

# Country Economic Forecast Ghana

## Economist

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**Growth prospects  
improve as economy  
proves its resilience**

**Delta variant is  
driving third wave of  
Covid-19 infections**

- The Ghanaian economy delivered a robust performance in the first quarter of 2021 as it expanded by 3.1% y-o-y (and 3.5% q-o-q). The agricultural and services sectors recorded growth of 4.3% y-o-y and 4.0% y-o-y, respectively, while the industrial sector expanded on an annual basis for the first time in four quarters after growing by 1.3% y-o-y. These figures suggest that the worst of the pandemic may have passed in Ghana, and we have adjusted our outlook accordingly. We now forecast real GDP growth of 5.5% in 2021 – up from 4.7% in our previous assessment in June.
- Trade activity in Ghana increased over the first six months of the year, as both exports and imports recovered. However, the net effect on the trade surplus was negative, as it declined by 16.7% y-o-y over this period. That said, we expect increased volumes and relatively strong prices to lift exports and, subsequently, the trade surplus in H2 2021. As a result, we forecast the current account deficit to narrow from 3.2% of GDP in 2020 to 2.7% of GDP this year.
- After averaging 10.2% y-o-y in Q1 2021, consumer price index (CPI) inflation slowed to 7.5% y-o-y in May as the base effects from last year's spike in price pressures came into play. Inflation accelerated once more over the following months, coming in at 9.0% y-o-y in July. As the impact of these base effects fades in H2 2021, price pressures will continue to rise. Thus, we forecast inflation to average 9.2% in 2021.
- Fiscal expenditure skyrocketed last year due to Covid-19 response spending, while growth in government revenues slowed considerably. Public spending is expected to decelerate in 2021 while government revenues recover. Consequently, we project the budget deficit to narrow from 11.2% of GDP in 2020 to 9.4% of GDP in 2021.

<b>Forecast for Ghana</b>						
(Annual percentage changes unless specified)						
	2019	2020	2021	2022	2023	2024
Real GDP growth (% year)	6.5	0.3	5.5	4.2	4.9	5.2
CPI inflation (%)	7.1	9.9	9.2	9.1	8.9	8.6
Exports of goods (\$ bn)	15.7	14.5	16.7	18.4	18.9	19.3
Exports of services (\$ bn)	9.9	7.6	10.5	13.6	15.8	17.0
Imports of goods (\$ bn)	13.4	12.4	14.6	16.0	16.8	17.9
Imports of services (\$ bn)	13.5	12.1	15.0	18.1	20.2	22.0
Exports of goods (% year)	4.9	-7.6	15.3	10.1	2.9	1.9
Imports of goods (% year)	2.1	-7.3	17.7	9.4	4.7	6.8
Current account (\$ bn)	-1.9	-2.1	-2.1	-2.1	-2.2	-3.3
Current account balance (% of GDP)	-2.7	-3.1	-2.7	-2.6	-2.6	-3.6
Exchange rate per USD (year average)	5.2	5.6	5.9	6.4	6.8	7.3
External debt total (\$ bn)	27.0	32.8	37.2	41.0	44.5	47.8
Government balance (% of GDP)	-4.2	-11.1	-9.4	-7.7	-6.7	-6.2
Population (millions)	30.4	31.1	31.7	32.4	33.1	33.7
Nominal GDP (\$ bn)	68.6	68.7	76.9	80.8	86.8	91.8
GDP per capita (\$ current prices)	2,254.2	2,210.3	2,421.3	2,494.7	2,623.8	2,721.6

## Forecast overview

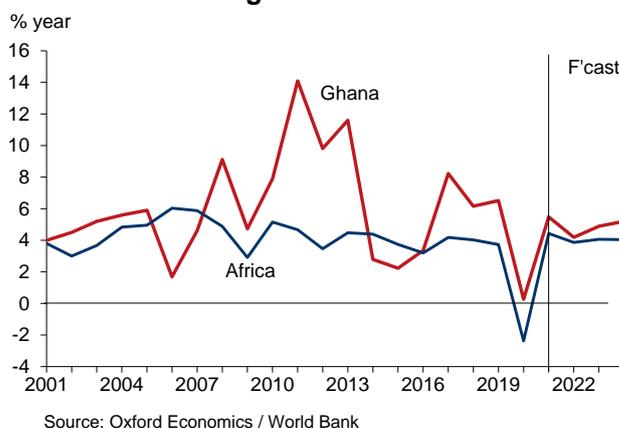
### GDP growth surprised to the upside in Q1

