REPUBLIC OF GHANA

MINISTRY OF FINANCE

PRESS STATEMENT ON THE ECONOMY

PRESENTED BY

KEN OFORI-ATTA

HON. MINISTER FOR FINANCE

THURSDAY 24TH MARCH 2022

A. INTRODUCTION

1. Good afternoon, Ladies and Gentlemen of the Press and fellow citizens. Thank you for availing yourselves.

2. I am here today to announce to you measures to address the economic difficulties we are facing due mainly to recent global and domestic events. These difficulties have manifested in:

    i. rising fuel prices;

    ii. rising inflation and cost of living;

    iii. exchange rate depreciation;

    iv. rising interest rates; and

    v. revenue mobilization challenges.

3. Cabinet had its first regular quarterly retreat for 2022 from 18th to 20th March at Peduase, concluding in Accra on Monday, 21st March. During the retreat, Cabinet deliberated extensively on a number of issues and approved a number of measures to support current efforts to address the challenges we are facing. Also on Monday, March 21st 2022, the Bank of Ghana announced a number of complementary, monetary measures to address the rising cost of goods and services on the market and the worrying performance of the cedi against major currencies such as the Pound Sterling, Euro and Dollar.

4. Ladies and Gentlemen, it is important to stress, right from the onset, that the difficulties we are facing in Ghana are not peculiar to Ghana.

It should also be stressed that several governments in both developed and developing countries are busily coming out with various prescriptions to bring their economies back on track, after the devastating impact of COVID-19 which distorted global supply chains, and the ongoing Russia-Ukraine war.

A: GLOBAL AND DOMESTIC ECONOMIC DEVELOPMENTS

5. If we look at the world today, there are two clear forces shaping global events: the impact of the novel coronavirus pandemic and the crisis in Ukraine. With the virus, the records show that our decision to focus first on protecting lives and then livelihoods has paid off. By February, globally some 7.03% of those infected by Covid-19 had died. For Africa the figure was 4.03% (251,444 people). In comparison, less than 0.89% (1,445 people) of infected people died in Ghana.
6. Against all odds, but due to firm leadership, bold initiatives and responsive citizens, Ghana has so far “collectively” managed the virus remarkably well. But, we knew that Ghana, like most countries in the world, had a tall list of coronavirus-induced bills to pay from 2020 and 2021 and came out with plans and policies to boost investor confidence and job prospects for 2022 and beyond. As you recall, we lost Ghs13.1 billion of revenue and had to increase our expenditure by GHS14.2 billion with combined fiscal impact of GHS26 billion (6.8% of GDP)

7. For government, 2022 was now the time to go full steam ahead in healing the economy to create jobs, especially for our young generation. This was evidenced by our growth figures, averaging 5.2% in 2021 up from 0.4%

in 2020 and a startling 6.6% growth in the 3rd quarter of 2021. We outlined our comprehensive recovery programme, the GhanaCARES 'Obaatanpa' programme to focus on the real sector to do just that. Our GHS10 billion YouStart programme will be the most historic intervention for youth employment in our country.

8. However, three (3) things that we did not (and could not) predict hit us: (1) that Parliament would approve Government's 2022 Budget Statement and its expenditure plans and then turn around to vote against one of the key revenue generation measures that was being introduced, the e-levy. (2) That the unyielding stance of the Minority in Parliament against the E-levy would gravely affect investor confidence in our capacity to implement our programmes and settle our debts, triggering a downgrading by credit rating agencies, and now leaving the cedi vulnerable as we could not access the International Capital Market.

9. Ladies and gentlemen, the third hit was the launch of the attack on Ukraine by Russia on February 24, 2022. The war in Ukraine could not have come at a worse time for the global economy. Already global efforts toward economic recovery from the devastation wreaked by the Coronavirus pandemic were being disturbed by supply chain disruptions, surging inflation, and uncertainties in the financial markets, with anticipated hikes in interest rates.

10. After February 24 we saw a sharp hike in global oil prices, food price shocks (especially wheat), oil and gas price hikes, capital risk aversion/flight to safety, affecting private capital flows to emerging

markets as a whole, and all with serious macro-economic implications. For example, crude oil prices (per barrel) increased by **75.3%** from US$74.17 in Dec 2021, when the 2022 Budget was passed to US$130 on 7th March 2022, before 'moderating' to US$115 as today 24th March 2022. Crude oil prices crossed the US$100 mark for the first time since September 2014. We recall that prior to the pandemic, we had built resilience through the implementation of bold and prudent economic measures.

