

GEA Socio-Economic Outlook

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GHANA'S ECONOMIC PERFORMANCE BEFORE 2018

Ghana's economic growth, which had slowed from 4.0% in 2014 to 3.7% in 2015 recovered to 5.8% in 2016 and 8.7% in 2017, following consolidation of macroeconomic stability and implementation of measures to resolve the crippling power crisis.

A provisional estimates released by the Ghana Statistical Service on 11th April 2018 indicates that the Ghanaian economy ended 2017 on a strong footing. This growth rate was driven by the industrial sector, particularly, increasing output from the mining and quarrying sector. Also, agricultural output increased by 8.5% in annual

term, resulting in a 9.7% increase in the yield of crops. The performance of the services sector was comparatively moderate with a marginal expansion in the last quarter of 2017.

Undoubtedly, the strength of the oil sector remained key to sustain the robust economic growth recorded in 2017. Nevertheless, continued expansion of non-oil sectors, an anticipated moderation of inflationary pressures, and a continued commitment to narrowing deficit and debt levels were all instrumental to spurring sustainable economic growth in the short and medium term.

HIGHLIGHTS OF KEY MACROECONOMIC INDICATORS IN THE FIRST QUARTER

INFLATION

The Consumer Price Index (CPI) measures the change over time in the general price level of goods and services that households acquire for the purpose of consumption, with reference to the price level in 2012, the base year, which has an index of 100.

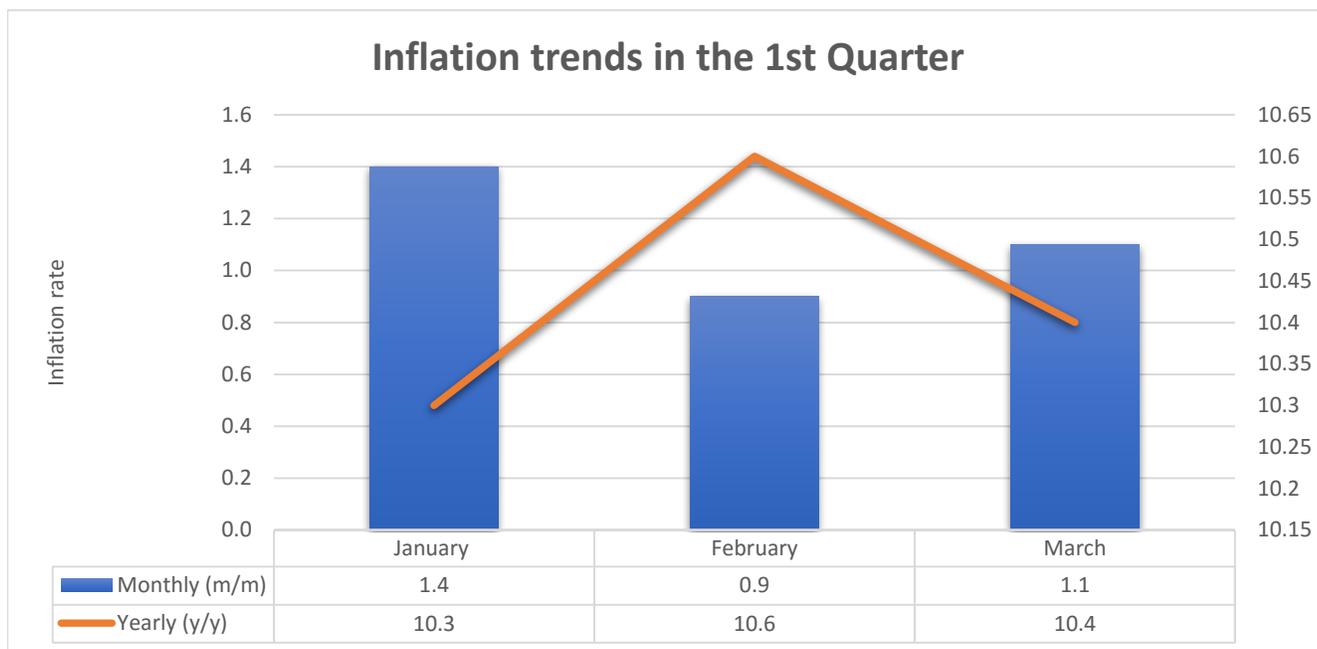
Inflation rate during the first quarter of 2018 remained relatively stable. Inflation picked up pace in February, coming in at 10.6% in the month, slightly above January's 10.3%. However, it declined by 0.02 percentage points in the month of March, reaching 10.4%. Prices were notably higher for transport, clothing and footwear. Thus, the inflation figures within the first quarter reflect strong non-food inflation.

