



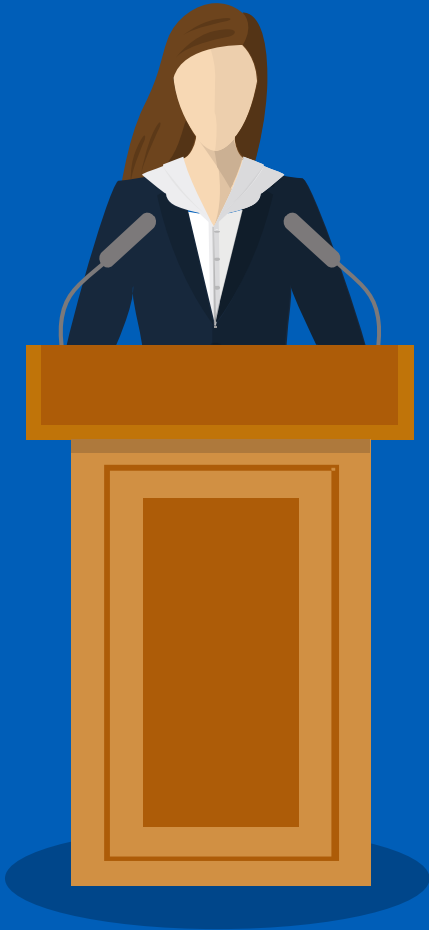
Highlights of the 2019 Mid-Year Budget Review

**And Supplementary Estimates of the
Government of Ghana for the 2019
Financial Year**

July 2019



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Executive Summary

Global Economic Overview



Megatrends

- BREXIT uncertainties deepen as Johnson replaces May. Johnson promises BREXIT by 31 October 2019, deal or no deal.
- Continuing trade tensions and the tit for tat tariff hikes between the USA and China are dampening global growth prospects.

Projected performance

- Global growth is projected at 3.2 percent for 2019, improving to 3.5 percent in 2020.
- For advanced economies growth is projected at 1.9 percent in 2019 and 1.7 percent in 2020.
- Emerging market and developing economy group is expected to grow at 4.1 percent in 2019, rising to 4.7 percent in 2020.

Ghana Macro Economic Performance

Macro-economic indicators achieved @ June 2019 and targets

Macroeconomic Performance	2018 Outturn	2019 Target	2019 End-June Outturn
Overall GDP Growth Rate	6.3%	7.1%*	6.7%**
Non Oil GDP Growth Rate	6.5%	6.2%	6.0%**
End Period Inflation Rate	9.4%	8.0%	9.1%
Fiscal Deficit	3.7% of GDP	4.2% of GDP	3.3% of GDP
Primary Balance (Surplus)	1.4% of GDP	1.2% of GDP	-0.8% of GDP
Gross Foreign Assets	3.6 months cover	3.5 months cover	4.3 months cover

* Revised target

** As at end-March 2019

Sources: 2019 Mid Year Budget Review

Executive Summary

Summary of initiatives introduced in midyear budget review

Tax Initiatives



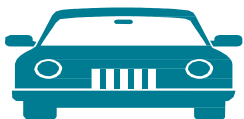
Communication Service Tax increased

6%  9%



Energy Sector Levies increased

- Increase in energy sector levies by GHp 20 per litre of diesel or petrol
- Additional levy of GHp 8 per kilogram of Liquefied Petroleum Gas (LPG) introduced.

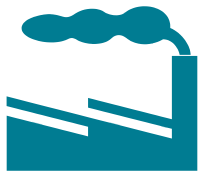


Luxury Vehicle Tax



Incentives for 1D1F Companies

A 5-year holiday from duties, taxes and levies on important machinery, equipment and parts and selected raw materials not already exempted by law for 1D1F companies has been proposed.



Trade and Investment regulation



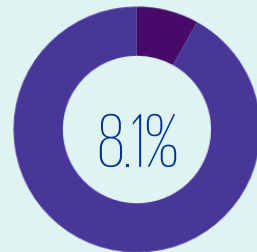
Key interventions implemented to support businesses as well as improve the enabling environment and Ghana's competitiveness and ranking include, among others,:

- Enactment of the New Companies Act, 2019
- Ratification of the African Continental Free Trade Area Agreement (AfCFTA) and winning the bid to host the AfCFTA Secretariat in Ghana
- Collaboration with the private sector to facilitate the development of modern industrial parks and special economic zones.

