GHANA

Table 1	2023
Population, million	34.1
GDP, current US$ billion	76.2
GDP per capita, current US$	2234.2
International poverty rate ($2.15)[a]	25.2
Lower middle-income poverty rate ($3.65)[a]	48.8
Upper middle-income poverty rate ($6.85)[a]	78.5
Gini index[a]	43.5
School enrollment, primary (% gross)[b]	97.9
Life expectancy at birth, years[b]	63.8
Total GHG emissions (mtCO2e)	18.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ Most recent WDI value (2021).

Ghana's economic conditions improved in 2023 but challenges remain, notably elevated inflation, subdued growth, and substantial pressure on public finances and debt sustainability. These lingering challenges will continue to subdue growth in 2024 at 2.9 percent but, in the medium term, growth will rebound to its long-term potential as prevailing conditions stabilize. Accordingly, lower growth projections coupled with recent bouts of high inflation mean that poverty in 2024 will be at its highest level in over a decade.

Key conditions and challenges

Ghana is in debt distress and public debt is unsustainable. In response, the Government has embarked on a comprehensive debt restructuring, a significant fiscal consolidation program, and the implementation of reforms to foster economic stability and resilience. The authorities' stabilization efforts are being supported by an Extended Credit Facility (ECF) program of the International Monetary Fund (IMF) for approximately US$3 billion. The program aims to attain a moderate risk of debt distress over the medium term and replenish the foreign exchange reserves of the Bank of Ghana (BoG) to cover three months' worth of imports by the conclusion of the program.

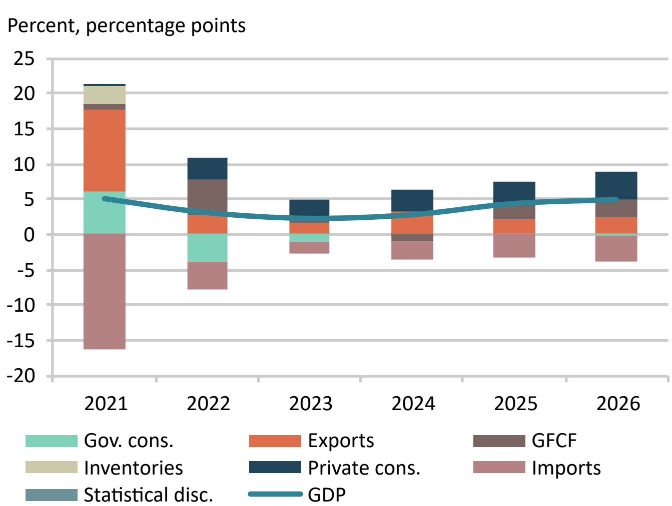
The crisis has taken a toll on the pace of economic growth – which decelerated to an estimated 2.9 percent in 2023 and is projected to remain weak in 2024. Returning growth to its potential rate of 5 percent will require macroeconomic stability. Over the longer term, structural reforms aimed at promoting private sector development and increasing FDI attractiveness are necessary to raise the country's growth potential. Critical reforms include strengthening the insolvency regime, access to finance, the energy sector, and the legal and regulatory environment faced by foreign direct investors. Accelerating digitalization and harnessing the opportunities offered by the Africa Continental Free Trade Agreement (ACFTA) through integration with global value chains will also be important in this regard. These will need to be complemented with measures to expand well-targeted social protection programs to mitigate the impact of the crisis and fiscal consolidation on the poor and most vulnerable.

Recent developments

In 2023, economic growth slowed down to an estimated 2.9 percent, albeit surpassing initial projections for the year. This growth was primarily driven by robust expansions in the agriculture and services sectors while industrial production fell by 1.2 percent due to contractions oil, electricity, and construction sub-sectors; and subdued growth in gold and manufacturing.

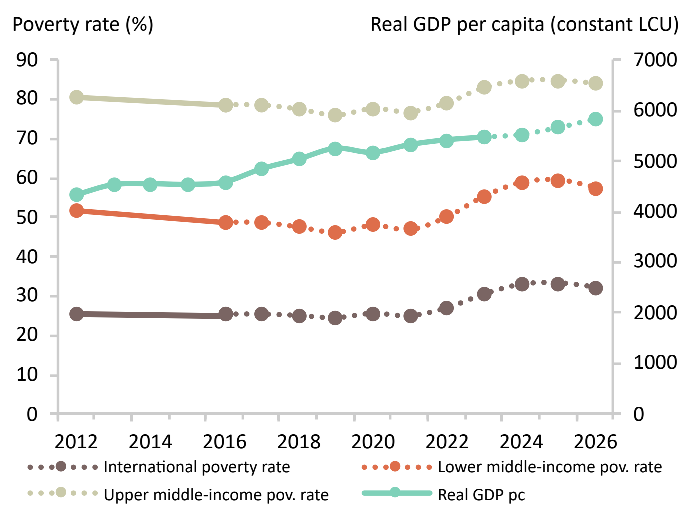
Fiscal consolidation is broadly on track with estimated deficit of 4.7 percent of GDP, significantly lower than the 11 percent deficit in 2022. At 15.7 percent of GDP in 2023, revenues and grants reached the same level as 2022 despite lower oil revenues. The government implemented measures to contain wage bill increase, reduced Capex and spending on goods and services leading to a reduction in expenditures from 26.6 percent of GDP in 2022 to an estimated 20.4 percent in 2023. Decreased in interest payments also helped contain expenditures. The key financial soundness indicators demonstrate overall stability but credit to the private sector has contracted reflecting increased risk aversion among banks, as non-performing loans ratio increased above 20 percent.

