GHANA

Table 1	2021
Population, million	31.7
GDP, current US$ billion	76.5
GDP per capita, current US$	2411.5
International poverty rate ($2.15)[a]	25.3
Lower middle-income poverty rate ($3.65)[a]	48.9
Upper middle-income poverty rate ($6.85)[a]	78.5
Gini index[a]	43.5
School enrollment, primary (% gross)[b]	103.4
Life expectancy at birth, years[b]	64.3
Total GHG emissions (mtCO2e)	15.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ Most recent WDI value (2020).

Following a rebound in 2021, growth has moderated in 2022 and macro fundamentals have deteriorated, with inflation reaching its highest level in 18 years, forex reserves and the value of the cedi falling sharply, and Ghana losing access to the Eurobond market. As a result, the growth momentum has slowed further, debt sustainability metrics have worsened considerably, and inflation has pushed many Ghanaians into poverty.

Key conditions and challenges

Over 2010-19, GDP growth fluctuated between 2.7 and 6.5 percent, reflecting the economy's dependence on natural resources and exposure to external shocks. Macroeconomic management was likewise uneven, triggering regular fiscal crises. The economy is not sufficiently diversified: gold, cocoa, and oil exports accounted for more than 82 percent of all goods exports over 2019–2021, with a limited contribution of manufacturing. Meanwhile, Ghana's growth has not created sufficient job opportunities for the growing and increasingly young population, and labor has continued to move out of agriculture but mostly toward low value-added services, and some manufacturing.

The COVID-19 pandemic interrupted Ghana's strong growth trend and amplified the preexisting fiscal risks. While Ghana weathered the COVID-19 shock relatively well – growth slowed in 2020 but remained positive – significant macroeconomic imbalances resulted from highly accommodating fiscal policy.

Ghana's mounting debt stock and related financing needs are cause for concern with public debt-to-GDP consistently in excess of 70 percent since 2020. Fiscal consolidation has been slower than expected and the country has lost market access, with rating agencies repeatedly downgrading its sovereign debt. To meet its financing needs the Government has turned to expensive domestic borrowing which has increased debt vulnerability as well as the banking sector's exposure to sovereign risk, put pressure on domestic interest rates, and crowded-out private sector borrowers.

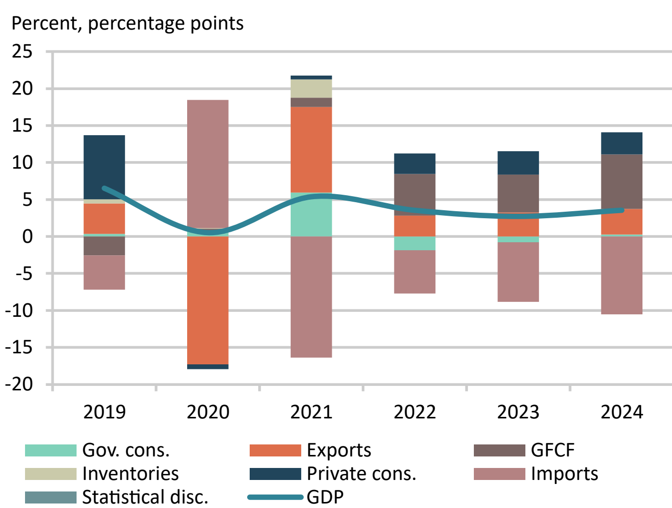
Recent developments

In the first quarter of 2022, GDP grew by 3.3 percent, year-on-year, down from 3.6 percent growth over the same period in 2021. Non-oil growth slowed down significantly (from 5.3 to 3.7 percent), with agriculture and services underperforming. On the demand side, growth was dragged down by high inflation, high interest rates and strict public expenditure controls, as revenues underperformed.

Fiscal pressures have remained high. Over the first half of 2022, the fiscal deficit reached 5.6 percent of GDP, well above the Government's 3.9 percent target. Revenues underperformed, as the flagship e-levy faced delays and major implementation challenges. As of end-June 2022, public debt reached 66.5 percent of GDP (which is projected to reach over 80 percent at the end of 2022) and interest payments amounted to 54.4 percent of revenues over the first half of the year. The authorities have begun discussions with the IMF on a possible program.

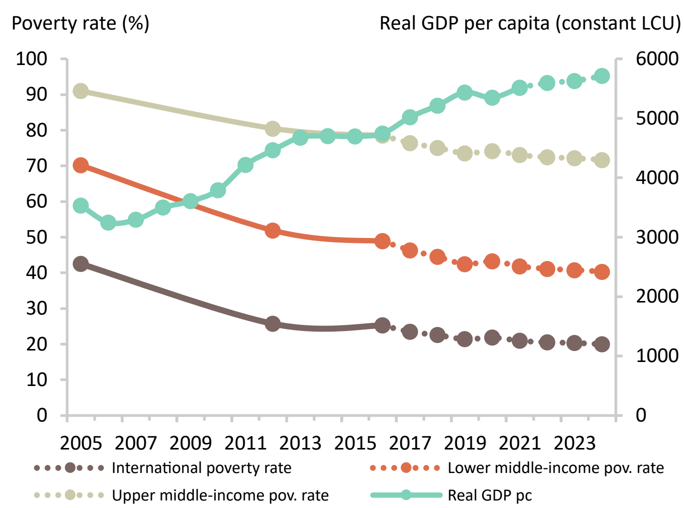
Inflation rose to 31.7 percent y-o-y (an 18-year high) in July 2022. The impact of soaring global commodity prices (Ghana imports 40 percent of its fertilizers from Russia) has been compounded by the depreciation of the cedi which has lost more

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.

than 35 percent against the US dollar year-to-date in 2022. The Government and the Bank of Ghana (BoG) have sought to dampen inflationary expectations by cutting discretionary expenditures and raising the monetary policy rate (MPR) to 22 percent and banks' primary reserve requirements from 12 to 15 percent.