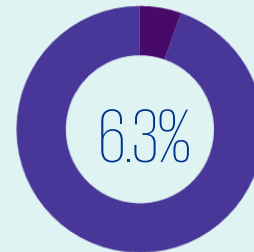
Ghana Macro economic review

Government is pursuing various policy interventions and flagship programmes to pave the way for the accelerated socio-economic transformation of this country.

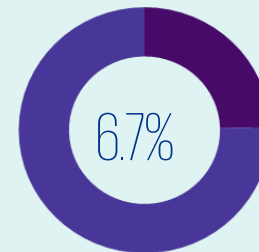
Ken Ofori-Atta
Minister of Finance
July 2019



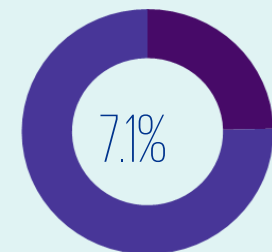
GDP growth rate
(2017)



GDP growth rate
(2018)



GDP growth rate
(June 2019)



GDP growth rate
(Revised Target 2019)

Source: 2019 Mid Year Budget Statement

- Overall real GDP growth (including oil) for 2018 was 6.3%, approximately 70 basis points higher than the revised projection of 5.6% but 180 basis points below the 2017 performance of 8.1%.
- Steady improvements in GDP have been attributed to a combination of prudent fiscal policy, the commencement of crude oil production and the implementation of flagship policies which have progressively restored confidence across key sectors.
- Beyond 2018, Ghana's macro-economic outlook remains positive as investments into oil and gas, manufacturing and mining are expected to boost output and support broad-based economic expansion.
- There are however some downside risks, stemming primarily from potential exchange rate weakness which could eat into consumer purchasing power. Moreover, there are some risks to economic output if government borrowing crowds out private borrowers, dampening the expansion in credit to the economy.



Ghana Macro economic review

Real Sector Performance

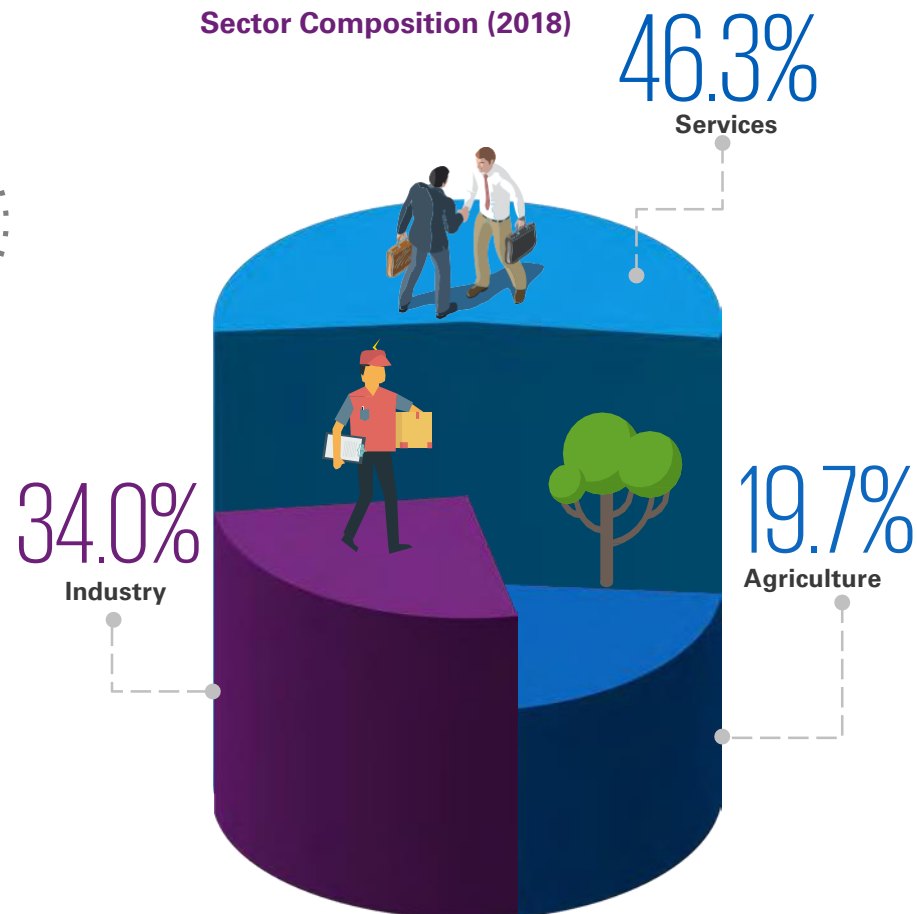
Growth by Sector (2018)