As a result, inflation in the first quarter moved slightly further above the upper limit of the Central Bank's medium-term inflation target of 8.0% plus or minus 2.0%. **The GEA Research Department** expects inflation to average 9.8% by end of the year 2018 and 9.3% in 2019. Hence, inflation expectation remains well anchored towards the Bank's medium-term target. A favourable commodity price outlook and an expected increase in oil production should fuel overall economic activity. A further reduction in Inflation will give comfort to businesses and consumers as the real purchasing power of consumers will increase. In addition, it will serve as a positive signal for both local and international investors, which would ultimately boost private sector investment.

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Figure 1.1: Trends in month-to-month and year-to-year inflation in the first quarter.



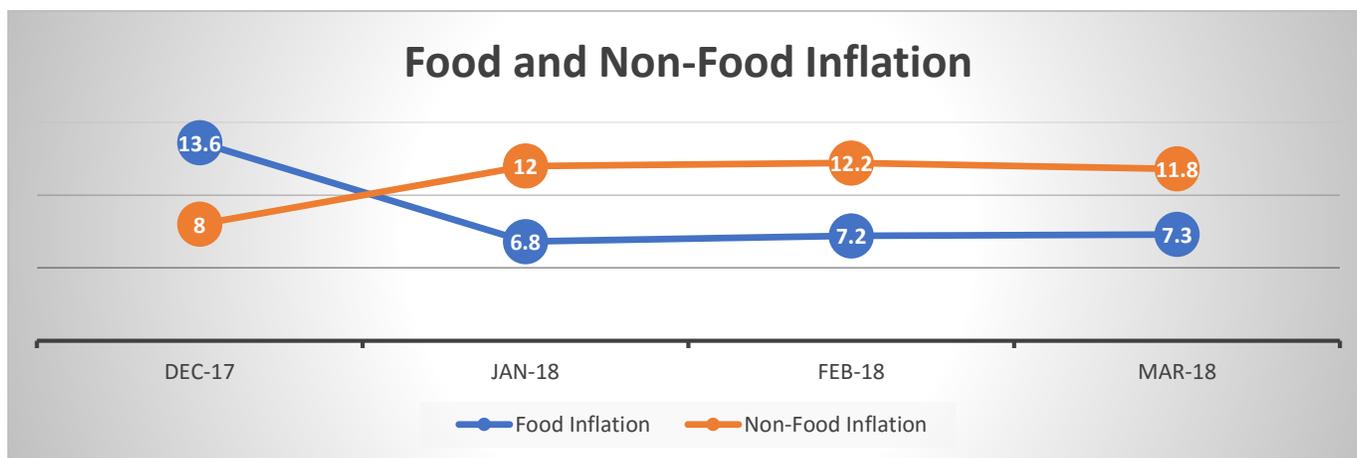
Source: Ghana Statistical Service (GSS)

Food and non-food inflation in the 1st Quarter of 2018

The Food and non-alcoholic beverages group recorded a year-on-year inflation rate of 7.3 percent. This is 0.1 percentage point higher than the 7.2 percent recorded in February 2018.

Six subgroups of the food and non-alcoholic beverages group recorded an inflation rate higher than the group’s average rate of 7.3 percent. The subgroups were Coffee, tea and cocoa (10.6%), Fruits (9.8%), Meat and meat products (8.8%), Mineral water, soft drinks, fruit and vegetable juices (8.7%), Vegetables (8.2%). The non-food group recorded a year-on-year inflation rate of 11.8 percent in March 2018, compared to the rate of 12.2 percent recorded in February 2018.