11. By April 2019, we had successfully completed that four-year IMF programme. We did so and more by:
    i. achieving an annual average real GDP growth of **7 percent** between 2017-2019 - from **3.4** percent in 2016;
    ii. maintaining a fiscal deficit below **5 percent** of GDP for three consecutive years;
    iii. maintaining a positive primary balance for three (3) consecutive years which put our debt on a sustainable path;
    iv. lowering lending rates by over **10 percentage points**;
    v. restructuring the banking sector to protect the savings of **4.6 million** depositors and strengthening the financial sector. So far, government has spent over **GHS25 billion** since 2018 to clean-up the financial sector;
    vi. reducing inflation from **15.4** percent in December 2016 to **7.6 percent** in 2019 and preserving the integrity of the local industry;
    vii. improving the gross international reserves to reach **US$8.6 billion** or about **4 months** of import cover by February 2020;

viii. introducing the most ambitious social welfare policy ever seen in our country: the Free SHS;

ix. constructing and rehabilitating more roads and cumulative of 6,250km, completing 6 of 11 interchanges and flyovers than any government in history;

x. employing more new teachers, nurses, doctors, Agric extension officers and young graduates than any government in history;

xi. saving the entire financial sector from an inherited, neglected crisis that has cost Government some GHS25 billion so far;

xii. instigating more value-for-money audits on public procurements than any other government in history; and

xiii. investing more resources in the Police, Military, governance and anti-corruption institutions than ever before.

12. It is this proven record of fixing what is broken that gave the NPP government the confidence to tackle head-on the devastation unleashed by Covid-19 and it is this same can-do and will-do attitude that gives us hope that we shall overcome the current crisis. We are not a people to bow to the spirit of despondency and despair.

13. As well as threatening global peace, the conflict in Ukraine has had a far-reaching impact. We do not know how long the conflict will last, but it is clear that it has already forced many countries, in Europe and beyond, to adjust their economic plans for 2022 and Africa is likely to be amongst the worst hit outside of Ukraine. UNCTAD’s rapid assessment of the war’s impact on trade and development shows a rapidly worsening outlook for

the world economy, with the situation especially alarming for African countries.

i. the Russia-Ukraine war has also compounded the global supply chain and trade disruptions brought about by the COVID-19 Pandemic as well as adversely impacted the dreaded 3 Fs- food security, fuel price escalation, and financing conditions thus impacting living conditions with the capacity to derail global recovery efforts in 2022;

ii. global inflation trending upwards has led to Central Banks raising interest rates globally resulting in tight financing conditions and reversal of capital inflows especially in Emerging Markets. For example, the U.S. Federal Reserve Bank announced a hike in interest rates by 0.25 percentage points on 16th March and has signaled more of such to follow. Similarly, the Bank of England has raised its policy rate by another 25 basis points to 0.75 percent on 17th March, 2022;

iii. We have seen the highest inflation in US, UK, Germany, and other advanced countries since 1974. The US's inflation increased by 6.5 percentage points from 1.4% in Jan 2022 to 7.9% in Feb 2022. Similarly, inflation in Germany increased by 4.1 percentage points from 1% in Jan 2022 to 5.1% in Feb 2022. Similar trends are observed in UK inflation and across the EU countries;

iv. Since the Covid-19 pandemic struck, more than 60% of African Sovereigns have suffered downgrades across the region.

Ghana witnessed a downgrade from Fitch On 21st January 2022 to 'B-' with a Negative Outlook whilst Moody's downgraded Ghana to 'CAA1' with a Stable Outlook On 4th February 2022, even though S&P affirmed Ghana' rating at 'B-' with a Stable Outlook on 7th February 2022. These downgrades have had implications for market access, exchange rate depreciation, capital flight and increased cost of financing;

14. Ladies and Gentlemen, on the domestic front, the challenges include the impasse in Parliament which is adversely affecting government business such as the passage of some revenue bills including the E Levy bill. This is creating uncertainty which has been highlighted as a key risk by the Ratings Agencies and affected our credit spreads, limiting our access to the International Capital Markets.

15. The adverse global developments are impacting severely on exchange rate depreciation and domestic inflation as investors take refuge in safer assets, by stocking up on the dollar, which is considered the safest currency to hold. The dollar has in recent weeks gained its highest level since Covid-19 two years ago.