Economic activity outperformed expectations when official GDP figures released in June indicated that the Ghanaian economy managed to expand in the first quarter of 2021, despite the surge in both local and global Covid-19 infections early in the year. Real economic growth of 3.1% y-o-y (and 3.5% q-o-q) was recorded in Q1 2021. Growth in the agricultural sector slowed whilst remaining fairly robust. Cocoa and crop farming activity increased by 4.9% y-o-y in Q1, slowing from 10.6% y-o-y in Q4 2020. While livestock farming increased, forestry & fishing activity struggled. The former expanded by only 0.5% y-o-y whereas the latter declined by 3.6% y-o-y. Overall, the primary sector expanded by 4.3% y-o-y while contracting by 0.5% q-o-q. Annual growth in the industrial sector returned to positive territory for the first time since Q1 2020. The secondary sector was most severely affected by the pandemic, as it contracted by 3.6% on a cumulative basis in 2020. Construction activity increased by 14.2% y-o-y in Q1 2021, while manufacturing expanded by 6.1% y-o-y. Oil & mining activity continued to struggle, though, as it declined by 11.2% y-o-y, offsetting much of the growth in other parts of the sector. Consequently, the secondary sector grew by 1.3% y-o-y and 12.6% q-o-q. The services sector maintained much of the momentum it had gained in the last quarter of 2020. Activity in the information and communications technology (ICT) sector expanded by 22.1% y-o-y while the financial sector grew by 4.8% y-o-y. The hospitality industry still took strain, as activity in the hotels & restaurants subsector contracted by 10.7% y-o-y. Overall, the tertiary sector expanded by 4.0% y-o-y and 4.2% q-o-q.

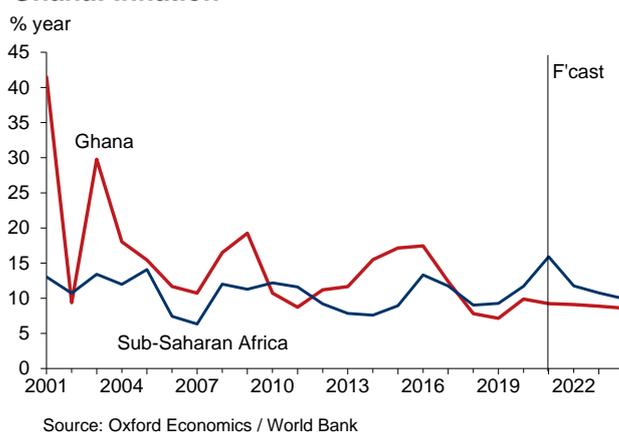
### Economic outlook for 2021 improves

The relatively strong growth recorded in Q1, despite the spike in Covid-19 cases, suggests that the worst of the pandemic may have passed in Ghana. Nevertheless, the local economy is still far from its pre-pandemic state, and various hurdles to returning to this growth path persist. In addition to a slow vaccine rollout, Ghana has been experiencing disruptions in electricity generation and supply, which will weigh on activity across sectors. The policy rate cut announced at the end of May could potentially boost growth, should it successfully promote consumer spending. Overall, the solid performance at the beginning of the year has prompted us to revise our forecast upwards, as we now forecast real GDP growth to reach 5.5% in 2021.

