



**Ghana's Economic Landscape:  
Trends, Challenges, and Opportunities"**



## I. Introduction

Currently grappling with high levels of unemployment, food insecurity, persistent high inflation coupled with a high cost of living, Ghana's economy in 2024 seems to be in dire straits. However, given that the country had to pull itself up by its bootstraps in the past few years in the aftermath of the global pandemic and the Russia-Ukraine conflict, there are many indicators pointing to the fact that Ghana's economy is on a path to experience growth in 2025 and an eventual shift to economic stabilization in the coming years. Understanding the country's economy will help businesses take advantage of investment opportunities and maximize their profits as the economy stabilizes.

## II. Macroeconomic Overview

### GDP growth rate

Last year, Ghana's real GDP growth slowed to 2.9% from 3.8% in 2022 and was projected in the medium-term to increase to 3.4% in 2024 and 4.3% in 2025, driven by industry and services on the supply side and private consumption and investment on the demand side.

In 2024, the Ghana Statistical Service (GSS) reported that the country recorded a GDP growth rate of 4.7% for the first quarter of 2024 exceeding the 3.1 % growth rate recorded in the same period in 2023. This figure represents the highest growth rate recorded by the country since the second quarter of 2022.

The World Bank recently confirmed that the expected GDP growth rate for Ghana in the year 2024 is 2.9% which is 0.1% higher than the initial growth rate forecasted. The World Bank further projects that the growth rate will improve to 4.4% in 2025. This growth is expected to result from the ongoing fiscal revenue and expenditure reforms which have been put in place by the government.

### Inflation rate

In 2023, inflation deteriorated from 31.5% in 2022 to 40.3% and was projected to remain outside the Bank of Ghana target range of  $8 \pm 2$  at 20.9% in 2024 and 11.1% in 2025. However, by the end of March 2024, inflation rose to 25.8%, primarily due to rising food prices.



Inflation then reduced to 25.1% in April, as seasonal food supplies improved, despite ongoing higher non-food inflation driven by exchange rate effects. This initiated a sustained decline over the next three months, with inflation falling to 20.9 in July 2024 indicating a steady cooling of price growth. This decline was driven by tight monetary policy stance, ongoing fiscal consolidation of government, and low volatility of transport fares due to stable crude oil prices.

### **Exchange rate**

As of June 2024, the country recorded an 18.6 % depreciation rate to the US Dollar, representing an improvement over the 22.0 % recorded for the same period in 2023. Additionally, in the first half of 2024, the Ghana Cedi depreciated by 17.9 % and 16.0 % against the Pound Sterling and the Euro, respectively. The Cedi continues to recover its value and is expected attain relative stability due to future inflows from the World Bank, a tight monetary policy stance, and a weaker US dollar from potential policy rate cuts in the United States of America.

### **Economic indicators**

In 2023, the fiscal deficit narrowed to 4.5% of GDP from 11.8% in 2022 and Public Debt dropped from 92.4% of GDP in 2022 to 84.9% in 2023, reflecting the benefits of the Domestic Debt Exchange Program (DDEP). The fiscal deficit was projected to marginally expand to 4.9% in 2024 before contracting to 4.2% in 2025 as fiscal consolidation efforts continue.

The county's fiscal performance in the first quarter of 2024 pointed to some consolidation with provisional data on budget execution for 2023 indicating an overall fiscal deficit of 3.3% of GDP as compared to the target of 5.8%. This is likely due to fiscal policy implementation being a broadly consistent target set under the IMF ECF-supported programme.

## **III. Sectoral Analysis**

### **Agriculture**

Agriculture plays a significant role in Ghanaian society by generating government revenue through export duties on cash crops. Ghana exports a substantial quantity of these cash crops, contributing to the economy.

In the 2024 Mid-Year Fiscal Review, government policies which were targeted to enhance the output of the sector were posited. These include the re-implementation of the "Planting for Food and Jobs" policy, which is expected to improve food security by introducing farmers to an input credit system and other technological platforms. According to the mid-year fiscal report, the Ministry of Agriculture plans to invest in private sector aquaculture by increasing the supply of premix fuel and supporting individuals interested in working in the industry. The expectation is that such investments in agriculture from the government will reduce inflation, reduce food importation and preserve foreign exchange earnings.

In September 2024, the Minister for Food and Agriculture announced a significant increase in the producer price of cocoa for the 2024/25 crop season, raising it to GHS 48,000.00 per tonne. This marks a substantial rise from GHS 20,928.00 per tonne at the start of the 2023/24 season, reflecting an unprecedented increase of 129.36%. The decision was made in response to significant price fluctuations in the global cocoa market in 2023. This move also follows the cocoa price increase in April 2024, aimed at aligning Ghanaian prices with those in Côte d'Ivoire to address the persistent issue of cross-border smuggling.

