



2024 Mid-Year Budget Review

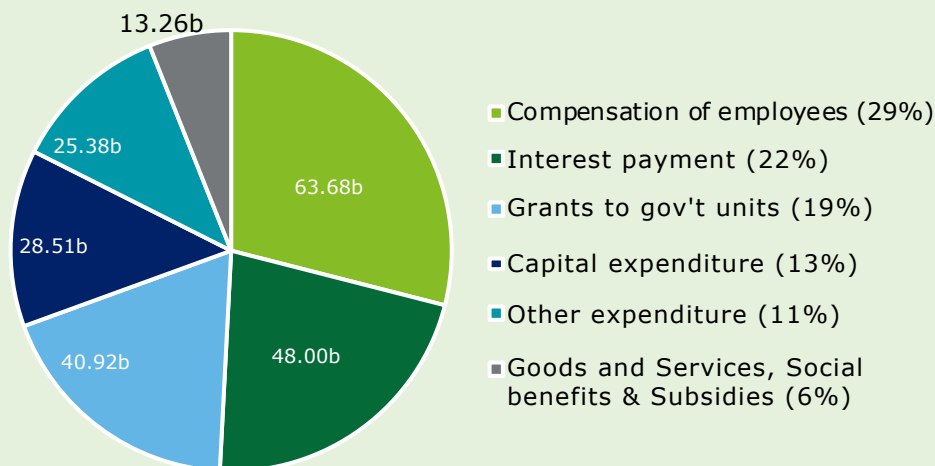
Snapshot of Ghana's 2024 Mid-Year Budget



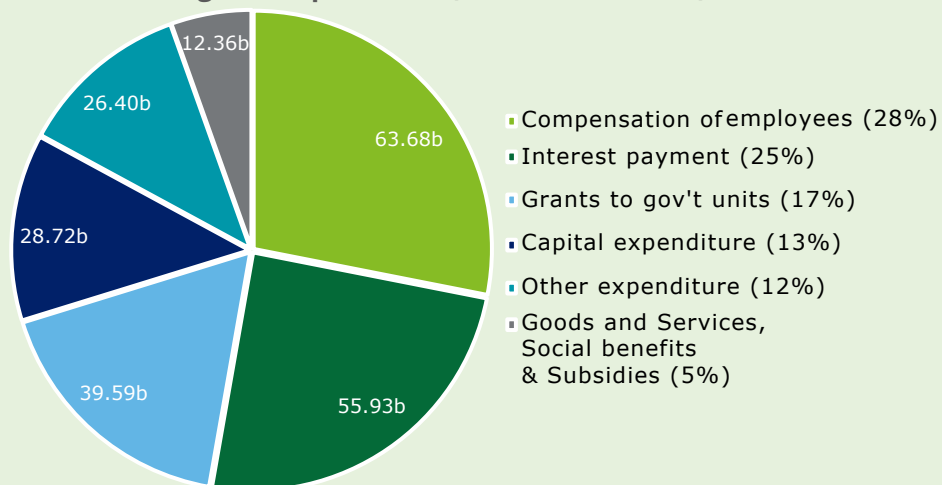
Mid-Year Budget at a glance | Revenue, Expenditure, and Budget Deficit

Expenditure

2024 revised budgeted expenditure (GHS' billion and %)