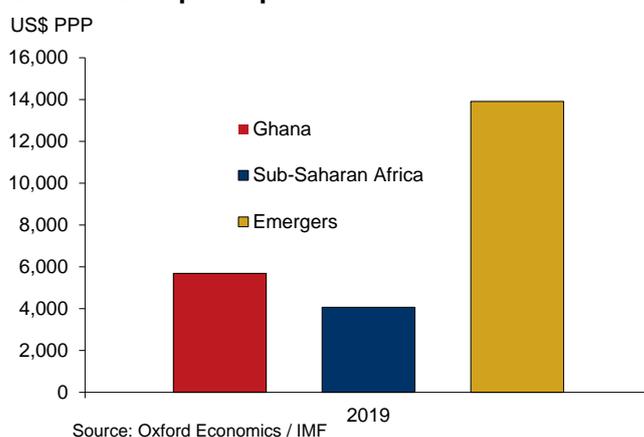
### Ghana: Real GDP growth



### Ghana: Inflation



### Ghana: GDP per capita



## Strong rebound in exports expected

After declining by 35.2% in 2020, oil exports increased by 23.6% y-o-y in H1 2021. Cocoa exports rose by 12.9% y-o-y over the same period after remaining relatively flat last year. On the other hand, gold exports declined by 16.2% y-o-y over the first six months of 2021 as the price of the yellow metal continues to moderate. Overall, though, goods exports are set for a flourishing year, as we project them to increase by 15.3% after falling by 7.6% last year. Goods imports are forecast to increase by 17.6% and the trade surplus to increase by 1.3%. Meanwhile, the deficit on the invisible accounts is set to widen by 3.9%. Overall, we see the current account deficit narrowing from 3.2% of GDP in 2020 to 2.7% of GDP this year.

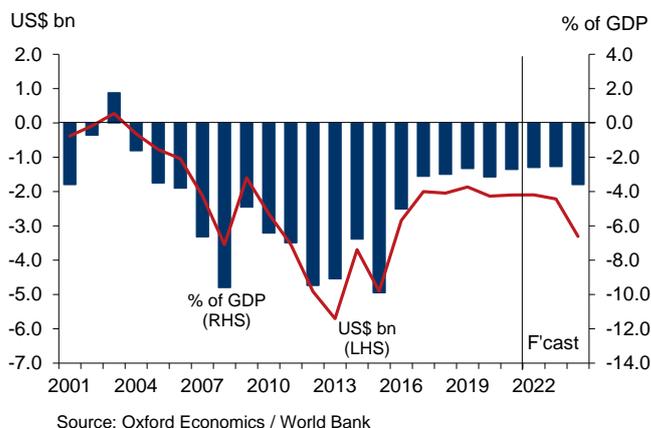
## Inflation to rise throughout H2 2021

Consumer price pressures eased sharply in April when inflation fell to 8.5% y-o-y from 10.4% y-o-y the previous month. After inflation fell further to 7.5% y-o-y in May, the Monetary Policy Committee (MPC) of the Bank of Ghana (BoG) announced a surprise policy rate cut of 100 bps to 13.5%, citing promising signs of economic recovery and declining price pressures as the main reasons behind the decision. Inflation ticked up to 7.8% y-o-y in June before jumping to 9.0% y-o-y in July as the impact of base effects started to wane. Higher fuel prices also started to filter through, with food traders blaming an increase in transport costs for the 9.5% y-o-y rise in food price inflation. Price pressures are expected to continue rising in H2 2021, whilst remaining below the central bank's upper limit. Overall, we forecast CPI inflation to average 9.2% in 2021.

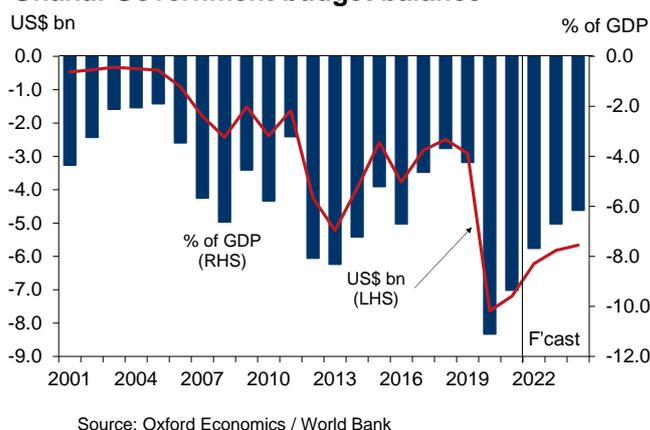
## Authorities to ramp up consolidation efforts

Fiscal outlays surged last year as authorities tried to shelter the economy from the damaging economic and health effects of the Covid-19 pandemic. Accordingly, the fiscal deficit widened to an estimated 11.2% of GDP in 2021. To finance this deficit, and to fund future fiscal expenditure, Ghana's Ministry of Finance (MoF) unveiled plans in March to borrow up to \$5bn from international capital markets in 2021. Later that month, the MoF successfully raised just over \$3bn by issuing its first pandemic-era Eurobond. As government intends to raise further funds this year, we project debt to reach 77.8% of GDP this year. Concurrently, the budget deficit is forecast to narrow to 9.4% of GDP.