16. The cedi has not been spared. Cumulatively, our local currency has depreciated by 15.6% against the US dollar, and 13.4% and 13.3% respectively against the Pound Sterling and Euro, in the year to 23rd March 2022. This, understandably, is causing a lot of anxiety among traders and consumers alike. However, we also need to recognize that, in spite of it all, the cedi has held under these extreme

challenges better than it did between 2014 and 2015. This is because the fundamentals are stronger. The Bank of Ghana has announced measures to address the exchange rate depreciation and we believe in the propriety of the measures they outlined on Monday.

17. The rising international price of crude oil and the exchange rate depreciation are also affecting the ex-pump prices of fuel domestically as it feeds into high transportation fares, and hence inflation. For example, the average ex-pump price of diesel for three OMCs (Goil, Total, and Vivo) increased by 59.7% from GHS6.7 per litre on First January 2022 to GHS10.7 by 21st March 2022. Ghana is not alone here. From Angola, and Malawi, through Nigeria and Rwanda, to Senegal, down to Zimbabwe, fuel prices are soaring. Some neighbouring countries are not only dealing with rising petrol prices, but also scarcity on petroleum products, leading to long queues at filling stations.

18. It remains the case, however, that one of the biggest drivers of price increases in goods and services in Ghana, is a fuel price hike. Inflation has surged to 15.7% at the end of February 2022. Food inflation increased from 12.8% in December 2021 to 17.4% in February 2022, while non-food inflation rose from 12.5% to 14.5% over the same period.

19. Ladies and Gentlemen, provisional data on the stock of debt as at the end of December 2021, show that, the stock of public debt increased to GH¢351.8 billion (80.1 percent of GDP), compared with GH¢218.2 billion (61.2 percent of GDP) at the end of December

2020. Of the total debt stock, domestic debt was GH¢181.8 billion (51.7 percent), while the external debt was GH¢170.0 billion (48.3 percent).

20. Ladies and Gentlemen, the global and domestic developments I have outlined above, are affecting the effective implementation of the Budget. Urgent and decisive actions are, therefore, required to address the challenges and ensure the achievements of the objectives and targets of the 2022 Budget, including unleashing the entrepreneurial verve of the Ghanaian youth.

21. Whilst we are in the process of revising the 2022 fiscal framework to reflect current developments with the view to go to Parliament to seek approval for the revisions during the Mid-Year Review in July, Government will pursue additional measures to ensure the achievement of the fiscal deficit target of 7.4% of GDP.

B. MEASURES TO ADDRESS THE CHALLENGES

22. Ladies and Gentlemen, Government had already started the new year with spending cuts as Parliament failed to approve key revenue streams at the appropriate time. In January 2022, Government announced and, immediately, began implementing a 20% expenditure cut as part of fiscal stabilisation and debt sustainability measures.

23. This has been done through the quarterly expenditure ceiling allotments to MDAs. Quarter 1 allotment is currently under

implementation whiles Q2 allotments will be issued shortly. The ministry has strengthened its Expenditure Monitoring systems and processes to ensure effective implementation of these measures. In addition, Government has decided to take the following measures to ensure the achievement of the fiscal deficit target of 7.4% of GDP for 2022:

C. Expenditure Cutting Measures

i. Discretionary spending is to be further cut by an additional 10%. The Ministry of Finance is currently meeting with MDAs to review their spending plans for the rest of the three (3) quarters to achieve the discretionary expenditure cuts;

ii. these times call for very efficient use of energy resources. In line with this, there will be a 50% cut in fuel coupon allocations for all political appointees and Heads of government institutions, including SOEs, effective 1st April 2022;

iii. with immediate effect, Government has imposed a complete moratorium on the purchase of imported vehicles for the rest of the year. This will affect all new orders, especually 4-wheel drives. We will ensure that the overall effect is to reduce total vehicle purchases by the public sector by at least 50 percent for the period;

iv. again, with immediate effect Government has imposed a moratorium on all foreign travels, except pre-approved critical/statutory travels;

v. Government will conclude on-going measures to eliminate "ghost" workers from the Government payroll by end December 2022;

vi. Government will conclude the renegotiation of the Energy Sector IPPs capacity charges by end of Q3-2022 to further reduce excess capacity payments by 20% to generate a total savings of GHS1.5 billion;

vii. impose a moratorium on establishment of new public sector institutions by end April, 2022;

viii. prioritise ongoing public projects over new projects. This is to enhance the efficient use of limited public funds over the period by finishing ongoing or stalled but approved projects;

ix. reduce expenditure on all meetings and conferences by 50%, effective immediately;

x. Finally, Cabinet approved that Ministers and the Heads of SOEs to contribute 30 percent of their salaries from April to December 2022 to the Consolidated Fund; We would like to thank the Council of State in their leadership in complimenting the Government on this policy.