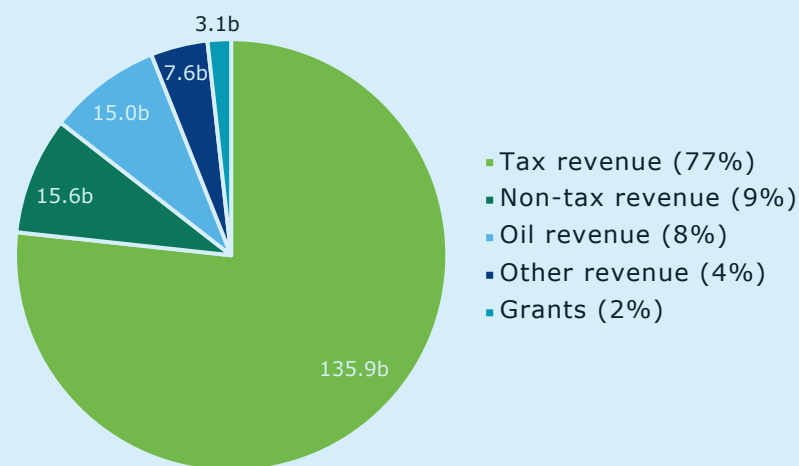


2024 budgeted expenditure (GHS' billion and %)

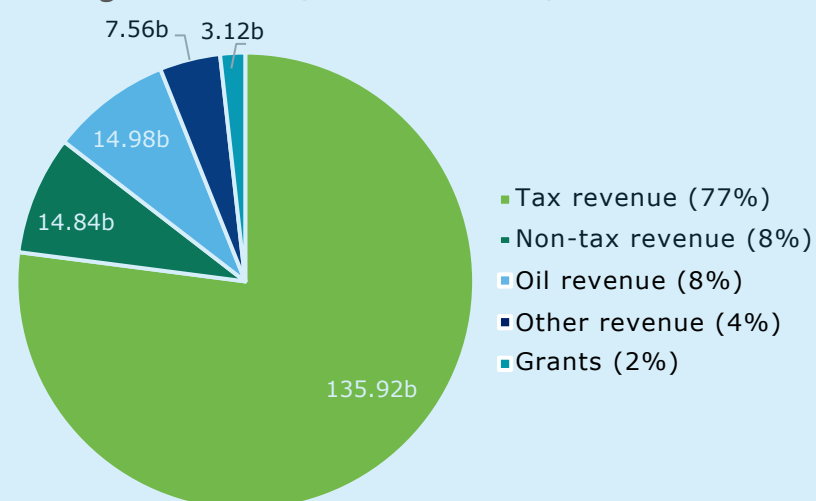


Revenue

2024 revised budgeted revenue (GHS' billion and %)



2024 budgeted revenue (GHS' billion and %)



Deloitte's view

- The Government of Ghana (GoG or Government) projects an increase in capital expenditure investments from 2.5% of GDP in 2023 to 2.8% of GDP in 2024. This signals a strong focus to improve social infrastructure and other key amenities amidst the fiscal consolidation programme. Allocation of such spending to priority sectors can spur strong economic performance in the medium to long term.
- The debt restructuring together with the IMF program has effectively reduced interest payment from GHS55.9 billion (largest expenditure item) to GHS48.0 billion (second largest expenditure item). This should create the needed fiscal space to implement key Government programs to revitalise and transform the economy.
- The decision in the mid year review to maintain existing tax handles presents some respite for businesses and individuals as a further increment in taxes could hamper productivity of the private sector (due to the business environment been characterized by relatively high inflation and exchange rate depreciation).



