



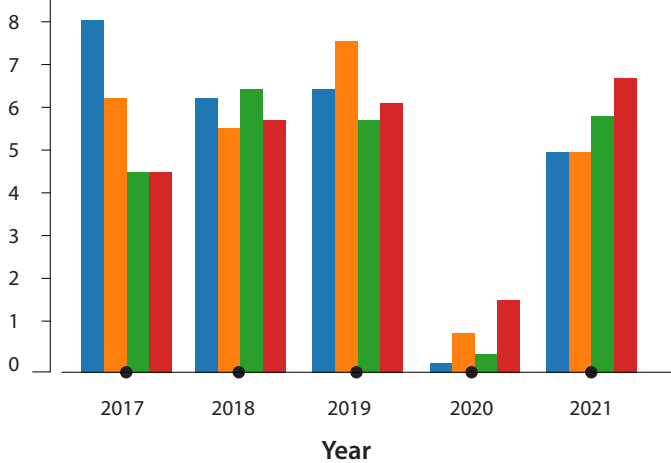
GDP

2022
BUDGET
HIGHLIGHTS

Economy at a Glance

1

GDP Growth Oil vs GDP Growth Non-Oil



- GDP Growth - Oil Actual
- GDP Growth - Oil Forecast
- GDP Growth - Non Oil Actual
- GDP Growth - Non Oil Forecast

Oil

1H 2021 = 3.5%

Target 2021 = 5.0%

Target 2022 = 5.8%

Non-Oil

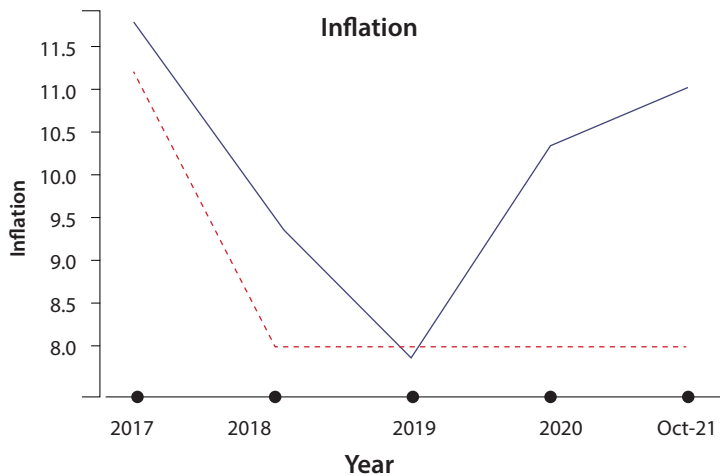
1H 2021 = 4.9%

Target 2021 = 5.9%

Target 2022 = 5.9%

Historically, oil growth has exceeded non-oil growth apart from the year 2020. It seems this will also be the case for 2021. This may be partly attributable to the slump in oil prices in 2020.

Inflation



— Actual Inflation

- - - Forecast Inflation

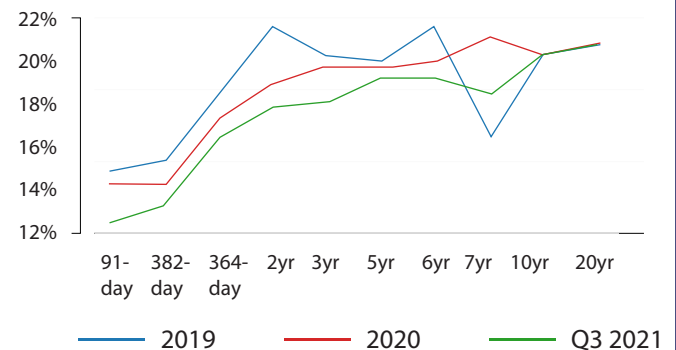
Oct 2021 = 11.0

Target 2021 = 8.0%

Target 2022 = 8.0%

Inflation has been higher than expected and has trended upwards

Trend of Yield Curve



Interest rates across the maturity curve have declined since 2020

EXCHANGE RATE

	2017	2018	2019	2020	Oct 2021
USDGHS	4.42	4.82	5.53	5.76	5.90
GBPGHS	5.97	6.17	7.32	7.87	8.08
EURGHS	5.30	5.51	6.21	7.06	6.82

The cedi depreciated marginally against the dollar and pound whilst it appreciated against the Euro as at October 2021.

