

Introduction

Asoko Insight and *Fraym* partner to look at two of Ghana's most dynamic sectors, banking and beverages. The analysis below leverages *Fraym's* hyperlocal consumer data and *Asoko's* pan-African corporate database to spotlight opportunities in Ghana's two largest cities, Accra and Kumasi.

Ghana's Tale of Two Cities: Accra and Kumasi

The Ghanaian economy is on the rebound after a tough economic downturn between 2014 and 2016. Throughout the period, however, Ghana maintained its place as a key business destination in West Africa. GDP growth has picked up from 3.8 percent during the country's slowdown to a forecast of 6 percent in 2017; Q2 alone saw 9 percent y-o-y growth. The majority of Ghana's growth takes place in the nation's cities, where more than half of the country's 28 million people live and work. Growth-minded companies should be aware of the key market trends in two cities in particular: Accra and Kumasi.

Accra: Hub for Growth

Fraym estimates that more than 2.3 million people, across 870,000 households, call the capital home, representing around 8 percent of the country's total population. This is expected to grow at 3.7 percent CAGR, hitting 2.6 million people by 2020. The city's metropolitan economy is set to grow in parallel with its population with local GDP predicted to hit around \$4 billion by the end of the decade (up from around \$3.9 billion now). Accra is, unsurprisingly, host to a bulk of the country's main businesses including, for the purpose of this report, the national headquarters of all banks and most beverage firms.

Kumasi: Ghana's 'Second City'?

It will surprise many then that Ghana's so-called 'second city', Kumasi, looks set to outweigh Accra's economy over the same period, with GDP projected to grow from approximately \$4.3 billion today to \$4.5 billion by 2020 (estimates from *Asoko* and *Fraym*). Kumasi is currently the country's largest urban center with 2.7 million people spread across 840,000 households. The city's population will reach nearly 3 million by 2020. While the local economy is focused on mining, logging, and cacao, the World Economic Forum has highlighted across-the-board growth in local employment (more than 5 percent last year), putting the city in the top 20 African cities for job creation. The city also hosts the headquarters of Ghana Guinness Breweries - the market leader in the Ghanaian beverage space.

Sources: *Fraym*, *Asoko Insight*, *Ghana Statistical Service*, *World Economic Forum*, *World Bank*, *IMF*, *UN*



Overview: Banking Industry

Ghana's banking industry is set for a shake-up as the Bank of Ghana (BoG) announced revised minimum capital requirements, non-performing loans (NPLs) continue to climb, and new innovations are rolled out to tap a large unbanked population.

In September, the BoG announced a long expected change to its minimum capital requirement for banks, tripling the requirement from \$27 million to around \$91 million. The measure is intended to strengthen the banking system by linking banking capital to portfolio risk, forcing banks to be more selective in loan issuance. NPLs currently represent more than 21 percent of bank portfolios, up from 18.8 percent in the same period last year, with large capital projects, particularly in energy, weighing on balance sheets.

Asoko expects that this policy change will also pave the way for several mergers and subsequently new entities in the banking sector as institutions try to shore up capital. For example, HFC Bank is reportedly in M&A talks with two other banks. At present, 37 universal banks operate in the country, of which 20 are domestic enterprises, across a network of almost 1,400 physical branches.

Despite structural weaknesses in the sector, banking growth is strong. As of October 2017, total banking assets stood at \$19.7 billion, marking a 30.8 percent y-o-y rise on \$15.1 billion in 2016. It is unsurprising then that financial services contributed around 9.4 percent to GDP last year - a figure that was just 2.7 percent ten years earlier. This contribution makes financial services the fourth largest contributor to Ghana's economy, behind horticulture (14.5 percent), construction (13.7 percent), and logistics (13.3 percent). According to Fraym, growth is set to continue as the sector has yet to maximize the potential market given that roughly 30 percent of Accra and Kumasi households are still unbanked.