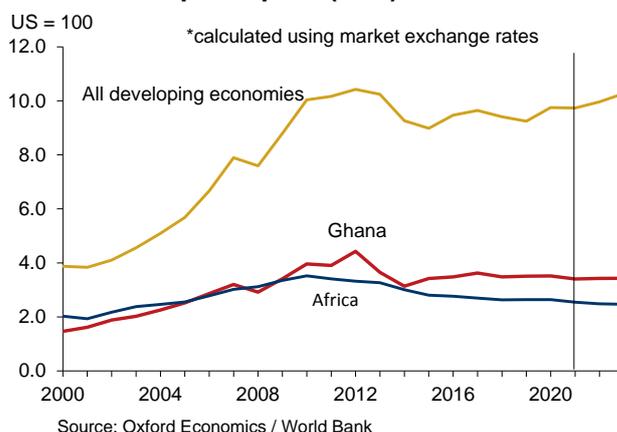
### Ghana: Current account balance



### Ghana: Government budget balance



### Ghana: GDP per capita\* (US\$)



For a more in-depth analysis of the political and macroeconomic environments in Ghana, [NKC African Economics](#), an Oxford Economics company, provides a comprehensive analysis service on a subscription basis. [Find out more.](#)

## Economic Risk Evaluation

### Overall risk for Ghana: 6.5/10\*

Overall economic risk intensified due to the Covid-19 outbreak and commodity price slump in 2020. Public debt is set to remain high for some time still as government struggles to rein in spending and reduce debt accumulation against the backdrop of a persistent coronavirus pandemic. The foreign currency buffer received some reprieve from external debt inflows, while financial sector reforms have added to the debt burden. The outlook for 2021 remains largely positive as Ghana is set to benefit from higher commodity prices, increased trade, and normalising economic activity, while government debt levels and fiscal expenditure remain concerns. Due to the offsetting impact of some of these factors, the country's risk score has remained unchanged since March this year.

### Market demand: 7.1/10

Demand risk increased as the Covid-19 pandemic hit the local economy hard in 2020. Real GDP growth has continued to slow in recent years and declined to 0.3% last year due to the commodity price slump and the Covid-19-induced reduction in trade and economic activities. After the first local lockdown that lasted for three weeks, government reintroduced certain containment measures indefinitely as of February 1 to curb the second wave of local infections. Lockdown restrictions were ramped up after Ghana entered its third wave, driven by the Delta variant of the coronavirus, early in July. Additionally, rising price pressures over the last few months have hampered the ongoing recovery in consumer demand. Nonetheless, economic growth is expected to rebound considerably this year due to stronger cocoa and oil prices, high (but moderating) gold prices, increased global trade and a rebound in economic activity.

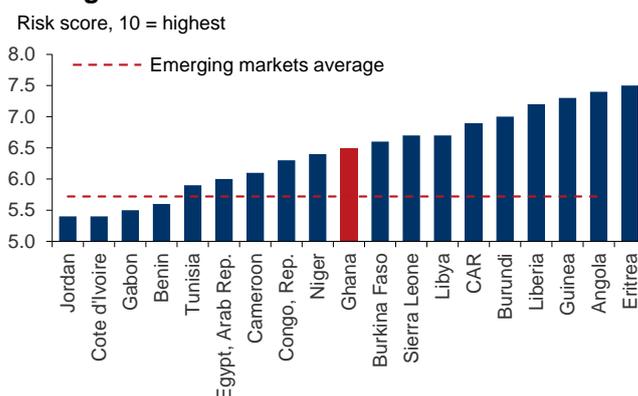
### Market cost: 6.7/10

Consumer price index (CPI) inflation jumped in April 2020 as Covid-19-related restrictions resulted in a spike in food prices and, to a lesser extent, non-food prices. Measures introduced to safeguard the economy led to a disruption in food supply and subsequently a spike in the cost of food items, contributing to average inflation of 10.4% y-o-y over the Q2 2020 – Q1 2021 period. After easing to 8.0% y-o-y in Q2 2021, inflation start to tick up once more as the positive impact of base effects started to fade, coming in at 9.0% y-o-y in August. Price pressures are expected to rise further in H2 2021, acting as a drag on consumer demand.