xi. pursue a comprehensive re-profiling strategies to reduce the interest expense burden on the fiscal; and

xii. liaise with Organised Labour and Employers Association to implement with immediate effect, the measures captured in the Kwahu Declaration of the 2022 National Labour

Conference, including reforms towards addressing salary inequities / inequalities (e.g. Article 71 Office Holders), the weak link between pay to productivity and the sustainability of the payroll.

xiii. Let me say this, President Nana Addo Dankwa Akufo-Addo has absolutely no intention to roll back on a major policy like Free SHS. We see education as the best enabler for sustainable economic growth and transformation and will do more to improve on it for it to serve more and better our children.

24. All of these measures are aimed at ensuring that we achieve the 7.4% deficit target set in the 2022 budget.

D: Fuel Price Mitigation Measures

25. Ladies and gentlemen, the rising prices of fuel at the pumps is influenced largely by the rising crude oil prices on the international market and the exchange rate depreciation. Though the rise in crude oil prices should have been to our benefit on net basis, Ghana's import of petroleum products amounts to 5.2 times the value of the proceeds from its crude oil exports. In 2022, we exported $3,947.70 million of which Ghana's portion was $513 million. However, we imported $2,719.00 of crude oil and finished products. The purported windfall gain in foreign exchange is a mirage. From January to date, the average ex-pump price of diesel and petrol have increased by 57% and 45% respectively.

26. Unlike in other countries where the hike in crude oil prices and exchange rate volatility are leading to shortages in supply of petroleum products, government is implementing measures to guarantee constant supply of petroleum products. To mitigate the impact of the rising price of petroleum products at the pump, for the next three months, government has decided to reduce margins in the petroleum price build-up by a total of 15 pesewas per litre with effect from 1st April. The details are as follows:

i. BOST margin reduced by 2 pesewas per litre
ii. Unified Petroleum Pricing Fund (UPPF) margin reduced by 9 pesewas per litre
iii. Fuel Marking Margin (FMM) reduced by 1 pesewa per litre
iv. Primary Distribution Margin (PDM) reduced by 3 pesewas per litre

27. Ladies and gentlemen, these reductions in margins are expected to reduce prices of petrol by 1.6% and diesel by 1.4%. We anticipate that the measures taken to strengthen the currency will help further stabilize the prices at the pump.

28. Ladies and gentlemen, the NPA is in discussion with the OMCs to reduce their margins within the spirit of burden-sharing.

29. The Government will do all it can to ensure consistent supply of fuel and manage the rate of ex-pump price increase by ensuring that BoG has access to adequate foreign exchange.

E: Revenue Measures

30. **Ladies and gentlemen, cutting down on expenditures alone will not be enough. Our focus is therefore twofold: to control expenditure and to raise more revenues domestically. As such, we will, therefore:**

    i. Begin the implementation and collection of the revised Property Rate by end of April 2022;

    ii. implement the E-VAT/E-Commerce/E-Gaming initiatives by end of April 2022;

    iii. roll out the simplified tax filing mobile application for all eligible taxpayers by July 2022;

    iv. impress upon Parliament to fast track the passage of the E-Levy Bill, Tax Exemptions Bill, and Fees and Charges Bill;

    v. prioritise the Revenue Assurance, Compliance, and Enforcement (RACE) Programme to plug revenue leakages especially at the ports and the infamous fuel bunkering and small scale mining exporters cabal;

    vi. government will partner the private sector to introduce digital systems to monitor quarrying, sand winning and salt winning to get more revenues from our natural resources; and

vii. immediately enforce the “No Duty – No Exit” policy at the MPS Terminal at the Tema Port to improve revenue collection.

Financing and Currency Measures

i. GoG to conclude external financing arrangement of up to US$2 billion in the next 2-6 weeks in line with approved external financing for 2022 and for liability management;

ii. MoF will work with the Central Bank to review the foreign exchange retention policy to ensure multinational companies in the extractive sectors retain foreign exchange earnings, from the sale of our resources, in the country.

31. Additionally, the following measures will be implemented over the medium-term:

i. Wean-off public tertiary institutions from government payroll and provide them with a fixed amount “block grant” instead.

ii. Pursue reforms to address structural challenges in public financial management including procurement and commitment control, payroll management and human resource management.