FISCAL DEFICIT

9.5% Target 2021

12.1% Projected Outturn 2021

7.4% Target 2022



PRIMARY BALANCE

0.9% Target 2021

-1.3% Projected Outturn 2021

0.1% Target 2022



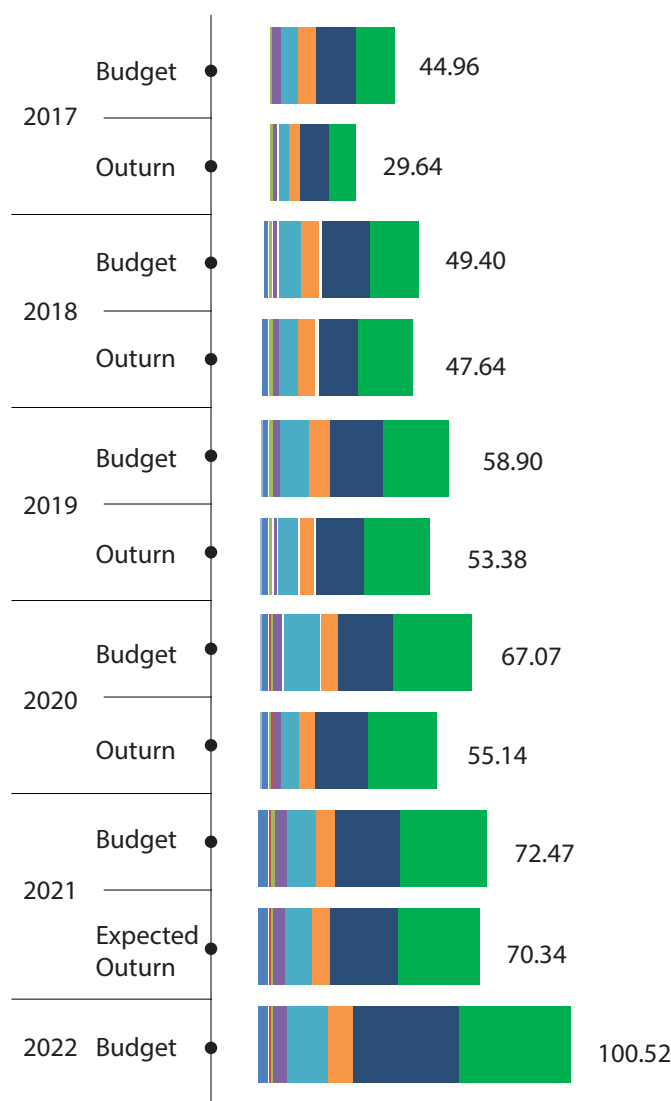
Both the fiscal deficit and primary balance were higher than expected in September 2021.

Fiscal Measures

Revenues

2

In Billion GHS



Tesah Capital's Opinion

It is understandable why the E-levy will be unpopular among Ghanaians. The tax on electronic transactions has the potential of negatively impacting the government digitalization agenda. In its current form, it will affect low-income households disproportionately.

However, the E-levy offers the government an opportunity to increase domestic revenue which is key in achieving its sustainable development goal. The success or failure of this policy is likely to depend on how the incremental change affects the consumption behaviour for electronic transactions in Ghana. Data from Uganda and Congo, where a similar policy was implemented suggest that there will be an immediate decrease in the value of electronic transactions. However, in the long run the value of electronic transactions will return to pre-tax levels and continue to grow.

Given the dire state of public finances in Ghana, a temporary decrease in the value of electronic transaction following the implementation of the policy will be considered a huge success for the government.

Government's projected increase in revenue of 42.9% is bold and necessary for debt sustainability.




Revenue Projection

Total Revenue in 2022 is projected to exceed 2021 outturn by **42.9%** (GHS 30.2 Billion).

Income and property taxes is projected to contribute **38.1%** to total revenue in 2022 compared to **40.9%** in 2021.

Taxes on goods and services is projected to contribute **35.8%** to total revenue in 2022 compared to **32.2%** in 2021.

