

BUFF/14/38

April 30, 2014

**Statement by the Staff Representative on Ghana
Executive Board Meeting
May 7, 2014**

This statement provides information on recent economic developments in Ghana that updates information provided in the staff report issued to the Board on April 22, 2014 (SM/14/103). These developments do not change the thrust of the staff appraisal.

Data released in April reveal stronger-than-anticipated growth in 2012 and 2013. The Ghanaian Statistical Service (GSS) released revised GDP data for the first three quarters of 2013 and preliminary data for the fourth quarter and the full year, implying an annual growth rate of 7.1 percent. The report also presented revisions to the 2012 GDP data, with an upward revision in growth from 7.9 to 8.8 percent. GSS attributed the revisions to more comprehensive information received from the major data collection sources (the Ministries of Agriculture and Fisheries and the Forestry and Minerals Commissions).

The revisions reflect a stronger performance in the first half of the year, followed by a deceleration in the second half (albeit to a much lesser degree than suggested by the earlier estimates). Contributions to growth of the industrial sector in the first and second quarter were revised to 2.4 and 6.0 percent, respectively (against -0.2 and 0.7 percent in the previous estimates). The main contributors to the upward revisions for the first half of 2013 were mining and quarrying in Q1 and manufacturing and construction in Q2. Growth in the oil, manufacturing, and construction sectors, however, decelerated significantly in the second half of the year, driving industrial sector growth to -1.6 percent (-0.4 percent contribution to growth) in Q4, while growth in the services sector also declined.

GDP Growth, 2012-13			
(year-on-year, in percent)			
Year	Quarter	Provisional	Revised
2012	1	10.3	9.4
	2	9.1	9.9
	3	7.0	6.7
	4	6.0	9.5
	Annual	7.9	8.8
2013	1	6.7	9
	2	6.1	10.9
	3	0.3	4.9
	4	...	4.9
	Annual	...	7.1

The higher 2013 GDP figure implies somewhat lower fiscal and current account deficits, as a share of GDP, in both 2013 and 2014 (Table 1). Staff maintains its GDP growth estimates for 2014 unchanged at 4.8 percent, closely aligned with the revised growth rates for the third and fourth quarters of 2013. On this basis, the 2014 overall fiscal deficit is now projected at 9.4 percent of GDP (around 0.8 percentage points below previous projections). The medium-term outlook through 2019 remains broadly unchanged.

The update does not alter staff's recommendation for additional fiscal adjustment.

While the projected 2014 fiscal deficit is now closer to the government's own target of 8.5 percent of GDP, a more ambitious and front-loaded consolidation path would generate savings on interest payments, reduce gross financing needs, and expedite the reduction of external vulnerabilities.

Table 1. Ghana: Selected Economic and Financial Indicators, 2012–14

	2012		2013 (Prel.)		2014 (Proj.)	
	SM/14/103	Rev.	SM/14/103	Rev.	SM/14/103	Rev.
(Annual percentage change; unless otherwise indicated)						
National account and prices						
GDP at constant prices	7.9	8.8	5.4	7.1	4.8	4.8
Real GDP (nonoil)	7.8	8.1	3.9	6.5	4.5	4.5
Real GDP per capita	5.2	6.1	2.8	4.5	2.2	2.2
GDP deflator	13.3	15.2	12.3	16.4	13.1	13.0
Consumer price index (annual average)	9.2	9.2	11.7	11.7	13.0	13.0
Consumer price index (end of period)	8.8	8.8	13.5	13.5	12.3	12.3
Consumer price index (excl. food, annual average)	11.6	11.6	18.1	18.1	12.1	12.1
Money and credit						
Credit to the private sector	32.9	32.9	29.0	29.0	16.9	17.8
Broad money (M2+)	24.3	24.3	19.1	19.1	20.4	21.2
Velocity (non-oil GDP/M2, end of period)	3.9	4.0	3.9	4.2	3.8	4.1
Base money	36.0	36.0	15.1	15.1	17.9	18.8
Banks' lending rate (weighted average; percent)	25.7	25.7	25.6	25.6
Policy rate (in percent, end of period)	15.0	15.0	16.0	16.0
(Percent of GDP)						
National accounts						
Gross capital formation	29.0	28.3	33.4	33.0	33.1	32.5
Government	6.8	6.6	6.4	6.0	9.1	8.5
Private	22.2	21.7	27.0	27.0	24.0	24.0
National savings	26.2	28.0	20.2	20.7	22.9	22.4
Government	2.9	2.8	1.5	1.4	3.6	3.5
Private ¹	23.3	25.2	18.8	19.4	19.3	18.8
Foreign savings	-12.2	-11.9	-13.2	-12.3	-10.5	-10.2
External sector						
Current account balance	-12.2	-11.9	-13.2	-12.3	-10.5	-10.2
(including official grants)	-12.2	-11.9	-13.2	-12.3	-10.5	-10.2
(excluding official grants)	-12.8	-12.5	-13.4	-12.5	-10.9	-10.5
External public debt (including IMF)	22.6	22.1	25.6	23.8	32.3	29.9
NPV of external debt outstanding	10.2	9.9	9.1	8.4	10.1	9.3
percent of exports of goods and services	24.4	24.4	25.0	25.0	24.0	24.0
Gross international reserves (millions of US\$)	5,349	5,349	5,632	5,632	4,706	4,738
Months of prospective imports of goods and services	2.9	2.9	3.2	3.2	2.7	2.7
Total donor support (millions of US\$)	1,132	1,132	940	940	1,110	1,110
percent of GDP	2.8	2.7	2.1	2.0	2.9	2.6
(Percent of GDP)						
Central government budget						
Revenue	19.1	18.6	18.0	16.7	20.8	19.5
Expenditure	31.0	30.2	29.0	26.8	31.1	28.9
Overall balance	-12.0	-11.7	-10.9	-10.1	-10.2	-9.4
Net domestic financing	9.5	9.2	7.2	6.7	7.3	6.7
Central government debt (gross)	51.2	50.0	57.4	53.2	64.2	59.4
Domestic debt	28.6	27.9	31.7	29.4	31.9	29.5
External debt	22.6	22.1	25.6	23.8	32.3	29.9
Central government debt (net)	49.1	47.9	54.8	48.2	61.9	57.3
Memorandum items:						
Nominal GDP (millions of GHc)	73,109	74,959	86,596	93,461	102,631	110,676
GDP per capita (millions of U.S. dollars)	1,622	1,663	1,730	1,864	1,486	1,602

Sources: Ghanaian authorities; and Fund staff estimates and projections.

¹ Including public enterprises and errors and omissions.