Ghana: Economic Risk Index			
(Scores from 1 to 10 with 10 = highest risk)			
	Sep 2021	Rank out of 164†	Score change from Mrt
<b>Overall</b>	6.5	114	0.0
<b>Market demand</b>	7.1	132	0.0
<b>Market cost</b>	6.7	113	0.0
<b>Exchange rate</b>	6.2	130	0.0
<b>Sovereign credit</b>	5.6	115	-0.1
<b>Trade credit</b>	7.0	69	0.0

† (1 indicates lowest risk ranking)

### Economic Risk: Ghana vs Emerging markets average



Source : Oxford Economics

## Exchange rate: 6.2/10

Exchange rate risk remains manageable despite the cedi losing ground against the dollar over the last few months. The local unit started 2021 off strongly as it strengthened from GH¢5.90/\$ on January 1 to GH¢5.72/\$ on March 14. The cedi then traded largely sideways until it began to slip against the greenback as the Fed announced that it foresees two interest rate hikes by the end of 2023. This prompted the BoG to interfere in the forex market once again by selling \$75m in its forward-rate auction – the largest sale of dollars since sales began in 2019. Ghana’s successful Eurobond sale at the end of March this year gave the country’s foreign exchange reserves a much-needed boost and increased the central bank’s capacity for forex market intervention. However, this attempt failed to halt the cedi slide against the greenback as the local unit’s depreciation continued. As of September 6, the cedi traded at GH¢6.06/\$ – 5.9% weaker than its strongest level recorded in 2021.

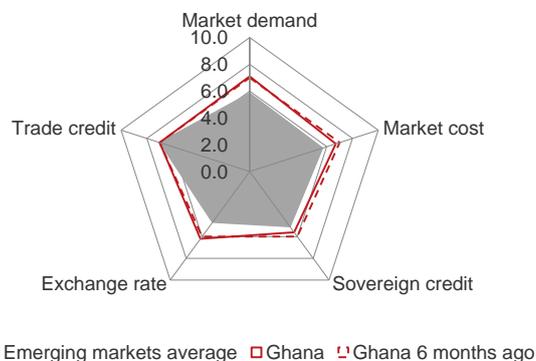
## Sovereign credit: 5.6/10

As a result of the ongoing fiscal battle, S&P Global Ratings (S&P) lowered Ghana’s long-term foreign and local currency sovereign credit ratings to B- in September last year, with a stable outlook. S&P said that the problems originally envisaged for the country had now materialised: the slowdown in economic activity had led to weaker tax revenue, while government spending had risen sharply. In June 2021, Fitch Ratings affirmed Ghana’s sovereign credit rating at B, while changing its outlook to negative due to the delay in fiscal consolidation. Moody’s affirmed Ghana’s sovereign credit rating at B3 with a negative outlook in September this year.

## Trade credit: 7.0/10

Trade credit risk is elevated at 7.0. The Eurobond sale at end-March 2021 boosted Ghana’s forex reserves after they declined early in the year. Aid inflows also support reserve levels, allowing the central bank to keep the value of the cedi relatively stable. Reserves in Ghana are set for further boosts as officials aim to raise a total of \$5bn on international capital markets this year. The funds are said to be earmarked for revitalising the local economy and for servicing current debt obligations.

## Economic Risk: Ghana vs Emerging markets average



Source : Oxford Economics

\* Risk scores are from 1 to 10, with 10 representing the highest risk. For our full country risk service, see [www.risk-evaluator.com](http://www.risk-evaluator.com). Sovereign credit risk comes from our sovereign risk tool and foreign exchange risk comes from our FX tool. [Find out more.](#)

## Background

### Economic development

The economy expanded at an impressive pace during 2008-13, with GDP growth averaging 9.5% p.a. over this period. Unfortunately, years of reckless fiscal spending finally started to take its toll in 2014, when GDP growth slowed to 2.8%, down from 11.6% in 2013. Weak fiscal finances contributed to a widening current account deficit, increasing levels of inflation, high interest rates, and sovereign credit rating downgrades. In 2015, concerns regarding debt sustainability finally persuaded Accra to agree on an IMF support programme aimed at aggressive fiscal consolidation. The adverse effects of the consolidation efforts placed the economy under even more pressure and dragged GDP growth down to 2.2% in 2015. GDP growth then rebounded to 3.4% in 2016. Oil output rising sharply due to new projects coming online pushed GDP growth up to 8.2% in 2017. The economy was also found to be 25% larger in nominal terms in 2017 following a rebasing exercise. GDP growth subsequently came in at 6.2% and 6.5%, respectively, in 2018 and 2019.