Ghana is currently facing a looming food scarcity crisis as a result of droughts in the Ashanti Region and Northern Ghana. These severe conditions have disrupted crop production, resulting in an estimated loss of GHS 3.5 billion in farmer investments and threatening an imminent food shortage if urgent interventions are not made. In response, the government has implemented a temporary ban on grain exports and purchased an insurance policy that will provide USD 5 million in the event of a drought, aiming to protect farmers in the northern region against future droughts.

### **Mining**

In the first quarter of 2024, the Mining and Quarrying Industry sub-sector, which recorded a 12.9% growth, was a key driver of the country's 4.7% GDP increase. This may be attributed to the fact that Ghana's top export product during the first quarter was gold bullion, valued at GHS 29.7 billion, which accounted for 50% of the country's exports.

According to the 2024 Mid-year Fiscal Policy Review, gold prices have risen by 8% annually. Prices are expected to increase moderately during the rest of the year.

The Ghana Chamber of Mines, in its Mineral Production Outlook for 2024, also projects that that manganese production will increase to 5 million tonnes, bauxite production will increase to at least 1.2 million tonnes, and diamond exports will reach 220,000 carats.

### **Manufacturing**

In 2024, the sector has recorded a growth of 6.8%, influenced by growth in mining and construction activities.

The 2024 Mid-year Fiscal Policy Review report lays out the government's plan to continue supporting aspects of the manufacturing sector including, pharmaceuticals, textile and garment industries to attract new investments and create jobs through the One District One Factory (1D1F) program. As the country looks to reduce its reliance on the export of raw materials and diversify its revenue sources, it is anticipated that the industry will continue to grow.

### **Services**

GSS disclosed that the services industry has had an average growth of 3.3% since the start of the year.

The tourism industry has seen an increased demand this year, attracting 100,000 more visitors in the first half of 2024 than it did during the same period last year. This progress has led to a \$300,000 increase in revenue. To support this growth, the government has announced plans to improve tourism infrastructure and support supply chains all over the country.

### **Energy**

Ghana's energy sector has experienced significant growth over the years; however, it continues to place a financial burden on the economy. It is estimated that the government allocates approximately 2% of the nation's GDP annually to offset the sector's losses.

Gas remains the primary source of electricity production, accounting for 66% of the country's supply, with hydroelectric power contributing 33%. The country is however plagued by inconsistent and unreliable power supply. Despite challenges with inconsistent power supply domestically, Ghana exports electricity to neighboring countries, including Togo, Benin, and Ivory Coast. Statistics for 2024 show that regardless of these efforts, electricity is lagging, with a 7.5% regression in the first quarter.

Renewable energy contributes a small percentage to energy production in Ghana and the government plans to develop the sector.

In line with this goal, the government has put in place policies and continues to develop renewable energy infrastructure. The Mid-Year Review disclosed that the country has added 134.1 MW of renewable energy to the country's energy mix.

Additionally, Ghana was approved for \$250 million credit and \$10 million grant to support the energy sector from the World Bank. It is expected that these support funds will improve electricity distribution and promote access to clean cooking solutions. Moving forward, the government plans to distribute 150,000 LPG cook stoves to households and 2,500 commercial caterers. Additionally, power support to the 1D1F programme and the Agenda 111 project will continue.

## **IV. Challenges and Opportunities**

### **Improving Infrastructure**

Ghana has made significant strides in addressing its infrastructure challenges, investing approximately \$23 billion dollars towards the development of critical sectors.

The modernization of the Tema Port is expected to reduce clearance times, revise the transshipment regime and improve infrastructures that facilitate shipping through containers. The expansion is expected increase the terminal's size from 100 hectares to 127 hectares. The entire yard space is expected to be completed by September 2025 with 50,000 square meters of the yard space expected to be ready by July 2024.

Phase 2 of the Tema Port expansion, which is scheduled for completion in September 2025, is expected to increase handling capacity exponentially i.e. from 2.5 to 3.7 million twenty-foot equivalent containers (TEUs). This will help Ghana realize its ambitions as a leading shipping hub and pioneer of the African Continental Free Trade Area (AfCFTA).

Beyond the development of the Tema Port, a consortium has signed an agreement to extend \$94 million in debt funding to PMD Assetco Limited for the construction and operation of a floating dock ship repair facility in Ghana's Takoradi port. These investments and development in Ghana's maritime industry are indicators of the country's commitment to establishing itself as a major player in the shipping industry in Africa.

Ghana has also secured a significant financial boost with a \$2 billion framework agreement with South Korea's Economic Development Cooperation Fund (EDCF). This deal aims to support key priority programs in infrastructure, agriculture, health, education, energy, roads, transport, and ICT over the next five years. Key initiatives include the construction of high-speed railways, highways, and sustainable energy systems, which are expected to transform the nation's infrastructure.

Ghana's government is also making active strides to address Ghana's housing deficit through the construction of unit homes. The construction of 8,000 housing units and 320 homes have been expedited.