The performance of the banking sector has been mixed. While the banks are well capitalized, non-performing loans remained high at 14.1 percent in June 2022, compared to 17 percent in June 2021. Also, in the first half of 2022 credit to the private sector grew very slowly (at 3 percent).

Although the trade balance was in surplus as of end-June 2022, thanks to high oil and gold receipts, the overall current account recorded a deficit (1.5 percent of GDP) due to investment income outflows and net services account payments. With FDI inflows also taking a dip, the stock of gross international reserves declined by US$2 billion in the first half of 2022, to 3.4 months of imports.

Currency depreciation and high inflation have driven up the cost of living, putting considerable strain on household budgets and particularly for the poor who devote more than half of their budget to food. Farmers have been affected by increases in the prices of fertilizer and other inputs. Poverty reduction is expected to have slowed and the "international poverty" rate is estimated at 20.5 percent in 2022 which is 0.5 percentage points lower than in 2021.

Outlook

Growth is expected to slow to 3.5 percent in 2022; and to decelerate further in 2023 as macroeconomic instability and corrective policy measures dampen aggregate demand. High inflation and elevated interest rates will keep private consumption and investment growth below pre-pandemic levels. With exports held back below pre-pandemic levels by supply constraints, growth is expected to slow further to 2.7 percent in 2023 and remain muted in 2024, before recovering to potential over the medium term. On the supply side, agriculture growth will remain modest because of high input prices and a disease affecting cocoa trees, industrial output growth should slow as oil and gas production continues to face technical difficulties, and services growth will be impacted by the erosion in the purchasing power of consumers.

Reflecting low revenue and mounting interest payments, the fiscal deficit will remain high in 2022 (7.9 percent of GDP) and beyond. Indeed, improvements are projected to take place gradually with contributions from revenues and expenditures, notably on focused on tackling tax exemptions and containing energy sector implicit subsidies. Public debt should stabilize around 100 percent of GDP in the medium-term, before starting to come down.

The main risks to the outlook include delays in the conclusion of an agreement with the IMF and an intensification of macroeconomic vulnerabilities (such as additional contingent liabilities in the energy and financial sectors, and un-anchoring of inflationary expectations). Debt sustainability could be threatened by insufficient access to financing, insufficient fiscal adjustment, large interest rate increases, and further currency deprecation. Sizable domestic debt rollover needs will put pressure on the already elevated domestic interest rates.

International poverty incidence is projected to decrease only marginally, from 20.5 to 20 percent by 2024, consistent with the muted growth outlook. In the shorter term, poverty is expected to increase slightly, notably because of the recent increase in electricity and water tariffs. This increase, while necessary, comes on the heels of rising food prices and does not address the regressive nature of the subsidies.

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

	2019	2020	2021	2022f	2023f	2024f
Real GDP growth, at constant market prices	6.5	0.5	5.4	3.5	2.7	3.5
Private Consumption	13.8	-1.0	0.8	4.4	5.0	4.6
Government Consumption	5.4	10.1	82.1	-14.8	-7.5	2.9
Gross Fixed Capital Investment	-10.0	1.8	5.8	26.1	19.2	24.0
Exports, Goods and Services	12.7	-50.7	69.1	10.4	11.4	11.1
Imports, Goods and Services	15.9	-54.5	113.8	20.0	23.8	25.8
Real GDP growth, at constant factor prices	6.5	0.8	5.3	3.4	2.7	3.6
Agriculture	4.7	7.3	8.4	2.2	2.2	3.2
Industry	6.4	-2.5	-0.8	3.8	2.4	3.7
Services	7.6	0.7	9.4	3.8	3.2	3.6
Inflation (Consumer Price Index)	7.9	10.4	10.0	28.6	22.5	14.4
Current Account Balance (% of GDP)	-2.7	-3.2	-3.7	-5.8	-4.5	-5.2
Net Foreign Direct Investment Inflow (% of GDP)	0.7	1.6	2.0	0.4	2.0	2.3
Fiscal Balance (% of GDP)	-7.2	-14.7	-11.4	-7.9	-9.2	-9.0
Debt (% of GDP)	61.2	74.4	76.6	104.6	99.7	101.8
Primary Balance (% of GDP)	-1.6	-8.4	-4.1	-0.6	-0.9	-0.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	21.4	21.9	21.0	20.5	20.4	20.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	42.4	43.2	41.8	41.1	40.8	40.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	73.5	74.2	73.0	72.4	72.1	71.7
GHG emissions growth (mtCO2e)	16.5	23.6	-3.8	0.9	2.3	1.4
Energy related GHG emissions (% of total)	150.7	139.7	141.9	134.9	127.9	120.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2016-GLSS-VII. Actual data: 2016. Nowcast: 2017-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2016) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.