Source: 2019 Mid Year Budget Statement

- The growth of the agriculture sector in 2018 was 4.8% compared to 6.1% in 2017. This was driven by slower growth in the Cocoa subsector.
- The industry sector growth of 10.6% in 2018 does not compare favourably with the growth of 20.8% in 2017. Growth in 2017 was primarily driven by an increase in oil production following the deferment of the FPSO Turret Remediation Project.
- In 2018, growth in the services sector was subdued at 2.7% compared to 3.3% in 2017. The financial and insurance subsector recorded the highest decline, contracting by 13.4%, thus contributing to the marginal growth.

Sector Composition (2018)



Source: 2019 Mid Year Budget Review, KPMG Analysis

Ghana Macro economic review

Fiscal Developments for First Half of 2019


Other Revenue

 GH¢ 0.9 bn (-31.0%)

Oil Revenue

 GH¢ 1.9 bn (-31.0%)

Tax Revenue

 GH¢ 18.4 bn (-9.4%)

Grants

 GH¢ 0.3 bn (-60.4%)


Revenue

 GH¢ 22.7 bn (-15.5%)

Use of Goods & Services

 GH¢ 4.4 bn (30.1%)

 Interest Payments GH¢ 8.8 bn (-8.6%)

 Grants to other Gov't Units GH¢ 5.2 bn (-16.5%)

 Employees Compensation GH¢ 10.9 bn (-2.2%)

Expenditure

 GH¢ 34.2 bn (-7.1%)

CAPEX & Other

 GH¢ 2.5 bn (-44.7%)

(-) – Deviation from programmed target

Source: 2019 Mid Year budget Review

Summary of key issues from mid year budget

1

Energy Sector

- Take-or-Pay vs Take-and-Pay for Electricity and Gas supply
- Reducing Electricity Losses and Improving Collections
- Renegotiation of existing PPAs.
- Suspension of PPAs under negotiation
- Implementation of Energy Sector Recovery Programme (ESRP)

2

Financial Sector

- Deposits of over 2 million customers in banks and micro finance institutions saved, about 3,000 jobs saved
- Ghana Deposit Protection Scheme to be operationalised

3

National Housing and Mortgage Finance Initiative

- Funds released to 3 participating banks to pilot the scheme
- Minimum of 1,000 affordable homes to be delivered in 12 months
- Affordable housing REITs being worked on to serve as a vehicle for rent-to own schemes

4

Insurance Industry developments

- Minimum capital requirement reviewed for industry players to address challenges of low capitalisation

5

One District One Factory

- Five year corporate tax holiday proposed for 1D1F companies
- Exemptions from taxes, duties and levies on imported machinery, spare parts and specified raw materials

6

New Companies Act

A new Companies Act, which incorporates global best practices, was passed in May 2019.



Communication Service Tax increased

6% to 9%



Energy Sector Levies increased

Road Fund Levy, the Energy Debt Recovery Levy and the Price Stabilisation and Recovery Levy to be revised upwards



Luxury Vehicle Tax



Tax Initiatives



Communication Service Tax Upped

Current Law

- The Communication Service Tax (CST) (Amendment) Act, 2013 (Act 864) levies CST on charges payable by a user of an electronic communication service other than private electronic communication services.
- The CST is currently applied at an ad valorem rate of 6%.

Initiatives proposed per 2019 Mid-year Budget

- The Government proposes to increase the CST from

6% to **9%**

Impact of proposed initiative

- The CST is a consumption tax, thus the 3% increase will directly impact the disposal incomes of users of communication services
- The increase will be further impacted by VAT, NHIL and GETFund Levies
- Cost of internet, airtime, radio advertisements will go up and thus increase the operating cost of all users.



Energy Sector Levies Increased

Current Law

- The levies are imposed on specified items in the First Schedule of the Energy Sector Levies Act 2015 (Act 899).
- A breakdown of the specific levies currently in place and their purpose are provided on the next page.

Initiatives proposed per 2019 Mid-year Budget

- Step-up of the energy sector levies by GHp 20 per litre of diesel or petrol.
- Additional levy of GHp 8 per kilogram of Liquefied Petroleum Gas (LPG).

Impact of proposed initiative

- Cost of fuel will increase, which will lead to higher operational and transportation costs.





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