MACRO-FISCAL PROFILE

GHANA

May 2016

Key Indicators	
Population (2014)	26.8 million
Per capita GDP (constant USD, 2015)	$765
Average annual population growth rate (2010-2014)	2.4%
Government revenue as % of GDP (2014)	19.4%
Country income classification	Lower-middle

Source: World Bank, 2015b.

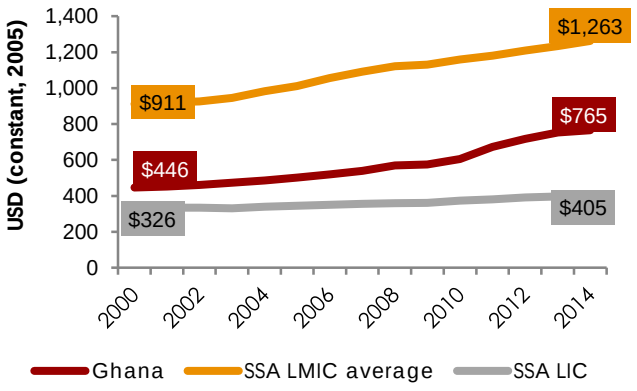
Country Policy and Institutional Assessment Ratings (1 = low, 6 = high)	National	Mean SSA
Efficiency of revenue mobilization	3.5	3.5
Equity of public resource use	3.5	3.3
Fiscal policy	2.5	3.1
Macroeconomic management	2.0	3.5
Quality of budgetary and financial management	3.0	3.1

Source: World Bank, 2015a.

Macroeconomic Forecasts					
Indicator	2013	2014 (est.)	2015 (proj.)	2016 (proj.)	
Real GDP growth	7.3%	4.2%	3.9%	5.9%	7.5%
GDP per capita growth	5.2%	2.1%	1.9%	3.9%	4.8%

Source: AEO, 2015; IMF, 2014.

Figure 1: GDP per Capita Growth



Source: World Bank, 2015b.

Overview

In 2015, economic growth in Ghana slowed for the fourth consecutive year, as the country faced a severe energy crisis and a sharp depreciation of its currency. Additionally, current account and fiscal deficits increased in 2014 to unsustainable levels of 9.2% and 10.4% of gross domestic product (GDP), respectively, whereas the inflation rate averaged 17%. By the end of 2014, foreign reserves were at 3.2 months of import cover and public debt had increased to 67% of GDP. To address these key macroeconomic imbalances, in 2015 the government started negotiations with the International Monetary fund for a stabilization program.

Oil and gold are the country's major exports (Okudzeto et al., 2015). Ghana is not considered a resource-dependent country, but its resource rents account for nearly 18% of GDP. Growth in Ghana has been inclusive. Most of the jobs generated are in the informal economy. Significant gains have been made in reducing extreme poverty, but four out of 10 regions are lagging behind, with rising income inequality across regions. Overall growth is forecasted to rebound in 2016.

Political Economy

Ghana exhibits average or below average levels of performance regarding policy-responsive and efficiency indicators compared to average values for sub-Saharan African (SSA) countries. Macroeconomic and fiscal policies are inconsistent with macroeconomic and price stability; crowding out of the private sector may occur. Some degree of public expenditure is aligned to poverty reduction, as evidenced by improvements in poverty and social indicators and Ghana's transition to lower middle-income country (LMIC) status (IMF, 2014). Policies and priorities are explicit but not linked to the budget; there may be significant amounts of expenditure controlled outside of the budget. Significant delays occur in the preparation of public accounts.

GDP and Economic Growth

Ghana has registered moderate GDP growth over the last two years (4.2% and 3.9%), driven by the service and industry sectors. Over the medium term, GDP growth is forecasted to recover and grow by 6% in 2016, bolstered by projected increases in oil and gas production over the medium term, and increased private sector and public infrastructure investments.