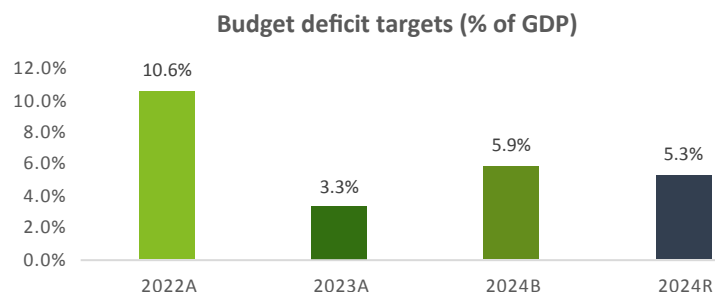
Useful insights

- Total Revenue & Grants for 2024 have been revised upward to GHS177.2 billion compared to the 2024 budgeted of GHS176.4 billion, representing a 0.5% increase.
- Non-tax Revenue for 2024 is projected to increase to GHS15.6 billion compared to the 2024 budget of GHS14.8 billion, a 5% increase.
- Total Expenditure for 2024 has been revised downward to GHS219.7 billion, from the earlier GHS226.7 billion, a 3.2% decrease.
- The decline in total expenditure is expected to result in savings on interest payment from GHS55.9 billion to GHS48.0 billion owing to Government's completion of external debt restructuring (in respect of bilateral, multilateral and Eurobond debts).
- The Government in the first half of 2024 recorded a budget deficit (cash basis) of GHS36.1 billion (3.4% of GDP) against a target of GHS35.1 billion (3.3% of GDP). Budget deficit (cash basis) is projected to improve (to 5.3% of GDP) by the end of 2024, compared with an initial budget of 5.9% of GDP.



Budget Deficit

The revised 2024 fiscal deficit on a cash basis is 5.3% of GDP compared to the budgeted deficit of 5.9% of GDP



Note: A – Actual, B – Budgeted, R - Revised

Source: 2024 Mid-Year Fiscal Policy Review and Deloitte Analysis



Mid-Year Budget at a glance | GDP Growth



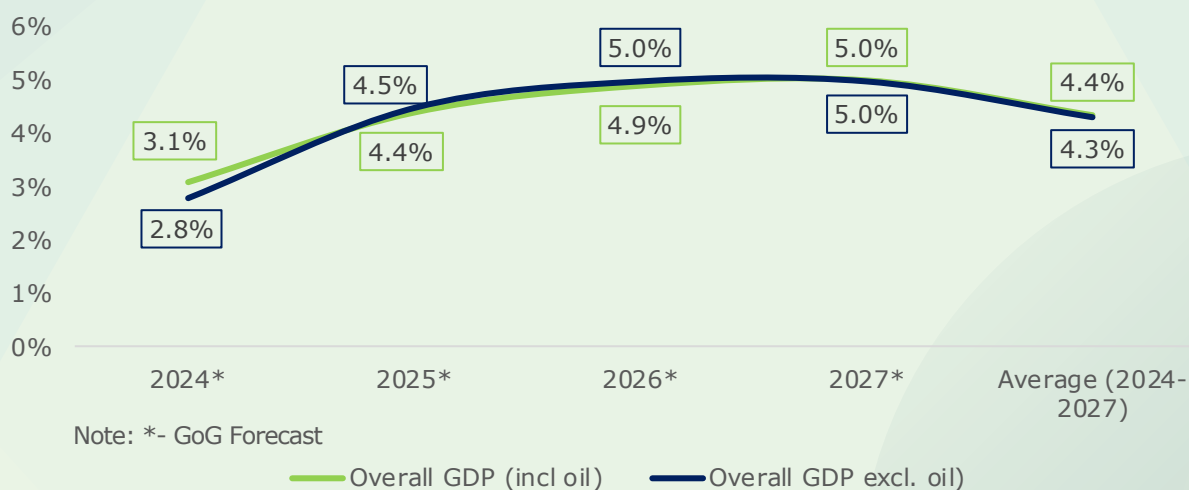
Summary Indicators

Indicators	2023 Actual	2024 Budget	2024 Revised Budget
Overall GDP Growth	2.9%	2.8%	3.1%
Non-oil GDP	3.3%	2.1%	2.8%
Budget Deficit (Commitment)	3.7%	4.8%	4.2%
Primary Surplus/(Deficit) - Commitment	(0.3%)	0.5%	0.5%
Inflation	23.2%	15%	15%
Gross International Reserves (Months of Import cover)	2.7	3.0	3.0

Source: 2024 Mid-Year Fiscal Policy Review and Deloitte Analysis



Projected GDP growth (%)