Direct and Indirect Tax Measures - Proposals

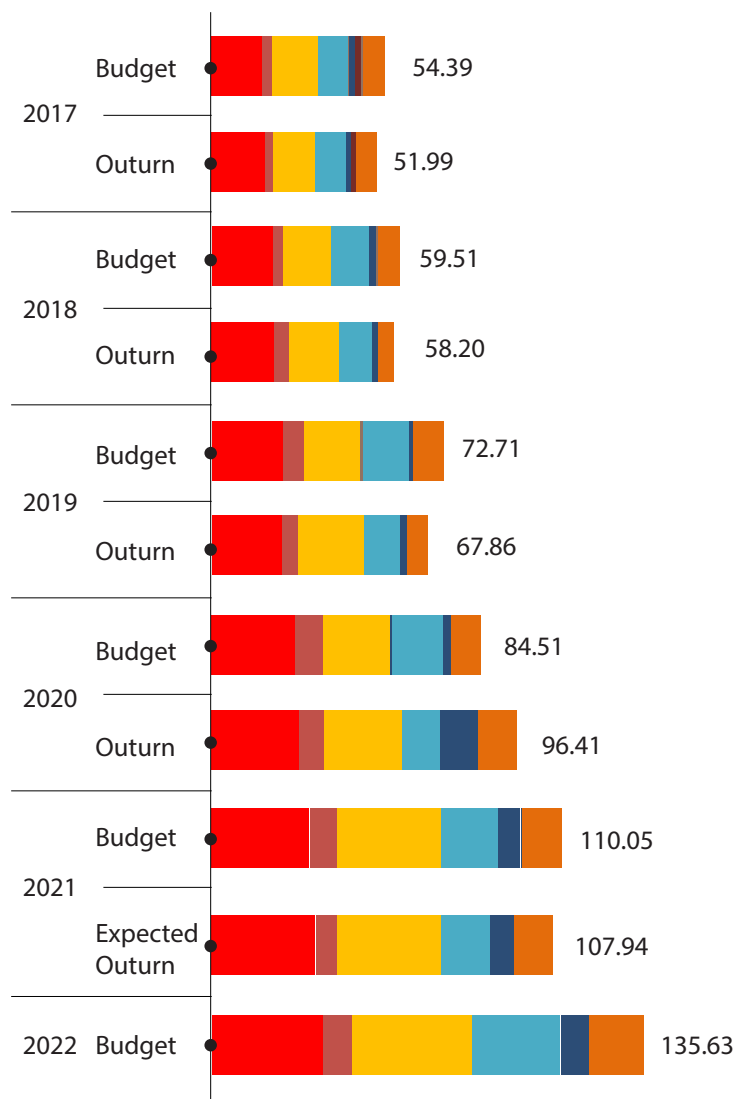
 NEW	E-transaction Levy 1.75% levy on electronic transfers. GHS 6.9 billion is expected to be raised in 2022		
	Property Tax Implementation of the "Unified Common Platform" for property rate administration. GHS 468 million is expected to be raised in 2022	Imports Suspension of the 50% discount on selected General Goods and the 30% discount on vehicles to restore the Benchmark Values of imports by	Small Scale Mining 1.5% reduction in the 3.0% withholding tax on sale of unprocessed gold by small-scale miners
 REVISIONS	Retail VAT Review the VAT Flat Rate System (VFRS) by applying the standard VAT rate to all firms except retailers with turnover threshold of between GH¢200,000-GH¢500,000	Textiles Extension of Value Added Tax (VAT) zero-rating on supply of locally manufactured textiles to 2023.	Modified Taxation Implementation of modified taxation regime in the Income Tax Act by raising the threshold on turnover from GHS 200,000 to GHS 500,000 for business income of self-employed individuals
	MDA Charges Review of fees and charges of MDAs to take effect from 1 January 2022.	Tax Exemptions Revised Tax Exemptions Bill before Parliament to be passed into law.	
 WITHDRAWN	Road Tolls Removal of toll charges on all public roads and bridges.		

Fiscal Measures

Expenditure

4

In Billion GHS



Enforcements

Enforcements of regulations to ensure efficiency and effectiveness in the delivery of public infrastructure and provision of goods and services

Enforce the use of Ghana Integrated Financial Management System (GIFMIS) to minimize off budget expenditures and enhance commitment control.

Tesah Capital's Opinion

Ghana has long suffered from narrow revenue mobilization due to the existence of a large informal sector. The country depends largely on indirect taxes and import income from few primary commodities; though direct taxes as a share of total taxes witnessed some improvement from 42% in 2017 to 50% in 2020. Revenue targets have been missed for most of the years, from 2017 to 2020, highlighting the weakness in revenue forecasting capacity.