The rate at which market potential is realised will therefore depend on the adoption of online and mobile technology in product offerings. Mobile money and non-bank mobile money in particular pose a challenge and an opportunity for traditional banking models, having picked up considerable momentum since these products entered the market in 2009.

Asoko Company Snapshots

Fidelity Bank Ghana Limited

HQ	Accra
Ownership	Privately-held
Incorporation:	June 2006
CEO/MD:	Edward Effah
Employee Range:	1001 - 2000
Revenue Range	\$100 - 200 million
Strategic Objectives (12 Months)	IPO, local expansion, new clients/off-take.

GN Bank Limited

HQ	Accra
Ownership	Privately-held
Incorporation	May 1997
CEO/MD	Issah Adam
Employee Range	1001 - 5000
Revenue Range	\$10 - 25 million
Strategic Objectives (12 Months)	Local expansion, technical partners, JV partners.

First Atlantic Bank Ghana Limited

HQ	Accra
Ownership	Privately-held
Incorporation	August 1994
CEO/MD	Odun Odunfa
Employee Range	201 - 500
Revenue Range	\$25 - 50 million
Strategic Objectives (12 Months)	Equity investment, local expansion.

Heritage Bank Limited

HQ	Accra
Ownership	Privately-held
Incorporation	December 2016
CEO/MD	Patrick E. Fiscian
Employee Range	51- 200
Revenue Range	TBC
Strategic Objectives (12 Months)	Local expansion (Kumasi), New clients/off-take.

Unbanked Households in Accra



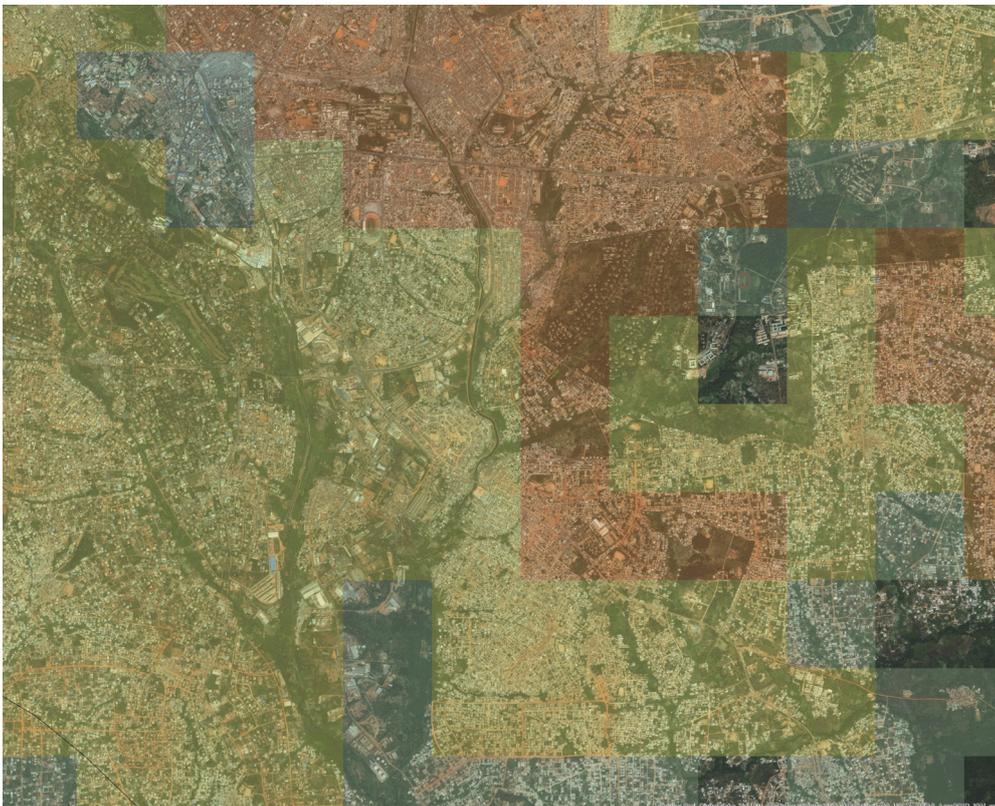
Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

