



REPUBLIC OF GHANA

HIGHLIGHTS

Highlights of the Mid-Year Review and Supplementary Estimates for the 2012 Financial Year

Introduction and background

- The 2012 Mid-Year review of the economy and supplementary estimates is prepared in accordance with Article 179 (8) of the 1992 Constitution and Standing Order 143 of Parliament.

Update on Economic Performance for 2011

- Real GDP grew at an estimated 14.4 per cent bolstered by a stable macroeconomic environment;
- Exchange rate remained relatively stable;
- End period inflation was 8.6 per cent against a target of 9 per cent;
- Balance of payments recorded a surplus;
- Gross International Reserves improved by US\$702.8 million to a stock position of US\$5,382.82 million in 2011 and an import cover of 3.2 months .
- Revenue and grants increased to GH¢12,908.0 million
- Expenditure amounted to GH¢15,367.4 million,

- Overall budget balance on cash basis showed a deficit of GH¢2,388.2million (4.0% of GDP) against the budget of GH¢2,919.0 million (4.8% of GDP)

Economic Performance for January – May 2012

- Inflation increased from 9.1 per cent in April to 9.4 per cent in June;
- Interest rates have taken an upward trend in response to efforts to stabilize the Ghana Cedi.
- Gross International Reserves declined by US\$1,308.42 million from the stock position at the end of December 2011 to US\$4,166.2 million at the end of May 2012. This is sufficient to cover 2.4 months of imports of goods and services into the country.
- Provisional estimates of the growth in real GDP was 8.7 per cent for the first quarter of 2012 compared to 4.0 per cent growth achieved for the same period in 2011.
- The Government 3 year and 5 year bonds issued in May and June, respectively, have witnessed substantial drops in the coupon rates indicating that both domestic and foreign investors have shown great appetite for Ghanaian risk.
- Total revenue and grants for the first five months of 2012 amounted to GH¢5,992.7 million (equivalent to 8.6 percent of GDP), below the target of GH¢5,917.0 (equivalent to 8.5 percent of GDP).
- Total expenditure amounted to GH¢8,757.7 million. The outturn was 1.5 percent higher than budgeted.
- Overall budget balance on cash basis registered a deficit of GH¢2,886.7 million against budget target of GH¢2,788.4 million.

HIGHLIGHTS

Request for Approval for Supplementary Estimates

- Consistent with Article 179 (8) of the 1992 Constitution, Government is requesting for a Supplementary Estimate of **Two Billion, Six Hundred and Thirteen Million, Four Hundred and Forty-Six Ghana Cedis (GH¢2,613,407,346.00)** for 2012.
- The supplementary estimate is to meet the following expenditures for the following items:
 - a. Floats and Commitments from 2011
 - b. Payment of differed wages resulting from the phased migration of public sector workers onto the Single Spine Salary Structure.
 - c. Utility and fuel Under-Recoveries
 - d. Other expenditure measures such as debt-servicing costs and transfers to District Assemblies Common Fund

Revenue Measures

- To fund the expenditure proposals total revenue and grants for the fiscal year 2012 have been revised upwards by GH¢1,313.2 million to GH¢16,927.6 million. This additional revenue will come predominantly from increases in the non-oil tax revenue, non-tax revenue, and grants.

WAY FORWARD AND CONCLUSION

- To fund expenditure proposals, total revenue and grants for the first five months of 2012 amounted to GH¢5,992.7 million (8.6 percent of GDP) slightly higher than the target of GH¢5,917.0

- The economy has shown sustained stability and growth, while weathering the impact of the global financial crisis and the resultant global economic slow-down.
- Measures have also been put in place to support expenditure monitoring and control to ensure that excess spending is avoided.
- As a way of demonstrating fiscal prudence, His Excellency the President, John Evans Atta Mills, has directed in a circular dated 29th February, 2012 that MDAs should not commit funds to projects that have not been included in the approved Annual Budget.
- Ghana's economic outlook is very positive and strong. Investment in infrastructure will see significant scale-up over the medium term.
- The confidence that international institutions and investor community now have in the country's economy is higher than ever before.
- The main risk to fiscal management is the increased size of the public sector wage bill arising from the implementation of the Single Spine Salary Structure.
- The Government has, however, embarked on a payroll audit and cleaning exercise to remove "ghost" names which promises to bring in significant savings to help reduce the wage bill.
- We wish to reassure the people of Ghana and our development partners that Government is committed to maintaining fiscal discipline and macroeconomic stability in order to sustain the gains made in the last few years for a Better Ghana.