FIGURE 1 Ghana / Real GDP growth and contributions to real GDP growth



Sources: Statistical service and World Bank.

FIGURE 2 Ghana / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Inflation has declined significantly but remains well above the Bank of Ghana (BoG) target range of 8±2 percent. Year-on-year inflation fell from 53.4 percent in January 2023 to 23.2 percent in December 2023, reflecting more stable exchange rates and the effects of monetary policy tightening in 2022-23. Over the first months of 2024, the deceleration of inflation has stalled due to pass-through of the depreciation on prices of imported goods, on non-food inflation while food inflation marginally fell.

In 2023, the (pre-external debt restructuring) current account balance improved to an estimated deficit of 1.7 percent of GDP, from the 2022 deficit of 2.3 percent, as a decline in oil exports was more-than-offset by import compression, strong remittances, and lower income repatriation by mining and oil companies. The capital account continues to be in deficit due to weak FDI inflows and continued net outflows of portfolio investments. Thus, BOP remained in high deficit, at 3.2 percent of GDP. Gross international reserves was equivalent to 1.1 months of imports at the end of 2023, an increase from 0.7 months of imports in December 2022.

The immediate implications of the macroeconomic crises and debt distress in the country are the worsening in poverty and living standards of the population. The "international poverty" rate is estimated at 30.3 percent in 2023, a worsening of 3.5 percentage points since 2022.

Outlook

Growth is expected to remain weak in 2024 at 2.9 percent as the ongoing fiscal consolidation, high inflation rates, elevated interest rates, and lingering macroeconomic uncertainties are all projected to dampen private consumption and investment, limiting non-extractive sector growth. However, growth will gradually rebound to its long-term potential of approximately 5 percent by 2026 as prevailing conditions stabilize. The external sector is forecast to significantly improve over the medium term due to enhanced net capital inflows and continued trade surpluses.

In 2024, fiscal consolidation is expected to be on track due to continued revenue and expenditure reforms; and the external debt restructuring. By 2026, the authorities expect to generate a primary surplus of 1.4 percent of GDP, a fiscal adjustment almost 4 percentage points of GDP between 2023 to 2026.

Ghana's outlook is subject to significant downside risks as baseline projections depend on the completion of the authorities' comprehensive debt restructuring and successful reform implementation, including meeting projected revenue mobilization targets. Further, there is significant risks to financial sector stability, due to the DDE while exchange rate, credit, and liquidity risks further add to the vulnerabilities. Possible policy slippages due to the approaching end-2024 general elections represent additional domestic vulnerabilities.

Overall, the combination of economic challenges, fiscal consolidation measures, and downside risks suggests a challenging environment for poverty reduction efforts in Ghana. Adjustments to the country's main cash transfer program, Livelihoods Empowerment Against Poverty, are expected to help the poorest of the poor yet more is needed. Poverty is expected to change little between 2024 and 2025 and is expected to come down slowly by 2026.

TABLE 2 Ghana / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.1	3.8	2.9	2.9	4.4	4.9
Private consumption	0.8	4.8	4.6	4.9	5.0	5.7
Government consumption	82.1	-31.7	-8.0	1.9	-0.6	-2.2
Gross fixed capital investment	4.5	28.6	3.9	-2.7	9.3	9.9
Exports, goods and services	69.1	9.6	5.8	10.3	6.4	7.2
Imports, goods and services	113.8	13.8	6.3	8.3	9.2	10.1
Real GDP growth, at constant factor prices	5.4	3.7	2.9	2.9	4.4	4.9
Agriculture	8.5	4.2	4.5	3.2	5.4	3.9
Industry	-0.5	0.6	-1.2	3.8	4.1	5.8
Services	9.4	6.2	5.5	2.0	4.1	4.8
Inflation (consumer price index)	10.0	31.5	40.3	23.2	11.5	8.0
Current account balance (% of GDP)	-3.7	-2.3	-1.7	-1.9	-2.2	-2.4
Net foreign direct investment inflow (% of GDP)	2.0	2.0	1.5	2.7	3.3	3.4
Fiscal balance (% of GDP)[a]	-11.4	-11.0	-4.7	-5.0	-4.0	-3.5
Revenues (% of GDP)	15.3	15.6	15.7	16.7	17.3	18.2
Debt (% of GDP)[a,b]	76.7	88.7	86.1	83.6	80.9	77.9
Primary balance (% of GDP)[a]	-4.1	-3.6	-0.5	0.6	1.6	1.4
International poverty rate ($2.15 in 2017 PPP)[c,d]	24.8	26.8	30.3	32.9	33.2	32.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	47.0	50.2	55.3	58.7	59.4	57.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	76.7	78.9	82.8	84.6	84.8	83.9
GHG emissions growth (mtCO2e)	6.0	11.8	7.3	4.8	5.9	7.1
Energy related GHG emissions (% of total)	129.8	121.2	117.0	114.3	110.9	106.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal and debt forecasts do not factor in the impact of the ongoing Debt Restructuring (DR) as the process is yet to conclude.
b/ Starting from 2022, public debt numbers include, in addition to central government debt, explicitly guaranteed (and certain implicitly guaranteed) SOE debt, cocobills issued by Cocobod, and reconciled domestic arrears to suppliers.
c/ Calculations based on 2016-GLSS-VII. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.
d/ Projections using microsimulation methodology.