### Structure of the economy

Agriculture is an important sector of the economy, providing livelihoods for a large portion of the population and contributing an estimated 21.2% to GVA in 2020. Cocoa is the country's chief agricultural commodity and accounted for roughly 16.1% of total exports last year. The services sector is expanding at a rapid pace and is well diversified, becoming increasingly important to the economy with a contribution of around 41.3% to GVA in 2020. The significance of the industrial sector has increased since the start of oil production, with the industry accounting for 37.5% of GVA last year. Along with cocoa, gold and crude oil are Ghana's main export commodities and, as a result, the country's external balances are especially vulnerable to fluctuations in the prices of these commodities.

### Balance of payments

Ghana consistently records large deficits on its external accounts. The external shortfall widened sharply to 9.1% of GDP in 2013. This was mainly ascribed to developments in the invisible account, namely a widening of the services deficit and a decline in the current transfers surplus. The latter was caused by the sharp GDP upgrade, which made it more difficult for the country to obtain external grants. Meanwhile, the services deficit widened due to a sharp increase in payments, with the rise in receipts not being able to keep pace. The current account deficit narrowed sharply to 5.6% of GDP in 2015 despite the fall in commodity prices, with developments in the invisible accounts again representing the main drivers. A sharp increase in gold exports dragged the current account deficit narrower still to 5.0% of GDP in 2016 and to 3.1% of GDP in 2017. Rising oil output and prices then resulted in the current account deficit narrowing to 2.7% of GDP in 2019.

### Policy and politics

The transition to democracy took place in 2000 when John Kufuor won the election on the platform of the New Patriotic Party (NPP). He served two terms before the National Democratic Congress (NDC) won the presidency in 2008, with the election of John Atta Mills. The latter died in office and was replaced by Vice-President John Dramani Mahama, who won the 2012 election by a narrow margin in the first round. The 2016 election, with the NPP's Nana Akufo-Addo now at the helm, again witnessed a smooth handover in power and showed why Ghana is one of the most admired democracies on the continent. Mr Akufo-Addo was re-elected for another term in office in the 2020 elections, with a narrow victory margin against his predecessor, Mr Mahama. Policy improvements since 2000 have led to better relations with the IMF and aid donors. The challenge now is to shift the economy away from a reliance on concessionary finance and to attract more FDI in the coming years, both of which will be helped by increased oil production and related infrastructure.

## Key Facts

### Politics

Head of state: President Nana AKUFO-ADDO  
 Head of government: President Nana AKUFO-ADDO  
 Political system: Democracy  
 Date of next presidential election: 2024  
 Date of next legislative election: 2024  
 Currency: cedi (GHC)

### Long-term economic & social development

	1990	2000	2010	2020*
GDP per capita (US\$)	854.7	540.8	1,660.5	2,210.4
Inflation (%)	0.0	40.1	10.8	9.9
Population (mn)	14.8	19.3	24.8	31.1
Urban population (% of total)	36.4	43.9	50.7	57.4
Life expectancy (years)	56.8	57.0	61.0	64.1

Source : Oxford Economics & World Bank

### Structure of GDP by output

	2020
Agriculture	21.2%
Industry	37.5%
Services	41.3%

Source : Oxford Economics

\* 2020 or latest available year



Source : CIA Factbook

Western Africa, bordering the Gulf of Guinea, between Cote d'Ivoire and Togo

### Long-term sovereign credit ratings & outlook

	Foreign currency	Local currency
Fitch	B (Negative)	B (Negative)
Moody's	B3 (Negative)	B3 (Negative)
S&P	B- (Stable)	B- (Stable)

### Corruption perceptions index 2020

	Score
Developed economies (average)	74.3
Emerging economies (average)	38.6
<b>Ghana</b>	<b>43.0</b>
Africa	32.5

Source: Transparency International

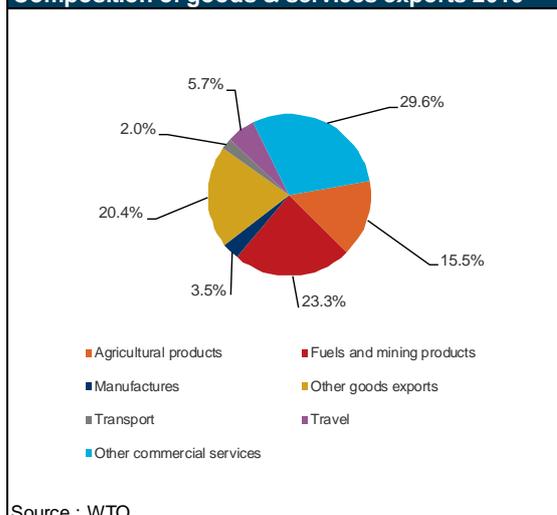
Scoring system 100 = highly clean, 0 = highly corrupt