Source: 2024 Mid-year Fiscal Policy Review and Deloitte Analysis

Mid-Year Budget at a glance | GDP Growth



GDP Growth

- Overall GDP is projected to grow by 3.1% in 2024, down from the initial 2024 budget of 2.8%. Similarly, Non-oil GDP growth has been revised to 2.8%, up from the 2024 budget of 2.1%. Overall GDP is projected to grow at an average rate of 4.4% per annum over the period 2024- 2027.
- In 2023, Ghana's economy expanded by 2.9% compared to a revised target of 2.3%. In addition, Non-oil GDP also expanded by 3.3% relative to a revised target of 2.8%. The growth in 2023 is largely driven by improvement in the service (5.5%) and agriculture (4.5%) sectors, with the industry sector contracting by 1.2%.
- GDP growth in the first quarter of 2024 (Q1 2024) was 4.7%, which is higher than the Q1 2023 growth of 3.1%. The Q1 2024 growth was mainly spurred by 6.8% growth in the industry sector.

Deloitte's view

- It is important to note that unlike prior years, the 2024 mid-year budget statement did not request for Parliament to approve additional allocation. The mid-year budget statement focused mainly on tracking progress on implementation of the 2024 budget and also indicated the Government's revised budget for some key economic indicators. Overall, the information shared by the Finance Minister suggests the economy is recovering despite economic challenges in recent years. It appears the improved performance in the first half of 2024 has raised Government confidence which should affect investor confidence, leading to the more favorable revisions made to the budget for 2024.
- In terms of sectoral performance, it is exciting to see the industry sector expand by 6.8% in Q1 2024, following contraction in 2023 and only marginal growth prior to 2023. The mining and quarrying subsectors emerged as the major drivers of the industry sector growth by registering a 12.9% growth. This sector's resurgence reflects an uptick in global commodity prices. Hence, we expect to see a positive impact on the economy as jobs, wages and community infrastructure are all expected to increase.

Mid-Year Budget at a glance | Inflation and Exchange Rate



Exchange Rate development – Year to date June

Description	2023	2024
Cedi/Dollar	▼ 27.8%	▼ 18.6%
Cedi/Pound	▼ 31.9%	▼ 17.9%
Cedi/Euro	▼ 30.3%	▼ 16%

▼ Depreciation of the cedi ▲ Appreciation of the cedi

Source: 2024 Full Year Budget Statement and Deloitte Analysis

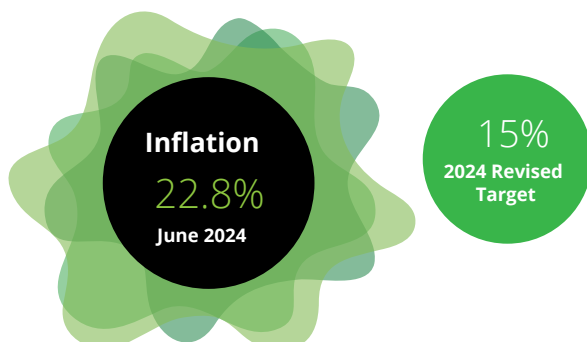
Exchange rate

- The Ghana cedi depreciated by 18.6%, 17.9%, and 16% against the Dollar, Pound, and Euro respectively as at the end of June 2024.
- The depreciation of the cedi was largely on account of strengthening of the dollar against major trading currencies, high demand for foreign exchange from businesses, coupon payments on bonds issued in February 2024 and speculative activities.

Inflation

Headline inflation declined to 22.8% in June 2024 from 23.2% in January 2023. The downward trend in inflation in 2024 has been largely driven by decrease in non-food inflation, tightening monetary policy, ongoing fiscal consolidation by Government, low volatility of transport fares due to stable crude oil prices, and some base drift effect from previous price increases.

Inflation Updates



Deloitte's view

- The downward trend recorded in the year-to-date depreciation and inflation further affirms the view that our economic recovery process is on track. This notwithstanding, the upcoming elections and its potential for increased Government expenditure beyond targeted levels, as well as the recurrent increase demand for dollars ahead of Christmas festivities in the last quarter of the year present risk to the improved currency performance depreciation and inflation recorded so far.
- Having highlighted the risk to maintaining the positive trajectory noted above, it is important to note that the IMF Programme, whilst serving as a check on Government's expenditure also provides opportunity to boost Ghana's foreign reserves. This, together with other inflows expected from the World Bank Development Policy Operation (DPO) might help absorb some of the FX shocks associated with the December festivities.

