

## Ghana

The economy continues to show strong real gross domestic product (GDP) growth which is expected to reach double digits in 2011 and 2012, provided oil revenues are prudently managed.

The macroeconomic environment is stable but fiscal consolidation will be enhanced by reforms to increase domestic resource mobilisation.

The export of oil opens up additional opportunities for co-operation with emerging economies.

Ghana has rebased its national accounts, changing the base year from 1993 to 2006. According to the national authorities, following the rebasing, the size of the economy in real gross domestic product (GDP) terms has been raised threefold and placed Ghana among the lower middle income group of countries. The rebasing has also suggested greater fiscal space for Ghana with a reduced revenue-to-GDP ratio. While questions on the international acceptability of the new numbers remain, one point is clear: they confirm what most observers have often suggested, namely that the size of the Ghanaian economy has hitherto been grossly underestimated.

Economic growth has remained strong with real GDP growth reaching an estimated 5.9% in 2010 compared to 4.7% in 2009. Growth prospects are even brighter as real GDP growth of 12.0% and about 11.0% are projected for 2011 and 2012 respectively, largely on account of the start of oil production in commercial quantities in December 2010. In addition, the country's increasingly democratic settlement and social stability have served to boost the confidence of investors, leading to rising investment.

The country's strong growth has been achieved within a sound macroeconomic environment. Prudence in fiscal and monetary management has contributed to the easing of inflationary pressures with declining interest rates. The private sector has responded positively to the government's development programmes and the improved business environment. The rise in bank lending and capital inflows suggests increasing investor confidence. New partnerships between Ghana and emerging economies such as China and South Korea are providing additional sources of financing and expertise for development.

Nevertheless, challenges remain, such as a very weak fiscal stance and fragile external balances. Growing fiscal challenges include large domestic payment arrears. Also, the government's new public sector pay policy – the Single Spine salary (SSS) policy – requires a huge budgetary outlay, which could threaten macroeconomic stability unless renewed efforts are made to enhance domestic resource mobilisation. Ghana should also adopt a sustainable debt management strategy to avoid post-HIPC (Highly Indebted Poor Countries) debt overhang. In addition, strong and sustainable growth over the next decade will require continued high levels of investment; this will be conditional on prudence in the management of the oil revenues. Besides, unemployment and underemployment are key challenges that require the government to enhance the job-relevant skills of the workforce, especially in the large informal sector of the economy.

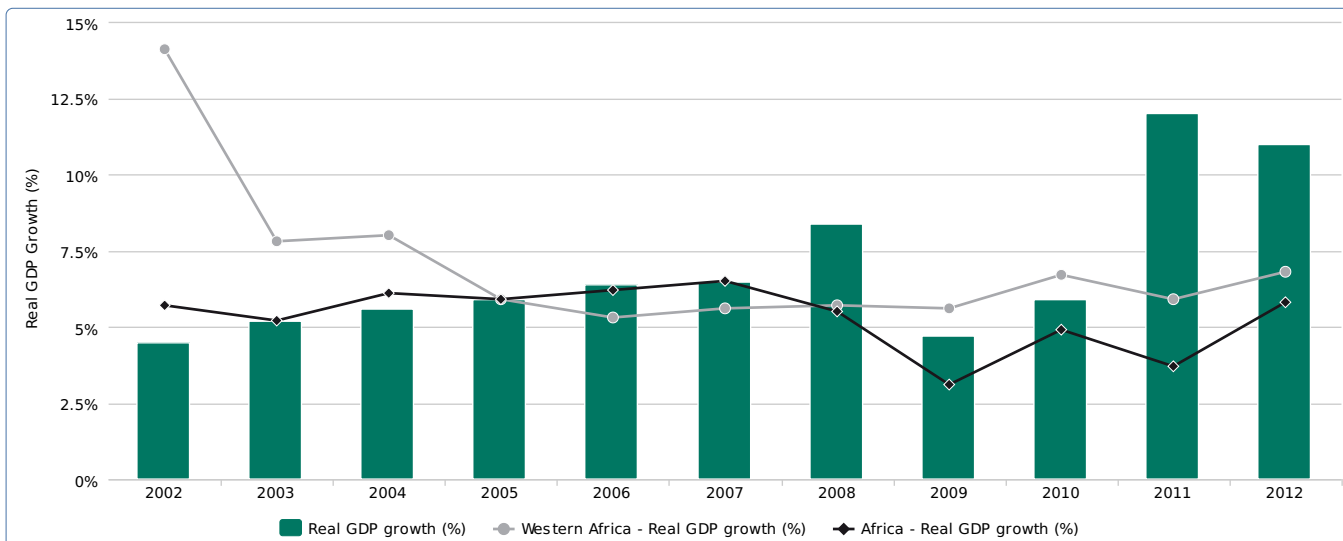
Table 1: Macroeconomic indicators

	2009	2010	2011	2012
<b>Real GDP growth</b>	4.7	5.9	12	11
<b>CPI inflation</b>	19.3	8	8.5	6.9
<b>Budget balance % GDP</b>	-7.6	-7.9	-7.7	-5
<b>Current account % GDP</b>	-8.1	-7.6	-6.4	-2.5

**Source:** National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

Figure 1: Real GDP growth (W)



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