### Structural economic indicators

	1990	2000	2010	2020*
Current account (US\$ million)	-202.1	-355.5	-2,646.8	-2,135
Trade balance (US\$ million)	-268.9	-733.3	-2,962.0	2,043
FDI (US\$ million)	67.0	663.6	2,527.4	1,333.4
Debt service (US\$ million)	368.0	467.6	319.1	1,949.3
Debt service (% of exports)	39.9	20.7	3.4	8.8
External debt (% of GDP)	30.7	64.7	20.3	47.7
Oil production (000 bpd)	0.0	7.0	7.2	200.1
Oil consumption (000 bpd)	20.0	26.6	36.5	88.5

Source : Oxford Economics / World Bank / EIA

### Composition of goods & services exports 2019\*



### Destination of goods' exports 2020

China	20.2%
European Union	16.3%
South Africa	13.6%
United States	7.1%
Other	42.8%

Source : IMF DOTS

<b>Factors affecting risk scores: Ghana</b>						
<b>Overall risk: 6.5/10</b>						
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Market demand rating: 7.1/10</b>						
Domestic demand, % y/y	7.3	1.9	5.3	4.1	5.1	5.5
Government balance, % of GDP	-4.3	-11.2	-9.4	-7.7	-6.7	-6.2
Gross government debt, % of GDP	60.9	76.3	77.8	81.2	81.7	82.2
Policy interest rate, %	16.0	14.5	13.8	13.5	13.4	13.3
Domestic credit, % of GDP	26.5	25.6	25.5	25.8	26.1	26.4
Fixed investment, % of GDP	18.0	18.0	19.6	19.3	19.4	19.5
Output gap, % of GDP	2.4	0.4	0.0	-0.5	0.0	0.0
Real GDP per capita, 2010 US\$	2,053.7	2,016.3	2,082.2	2,124.5	2,183.4	2,251.6
<b>Market cost rating: 6.7/10</b>						
Nominal unit wage costs, 2008=100	1,323.7	1,351.9	1,413.3	1,532.5	1,650.0	1,769.9
Real fuel imports % total imports	10.2	13.6	12.9	13.2	13.3	13.5
Energy use per unit of GDPPPP	56.1	53.1	50.2	47.2	44.2	41.2
Exchange rate, average, LCU per US\$	5.2	5.6	5.9	6.4	6.8	7.3
Output gap, % of GDP	2.4	0.4	0.0	-0.5	0.0	0.0
Unemployment rate, %	4.1	5.9	5.4	5.1	4.9	4.8
Real GDP per capita, 2010 US\$	2,053.7	2,016.3	2,082.2	2,124.5	2,183.4	2,251.6
<b>Exchange rate rating: 6.2/10</b>						
Exchange rate, average, LCU per US\$	5.2	5.6	5.9	6.4	6.8	7.3
Exchange rate, avg, PPP, LCU per US\$	2.1	2.1	2.3	2.4	2.6	2.7
Current account of BOP, % of GDP	-2.7	-3.2	-2.7	-2.6	-2.5	-3.6
External debt, % of GDP	39.3	47.7	48.4	50.7	51.3	52.1
Policy interest rate, %	16.0	14.5	13.8	13.5	13.4	13.3
FX reserves, months of imports	6.6	7.5	6.0	6.2	6.1	6.1
<b>Sovereign credit rating: 5.6/10</b>						
GDP, real, % y/y	6.5	0.3	5.5	4.2	4.9	5.2
GDP per capita, PPP, US\$	5,921.5	5,813.6	6,003.5	6,125.6	6,295.5	6,492.1
Government balance, % of GDP	-4.3	-11.2	-9.4	-7.7	-6.7	-6.2
Gross government debt % of GDP	60.9	76.3	77.8	81.2	81.7	82.2
<b>Trade credit rating: 7.0/10</b>						
GDP, real, % y/y	6.5	0.3	5.5	4.2	4.9	5.2
External debt, % of GDP	39.3	47.7	48.4	50.7	51.3	52.1
GDP per capita, PPP, US\$	5,921.5	5,813.6	6,003.5	6,125.6	6,295.5	6,492.1