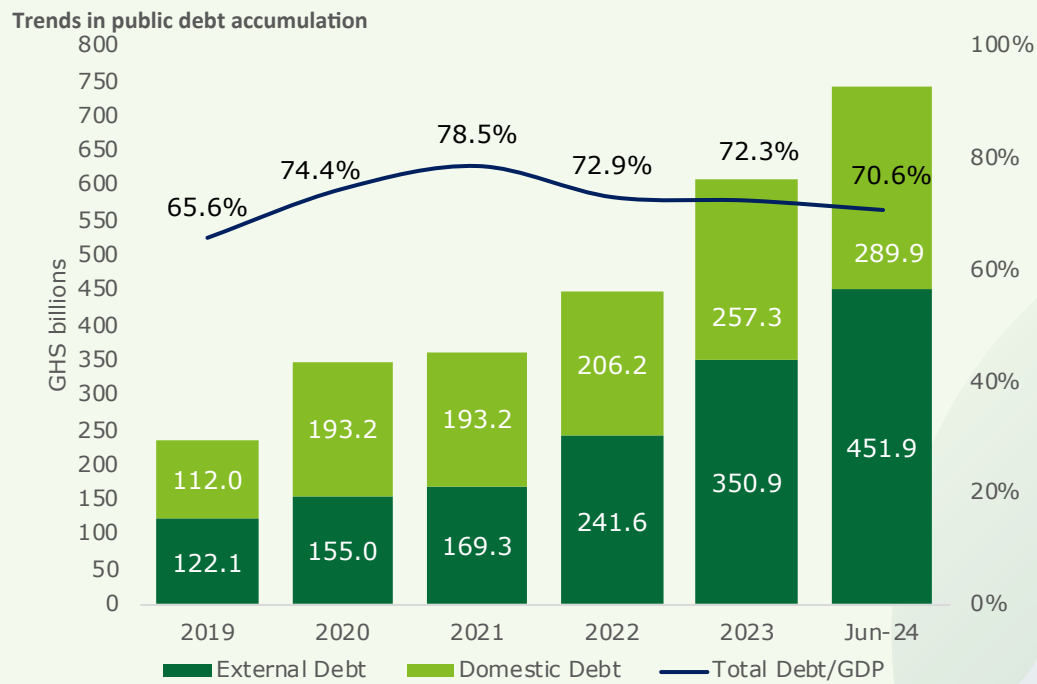
Mid-Year Budget at a glance | Public Debt

Public Debt

- As at the end of June 2024, total public debt stood at GHS 741.95 billion, representing an increase of 22% from the previous year's GHS 608.4 billion as of December-end 2023.
- In the same period, the ratio of gross public debt to GDP decreased marginally from 72.3% as of December 2023 to 70.6% of GDP as at June 2024. The improved debt position has resulted mainly from debt cancellation (US\$4.7 billion) and debt relief (US\$ 4.4 billion) agreement with GOG's commercial creditors.

Public Debt to GDP ratio (2019- June 2024)						
Debt to GDP	2019	2020	2021	2022	2023	2024
External Debt/GDP	31.6%	36.2%	36.8%	39.5%	41.7%	43.0%
Domestic Debt/GDP	29.6%	38.2%	39.4%	31.8%	30.6%	27.6%
Total Debt/GDP	65.6%	74.4%	78.5%	72.9%	72.3%	70.6%

Source: 2024 Mid-year Fiscal Policy Review and Deloitte Analysis



Source: 2024 Mid-year Fiscal Policy Review and Deloitte Analysis





Ghana credit ratings H1-2024

Rating agency	Local Currency Rating	Long-Term Local Currency
Moody's	Ca	Caa3
S&P Global	SD	CCC+
Fitch Rating	RD	CCC

Source: 2024 Mid-year Fiscal Policy Review and Deloitte Analysis

Ghana's credit rating has remained unchanged due to some delays in finalizing Eurobond components of Government's overall debt restructuring program. Government however forecasts an improvement in credit ratings and overall investor sentiments upon completion of the entire debt operations program.