- Unbanked households on average spend about \$3,600 per year compared to \$5,000 for banked households.
- Roughly 60 percent of heads of unbanked households have completed secondary education or higher.
- Only 35 percent of unbanked households own refrigerators compared to 75 percent for banked.
- Roughly 12 percent of unbanked households have some mode of private transportation such as motorbikes or automobiles, compared to 45 percent for banked households.

Unbanked Households in Kumasi



Each 1 square kilometer shaded grid represents at least 100 households without a bank account.



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

- Unbanked households on average spend about \$3,500 per year compared to \$4,300 for banked households.
- Roughly 63 percent of heads of unbanked households have completed secondary education or higher.
- Only 45 percent of unbanked households own refrigerators compared to 78 percent for banked.
- Roughly 10 percent of unbanked households have some mode of private transportation such as motorbikes or automobiles, compared to 26 percent for banked households.

Overview: Beverage Industry

Despite relatively subdued economic growth over the last three years, momentum in Ghana's beverage market has shown little sign of slowing down. In particular, alcohol consumption in Ghana is significant, with consumption set to grow 6.9 percent CAGR over the next four years. Ghanaians already rank among some of the most regular drinkers on the continent, with an average annual alcohol consumption of 5.4 litres of alcohol per capita. This places Ghana above key regional markets such as Ethiopia, Kenya, and Zambia, while still some way behind regional leaders South Africa, Namibia, and Nigeria.

Fraym estimates that there are 142,000 and 98,000 alcohol-consuming households across Accra and Kumasi respectively. Beer is the preferred beverage, followed by spirits and wine. On average, Ghanaians spend around 42 percent of their income on food and beverages, placing income growth at the core of the sector's success. The government estimates that by 2021 the \$1,000-5,000 income segment will include 50 percent of all households, up from around 30 percent currently. Rising incomes have not only contributed to more expenditure, but have allowed Ghanaians to substitute unbranded local drinks such as *pito*, palm wine, *akpeteshie*, and *burukutu*, for branded equivalents or branded beers and spirits.

Growth has not gone unnoticed by local producers and has driven a number of notable expansion plans. In April 2017, Accra Brewery Limited, SAB Miller's local subsidiary, launched the construction of a \$30 million production line, following the doubling of its capacities in 2015 through a \$100 million expansion. In late 2015, Kasapreko commissioned a \$70 million factory at its Accra premises, which involved setting up four additional production lines.

Asoko Company Snapshots

Kasapreko Company Limited

HQ	Accra
Ownership	Privately-held
Incorporation	March 1989
CEO/MD	Richard Adjei
Employee Range	501 - 1000
Revenue Range	\$25 - 100 million
Strategic Objectives (12 Months)	New clients/off-take, strategic consulting, new distributors.

Accra Brewery Limited

HQ	Accra
Ownership	Listed
Incorporation	June 1931
CEO/MD	Philip Redman
Employee Range	201 - 500
Revenue Range	\$25 - 100 million
Strategic Objectives (12 Months)	Local expansion, new suppliers.

