are putting money under their beds and speculating on the currency," he said.

According to him, although informal sector activities were supposed to terminate in the formal banking sector, it did not necessarily happen that way.

Avenue to speculate

Mr Awuah said the issue of currency depreciation would continue to haunt the country for as long as there was an avenue to speculate on the currency.

That avenue, he said was fuelled by transactions in the informal sector, including the sprawling 'black market' for forex trading.

The GAB CEO defined the 'black market' to include the operations of forex bureau and one-man forex traders, mostly at Tip Toe Lane, Tudu, Mamobi and Osu in the Greater Accra and Alabar, Abuabo and parts of Adum in the Ashanti Region.

Way forward

Mr Awuah said unlike the banking sector where access to forex was restricted, documented and mostly backed by real demand, the same could not be said about the informal sector where patrons hardly provided identification documents and reasons for requesting the forex.

"Banks give US dollars out only for reasons that are justifiable; either you are travelling, buying something or sending to someone abroad.

"Forex bureaux do not do that in fact, as we speak, no forex bureau can access $2 million from the bank but I am sure that if you go to the 'black market,' you will get that amount and even more," he said.

"Where are they getting those funds from," he asked and further called for stricter measures to curtail inflows into the informal sector.