C. CONCLUSION

32. It is too early to say the COVID-19 pandemic is over. But it is good to acknowledge that Ghana has handled it excellently. We have emerged from its deadliest and most economically damaging phase. If the measures we have outlined in our economic recovery programme are executed as planned, the Ghanaian economy should return to pre-pandemic levels across most economic indicators by the end of the year.

33. On the other major event driving the global economy, we recognize that the world is four weeks into this terrible war, and it is quite clear that both the occupation of Ukraine, and the range of sanctions imposed on Russia, will have profound effects both in the short and long-term for global markets. The longer the conflict goes on for, the greater will be the disruption to the global economy. We shall continue to monitor the situation very closely and make further adjustments if and when needed.

34. We may have no control over the trajectory of the conflict, but it only reminds us how necessary it is for Ghanaians to assert greater control over our own destiny. That we can do if we share in the sacrifices before us to strengthen our capacity for greater self-reliance, even in an interdependent world. Government remains optimistic that our economy will grow even bigger this year. The challenge now is to marshal this economic growth before us in the right direction, and ensure that it benefits Ghanaians across board.

35. Ladies and Gentlemen, we are confident that these measures will address the immediate and short-term challenges confronting our nation. Government remains resolute and committed to entrenching the structural transformation of our economy in the long term.

36. To this end, we are aggressively pursuing key interventions such as 1D1F, GhanaCARES and the YouStart programmes to improve our ability to locally produce more goods and optimise the opportunities AfCFTA offers us. It is important that, as a country, we reduce our dependence on imports and increase local production. Public institutions are reminded of Government's policy to buy locally produced goods. It is critical that Ghanaians reconsider their preference and consume more locally produced goods to support the economy and guarantee decent jobs for our people.

37. Ladies and Gentlemen, your Government, the Akufo-Addo administration, is determined to turn things around and has the skills, discipline and compassion to do it. But to do so, we must not allow our fortunes to be misdirected by speculators and naysayers - those who only thrive when we allow avoidable uncertainties to hold sway in the affairs of our nation. Government will, by this, appeal to Parliament to put the nation first and work in partnership to serve the people of Ghana right. *Paraphrasing Psalm 122:7, I pray that peace be within the walls of Parliament and sobriety within its towers.*

38. Ladies and Gentlemen, these measures outlined today will significantly improve the macro-fiscal situation towards the restoration of confidence and safeguard the achievement of the 2022 budget deficit target of 7.4% of GDP. These measures have

been carefully designed to ensure that growth and spending on social protection are not compromised.

39. Ladies and Gentlemen, these are truly challenging times globally. No country has been spared. Government, therefore, calls on all Ghanaians to stand together. Together, we shall surely overcome.

40. Ladies and Gentlemen and people of Ghana, we can do it together. This is not the first time an NPP Government, working together with the people of Ghana has succeeded in overcoming an economic challenge of this nature. We have demonstrated time and time again our ability to overcome.

41. First, in 2001, the NPP Government led by Former President Kufuor, together with the people of Ghana, brought the country out of severe economic difficulties. Second, in 2017, the NPP Government led by President Nana Addo Dankwa Akufo-Addo, together with the people of Ghana, brought the country out of the economic doldrums in which we were at the end of 2016. This third time, still under President Akufo-Addo, working together with the people of Ghana, will not be an exception.

42. Ladies and Gentlemen, I have had the privilege of engaging in a number of townhall meetings from Koforidua to Takoradi, Tamale, Wa and Ho, and the resolve of our people to burden-share for a better life for all is palpable. In particular:

    i. They want everyone to pay taxes;
    ii. They want Government to be accessible;
    iii. They want Parliament to get on with its work;

iv. They want employment for our youth;
v. They want Agriculture and industry to thrive; and
vi. They want us to tackle our debt problem and raise more revenue and to prosecute offenders.

43. Ladies and gentlemen, our Mid-Year review will reveal the success of what we have done. This will ensure that the structural reforms are crystalised, reduce fiscal dominance and ensure fiscal and monetary policy coherence.

44. Let me end by a quotation from Jeremiah 29:7
"Seek the peace and prosperity of our nation. Pray to the Lord for it, because if it prospers, you too will prosper'

45. Together, we will confront the macro-economic challenges head on, stabilise the economy and set it on the path of economic transformation for all.

46. Ladies and Gentlemen, fellow Ghanaians, I thank you for the attention.

47. God Bless our Homeland Ghana!