On the other hand, Government's spending over the years has been generally high compared to domestic revenue outturns. The surge in spending in 2020 was to address the economic challenges resulting from the adverse effect of the Covid-19 pandemic. This probably started the new round of fiscal profligacy after achieving a deficit below 5% of GDP in the three years prior to 2020.

The largest share of total expenditures has been employee compensation growing by 20% on average since 2017. Given that Government is cutting this growth to 14% in 2022, this could help reduce the country's fiscal deficit, though the overall cut is not very ambitious. Interest payments, the second largest component of expenditure, stood at 26% of total expenditure in 2020 and is expected to grow by 30% on average between 2021 and 2022.

The introduction of 1.75% E-levy is to provide the means to tax the informal sector and to help widen the tax net. This is expected to increase the revenue generation capacity of the Country, though it could harm financial inclusion in the long-term

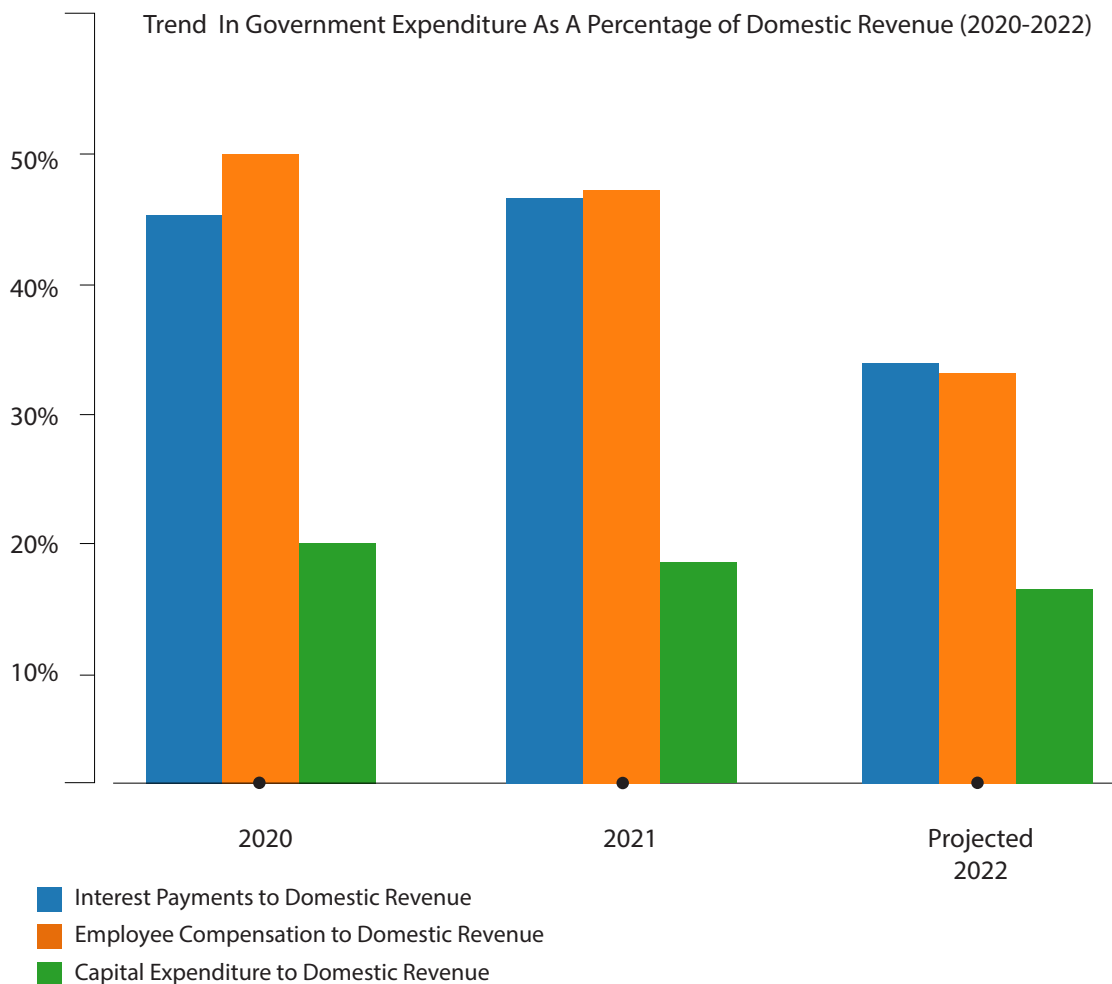
Audits and Rationalization

- Periodic Audits to identify unidentified workers and ghost names on government payroll
- Staff rationalization of public sector workforce