Public Debt



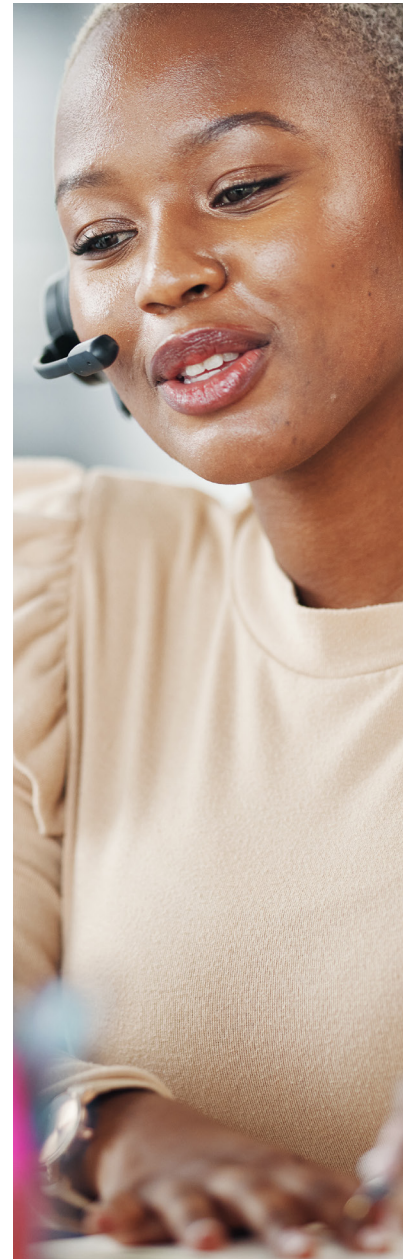
June 2024

Public Debt

Domestic debt grew by 12.7% from GHS 257.3 billion in December 2023 to GHS 289.9 billion as at June 2024 on account of additional borrowing from the local capital market. External debt also increased by 28.7% from GHS 350.9 billion in December 2023 to GHS 451.9 billion as in June 2024 due to sharp depreciation of the Ghana cedi.

Deloitte's view

- The external debt restructuring has resulted in debt relief of USD4.4 billion and debt cancellation of USD4.7 billion over the course of the IMF Programme. This is expected to slowdown the extent of debt accumulation and the rise in Ghana's debt to GDP ratio, assuming the economy continues to expand. Ghana has targeted a debt to GDP ratio of 55% by end of 2028.
- However, the resumption of debt service commitment post IMF presents some risk to this target. Given that the debt will most likely continue to increase overtime, the most feasible option for achieving the optimal debt to GDP ratio is to direct increasing portions of additional loans into productive and self-financing capital expenditure to expand the economy whilst generating inflows to paydown these loans.



Mid-Year Budget at a glance | Tax and Regulatory Highlights

The Government's Mid-Year Review of the 2024 Budget Statement and Economic Policy did not propose any new taxes. The Minister for Finance, however, announced several fiscal policy proposals that highlight the government intention to enhance revenue mobilisation and stimulate GDP growth.



Tax incentives

- Provision of tax incentive to private sector organisations, especially the extractive industry players that partner government to implement strategic road construction projects.
- Expansion of beneficiaries under the Ghana Automotive Development Programme (GADP) to include manufacturers of two-wheeled and three-wheeled electric vehicles to take advantage of existing tax incentives.



Revenue mobilization policies

- Development of a framework to re-introduce road and bridge tolls through an efficient and modernised tolling system by end of 2024.
- Re-institution of the integrated property tax system to ensure efficient assessment and collection of property tax.
- Development of legislation and strategic framework for mobilising and managing non-tax revenue.