Figure 1.2: Trends in food and Non-Food inflation in the first quarter



Source: Ghana Statistical Service

PRODUCER PRICE INFLATION

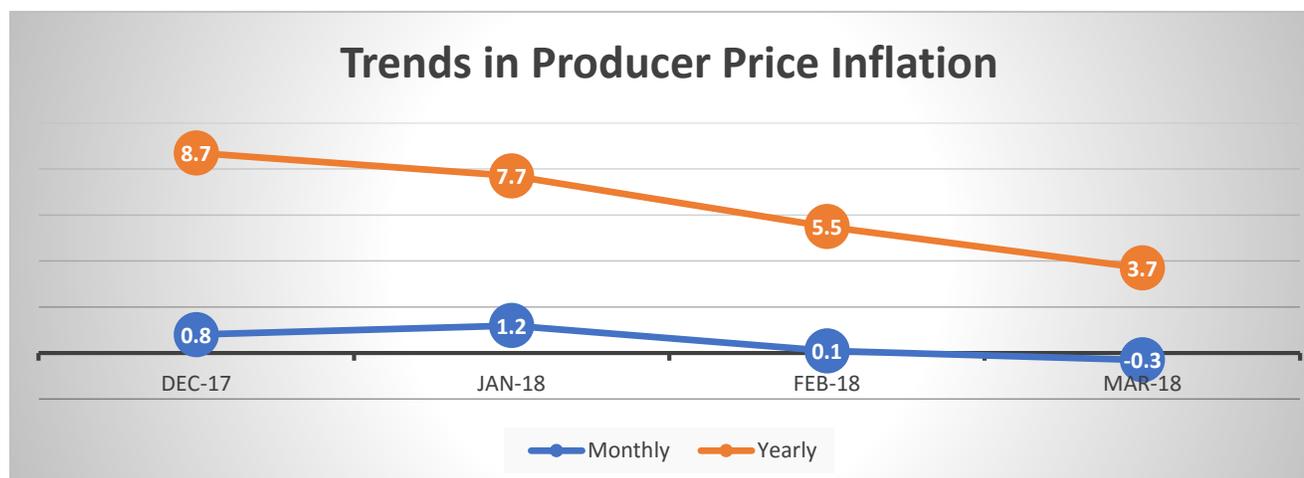
The Producer Price Index (PPI) measures the average change over time in the prices received by domestic producers for the production of their goods and services. The PPI for Ghana reports the producer price indices with reference to September 2006, the base period.

The GEA shows in this publication the annual (year-on-year) and monthly producer inflation rates within the first quarter of 2018.

The Producer Price Inflation rate for March 2018 was 3.7 percent. This rate indicates that, between March 2017 and March 2018 (year-on-year), the PPI increased by 3.7 percent. This rate represents a 1.8 percentage point decrease in producer inflation relative to the rate recorded in February 2018 (5.5%).

Hence, there was a 2.2 percentage point reduction in the Producer Price Inflation from January (7.7) to March this year. However, the month-on-month change in producer price index between February 2018 and March 2018 was -0.3 percent.

Figure 1.3: Trends in monthly and yearly PPI



SUB-SECTORAL DISTRIBUTION OF PRODUCER PRICE INFLATION

The producer price inflation in the Mining and Quarrying sub-sector decreased by 3.4 percentage points over the February 2018 rate of 9.2 percent to record 5.8 percent in March 2018.

The producer inflation for Manufacturing which constitutes more than two-thirds of total industry decreased by 1.8 percentage point to record 4.2 percent. The utilities sub-sector recorded inflation of -0.6 percent in March 2018 indicating a decrease of 0.6 percentage point relative to the rate recorded in February 2018.

During the month of March 2018, six out of the sixteen major groups in the manufacturing sub-sector recorded inflation rates higher than the sector average of 4.2 percent.

Manufacture of machinery and equipment recorded the highest inflation rate of 26.1 percent, while manufacturing of food products and beverages recorded the lowest producer price inflation rate of -3.7% .

General Macroeconomic Outlook and Forecast figures for the second quarter.

Overview	Actual for 1 st Quarter of 2018	Forecast for 2 nd Quarter
Prices (%)		
Inflation rate	10.4	9.6
Food inflation rate	7.30	7.47
Producer Price Change	3.7	7.1
Government		
Government Debt to GDP	70.5	69.1
Government Budget	-4.50	-5.8
Money		
Interest rate (%)	18	18
Deposit interest rate (%)	13.30	12.98
Exchange rate (GH¢ to USD)	4.48	4.55
Labour		
Unemployment rate	5.77	6
Living wage Family (GH¢ per month)	1700	1750
Living wage individual (GH¢ per month)	660	660
Wages for high skilled labour (GH¢ per month)	1950	2145
Wages for low skilled labour (GH¢ per month)	588	646
Business		
Internet speed	3367.55 KBps	3942 KBps
Corruption index	40 Points	40 Points
Corruption rank	81	73
Competitiveness Rank	111	112
Taxes (%)		
Sales tax rate	15	15
Corporate tax rate	25	25
Personal income tax rate	25	25

BOG CUTS POLICY RATE IN THE 1ST QUARTER AMID EASING INFLATIONARY PRESSURES

At its meeting that concluded on 26 March, the Monetary Policy Committee (MPC) of the Bank of Ghana decided to reduce the monetary policy rate by 200 basis points to 18.0 percent, the lowest policy rate in nearly four years.

The Bank's decision reflected a sustained easing in inflationary pressures over recent months, as well as a more moderate inflation forecast, which have provided scope for monetary policy to adjust interest rates. The next monetary policy meeting is scheduled for 16 May, with the decision to be released on 21 May.

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