Ghana is also actively enhancing its digital infrastructure through various programs aimed at creating a more accessible and efficient public sector. The focus on digital infrastructure is expected to significantly boost productivity, reduce bureaucratic delays, and foster a more business-friendly environment, ultimately benefiting the overall economy. The government has implemented digital initiatives such as the National Identification, digital address systems, land records digitization, digitizing the acquisition of statutory documents such as passports and drivers' licenses, etc. However, digitalisation of basic services is characterized by an inclusion deficit as some citizens are unable to participate in the use of digitalised services simply because of the unavailability of internet services. Moreover, the cost of internet device and data have been found to be among the major reasons why some citizens are unable to access and use digitalised basic services.

Ghana is making significant strides in enhancing its domestic financial infrastructure. In early 2024, the Ghana Interbank Payment and Settlement Systems (GhIPSS) announced a strategic partnership with Visa to streamline local payment processing. Under this agreement, GhIPSS will handle domestic transactions conducted in Ghana Cedi using Visa cards issued within the country. This partnership is expected to strengthen the efficiency of Ghana's payment ecosystem and boost transaction volumes, leading to significant cost savings for Visa agents, especially banks. Ultimately, it is expected that customers will benefit from this partnership through reduced transaction fees.

### **Debt Restructuring**

In 2024, the IMF Executive Board completed the second review of Ghana's 36-month Extended Credit Facility Arrangement, which led to the disbursement of \$360 million. Ghana's performance under the program has been generally strong, meeting all the quantitative performance criteria for the second review and almost all indicative targets. Significant progress is also being made on the restructuring of its debt.

### **VAT Policy**

There have been calls for policy reforms in Ghana's tax administration. Suggestions have been made to simplify the existing Value Added Tax (VAT) structure. Critics argue that the current VAT system is complex and burdensome for both individuals and businesses. In Ghana, VAT is applied to the supply of goods and services made within the country as well imported goods. The standard VAT rate is currently 15%. However, retailers with an annual turnover between GHS 200,000 and GHS 500,000 are taxed at a flat rate of 3%. Additionally, a flat rate of 5% applies to the taxable supply of immovable property for rental purposes with certain exceptions.

To improve compliance, there are proposals to streamline VAT rates and eliminate the perceived cascading effects of the existing structure. A review of the current tax policy could significantly enhance private sector compliance and address the urgent need to boost domestic revenue.

Given the current economic challenges and Ghana's difficulty in securing funds from international capital markets, strengthening domestic revenue generation has become a critical priority

### **Foreign Direct Investment**

Ghana has prioritized creating an enabling environment for the private sector. To achieve this, key reforms have been implemented, including the automation and digitalization of government processes and strengthening the Ghana Investment Promotion Centre (GIPC).

In the first quarter of 2024, Ghana attracted \$123.06 million in foreign direct investment (FDI), marking a 16% increase from \$106.02 million for the same period in 2023. GIPC registered 32 new projects with a total estimated investment of \$128.13 million.

Among these, the manufacturing sector had the most projects, totalling 12, followed by the services sector with nine projects. General trading had four projects, while export trade and building and construction each had two projects. These 32 projects are expected to create 3,602 jobs once fully operational. Of these jobs, 3,379 (93.8%) will be for Ghanaians, and 223 (6.2%) will be for non-Ghanaians. China led in the number of projects, with eight registered, while Spain had the highest FDI value, amounting to \$76.41 million in the first quarter of 2024.

To further attract investment, GIPC released a list of priority areas for investment in Ghana. These areas of industry will be eligible for special tax incentives and exemptions to promote investment in the country.

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The priority areas include manufacturing, mineral and mineral processing, oil and gas (value addition), real estate/ property development and road infrastructure, pharmaceutical, agro-processing and tourism.

Additionally, in a bid to create a more attractive investment environment, the GIPC is proposing to eliminate the minimum capital requirement for businesses with foreign participation. Amendments to the GIPC Act, 2013 (Act 865) have been proposed and are currently under review by parliament. Currently, foreign investors must meet the following minimum capital requirements: USD 200,000 for joint ventures with a Ghanaian partner, who must hold at least 10% of the equity; USD 500,000 for businesses fully owned by non-Ghanaians; and USD 1 million for trading companies (those that buy or sell goods or services) fully owned by non-Ghanaian entities.

## **V. Conclusion**

In conclusion, it is anticipated that Ghana's economic growth will improve in 2025 as ongoing fiscal revenue and expenditure reforms gradually take effect. The country is expected maintain its steady recovery, with the Standard and Poor's 500 Index forecasting a 5.1% growth in the economy by the end of the year. Stability, untapped resources, a business friendly framework and a tech-savvy startup ecosystem are key factors supporting this projection.

Ghana is navigating its economic challenges with notable progress across several key sectors. The government's commitment to enhancing infrastructure, expanding renewable energy, and addressing housing and digital infrastructure needs reflects a comprehensive approach to economic revitalization.



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