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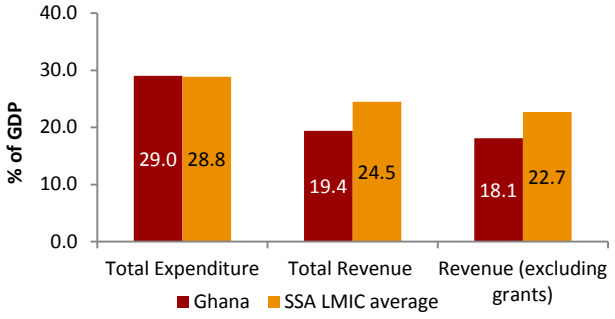
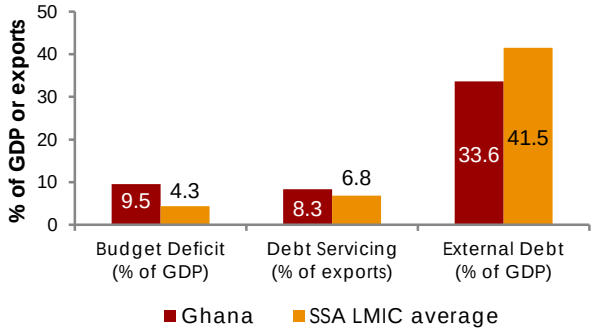
Figure 2: Government Revenue and Expenditure (2014)



Source: Okudzeto et al., 2015.

Figure 3: Government Borrowing (2014)



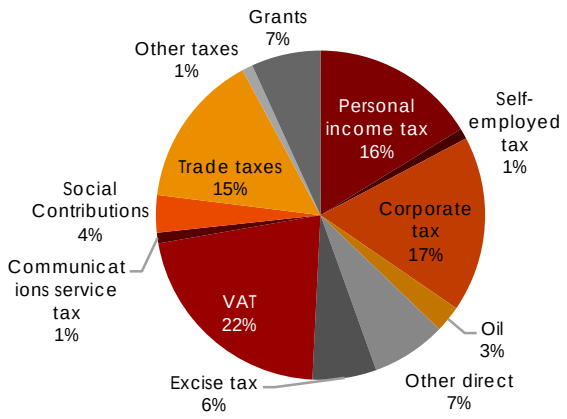
Source: Okudzeto et al., 2015.

Since 2000, real GDP has grown by an average of 6.4% annually, benefiting from the country's political stability. Also, per capita GDP in constant U.S. dollars has increased by an average of 3.97% annually since 2000, from US$446 to US$765 (Figure 1), outpacing the regional average for low-income countries (LICs) and LMICs—1.6% and 2.4%, respectively. In recent years, economic growth has slowed from previous high levels due to depressed private sector activity resulting from high interest rates and rising import costs; these import costs rose because of currency depreciation (IMF, 2014).

Government Revenue and Expenditure

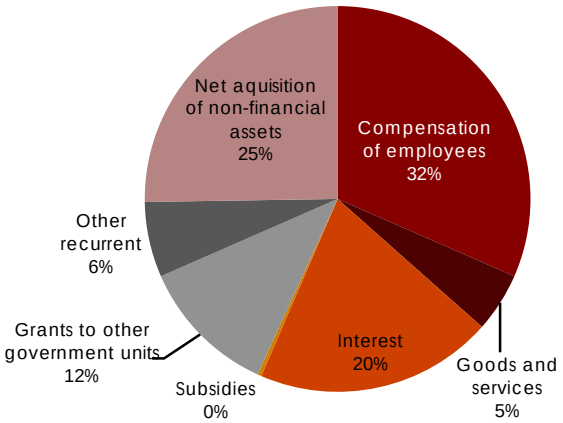
Though the tax base is not overly dependent on trade (Figure 4), and despite initiatives to raise tax revenue and control expenditure, the government has continued to register increasing budget deficits (Figure 2). Revenue generation was projected at 18% of GDP in 2014, falling short of its target of 21.6%. Meanwhile, total expenditure continues to increase, with wages accounting for a substantial share (Figure 5); in addition, high debt service (23% of domestic revenue) is a major obligation (Figure 3) that has narrowed the fiscal space for other activities, such as capital expenditure. Removal of oil and electricity subsidies has helped to increase revenue, but more needs to be done to reduce the deficit to a sustainable level (Okudzeto et al., 2015).

Figure 4: Revenue (2015 proj.)



Source: IMF, 2014.

Figure 5: Expenditure (2015 proj.)



Source: IMF, 2014.

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