Measures to expand tax base

- Enhance the ease of doing business at the ports, improve taxpayer education, and regularly update the GRA website to address taxpayer concerns.
- Introduction of monthly surveys on business environment aimed at resolving issues related to tax administration.
- Continuous clean-up of tax register and implementation of electronic systems to cover more taxpayers and improve taxpayer experience.
- Development of guidelines for the implementation of the Emissions Levy and environmental excise duty on plastics.
- Data sharing and exchange of information with other jurisdictions to improve revenue mobilization.
- Introduction of simplified digital solution and electronic bookkeeping system to operationalise modified taxation regime for the informal sector.
- Addition of 2,000 taxpayers to the electronic VAT invoicing system by end of 2024.

Mid-Year Budget at a glance | Tax and Regulatory Highlights



Legislative updates

- Completion of Regulations for the Exemptions Act, 2022 (Act 1083).
- Amendment of Value Added Tax Regulations, 2017 (L.I. 2255) to broaden scope of exemptions for active pharmaceutical inputs, excipients, and other finished pharmaceutical products.
- Review of existing tax laws to consolidate changes required for contemporary tax needs.
- Completion of draft Regulations to operationalise the Independent Tax Appeals Board (ITAB).



Deloitte's view

As was widely expected, the 2024 Mid-Year Budget Review did not introduce new taxes, nor did it announce tax cuts. This can be attributed to a number of factors including 2024 being an election year coupled with the fact that the business community has raised concerns about excessive taxation in the last few years.

Largely, the policies announced are geared towards improving efficiency of tax administration and increasing tax revenue, which is a key pillar of the ongoing IMF Economic Credit Facility programme. Most of the measures announced are in line with thematic areas of the Government's Medium Term Revenue Strategy for 2024 to 2027 released in September 2023.

There is also a focus on improving the business climate with updates on full implementation of the Exemptions Act and Independent Tax Appeal Board (ITAB) provided. Regulations to the Exemptions Act, which was passed in 2020 to streamline government tax exemptions, is expected to facilitate full implementation of the Act towards achieving its objective of codifying administration, monitoring, evaluation, and reporting of tax exemptions.

The ITAB on the other hand was introduced by the Revenue Administration (Amendment) Act (Act 1029) in 2020 but the board was not inaugurated until 2023. The proposed regulations should fully operationalise ITAB's hearings, which will be an important part of tax dispute resolution and business certainty in Ghana.

The proposed extension of tax incentives to cover private sector players partnering government in road construction project will be a novelty if implemented on a national scale. Similarly, the proposal to extend tax incentives to manufacturers of two-wheeled and three-wheeled electric vehicles is an indication of government's continuing agenda of incentivising ecofriendly transportation in Ghana to help meet Ghana's Nationally Determined Contributions under the Paris Agreement.

Contacts

**Daniel Kwadwo Owusu**

Country Managing Partner
Deloitte Ghana
dowusu@deloitte.com.gh
+233 501 323 230

**George Ankomah**

Partner, Tax & Regulatory
Deloitte Ghana
gankomah@deloitte.com.gh
+233 501 320 895

**Charlotte Forson-Abbey**

Partner, Audit
Deloitte Ghana
cforson@deloitte.com.gh
+233 501 320 902

**Gloria Boye-Doku**

Partner, Tax & Regulatory
Deloitte Ghana
gboyedoku@deloitte.com.gh
+233 501 323 230

**Gideon Ayi-Owoo**

Partner, Tax & Regulatory
Deloitte Ghana
gayi-owoo@deloitte.com.gh
+233 509 810 823

**Yaw Appiah Lartey**

Partner, Financial Advisory
Deloitte Ghana
ylartey@deloitte.com.gh
+233 501 320 899

**Wisdom Kpano**

Associate Director, Tax & Regulatory
Deloitte Ghana
wkpano@deloitte.com.gh
+233 501 320 969

**Dennis Brown**

Senior Manager, Financial Advisory
Deloitte Ghana
dennbrown@deloitte.com.gh
+233 243 205 800

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