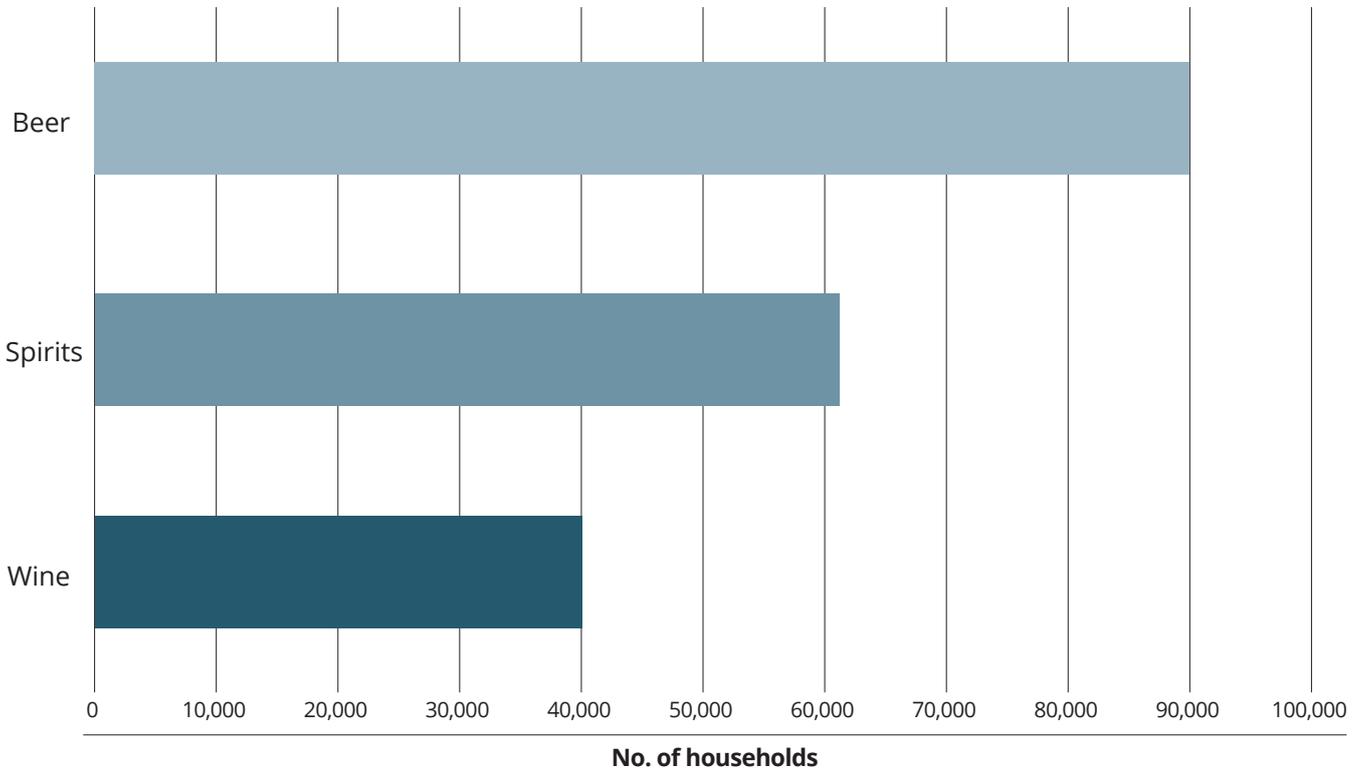
West Coast Beverages

HQ	Accra
Ownership	Privately-held
Incorporation	December 2004
CEO/MD	Richard Wright
Employee Range	51 - 200
Revenue Range	\$10 - 25 million
Strategic Objectives (12 Months)	International export, new distributors, new clients/off-take.

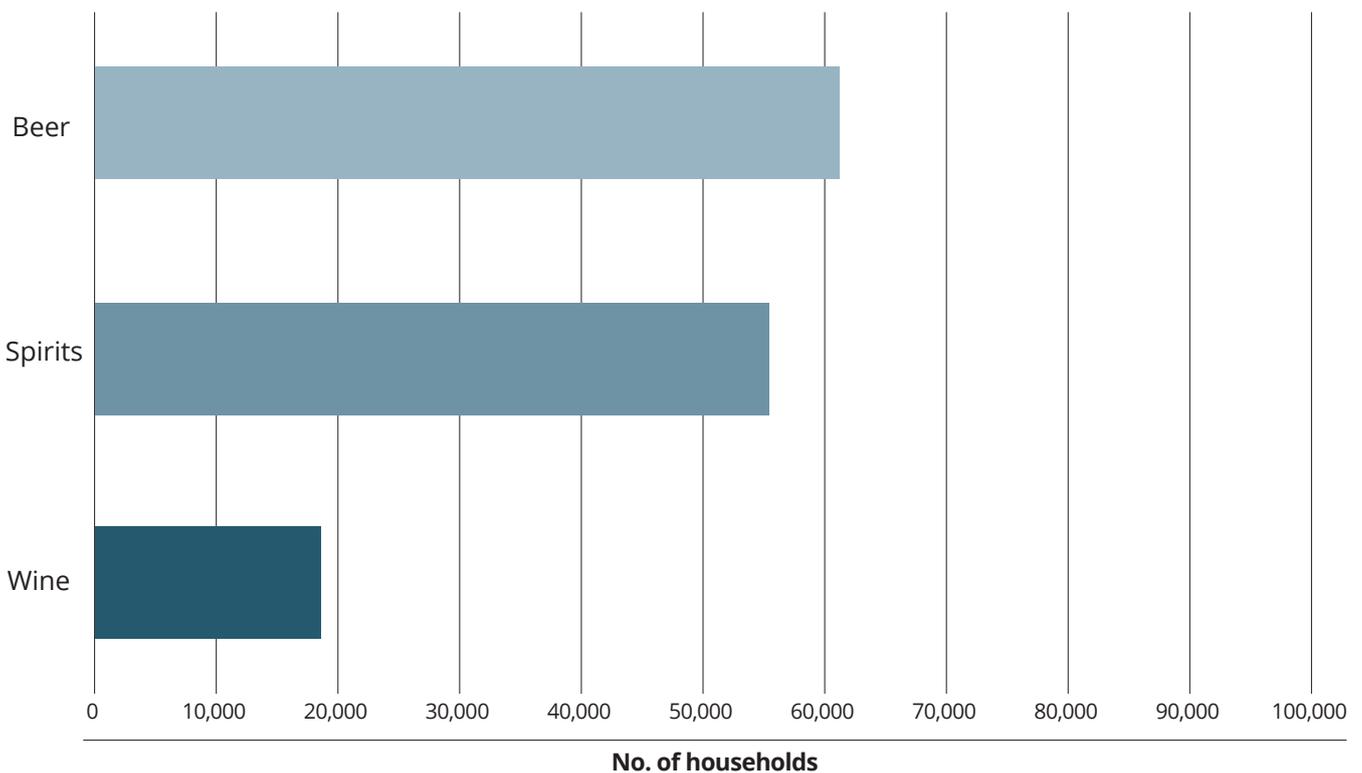
Guinness Ghana Breweries Limited

HQ	Kumasi
Ownership	Listed
Incorporation	1991
CEO/MD	Francis Agbonlahor
Employee Range	1001- 5000
Revenue Range	\$100 - 500 million
Strategic Objectives (12 Months)	New suppliers, international export

Monthly alcohol consumption in Accra, Ghana



Monthly alcohol consumption in Kumasi, Ghana





About Asoko Insight

Asoko Insight is Africa's largest online repository of privately-held company information. Users of Asoko's platform can instantly screen thousands of Africa's most dynamic companies by location, sector, activity, size, management, ownership and news developments. Asoko's research teams are based in Accra, Addis Ababa, Kampala, Lagos, Nairobi and Abidjan.

www.asokoinsight.com



About Fraym

Fraym is a geospatial data and analytics company focused exclusively on the African continent. Its proprietary platform delivers hyperlocal insights for cities and nearly any customizable geographic area. The platform is powered by the combination of the latest satellite imagery and geostatistical datasets with over 50 billion data points from hundreds of professionally-enumerated household surveys.

www.fraym.io