Suspensions

- Suspension of post-retirement contract appointments
- Suspension of vehicle purchases by MDA's and MMMA's

Component of Expenditure to Domestic Revenue



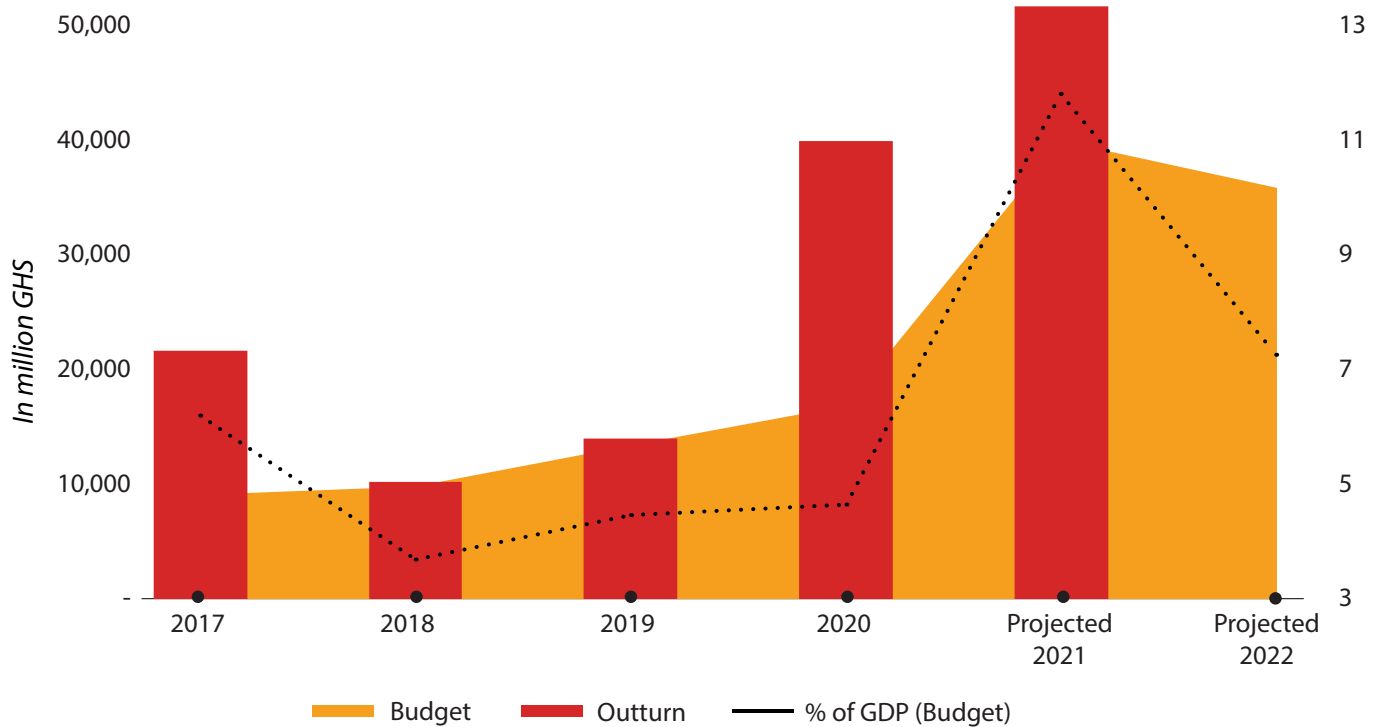
Over the past three years, Interest Payments, Employee Compensation and Capital Expenditure have been the main drainers of domestic revenue averaging 43%, 45% and 19% respectively.

However, their component of domestic revenue is expected to decline from 47%, 48% and 18% in 2021 to 38%, 36% and 16% in 2022 respectively.

The decline is a result of the relatively higher projected growth in domestic revenue (30.5%) compared to projected growth in Interest Payments (13.1%), Employee Compensation (7.9%) and Capital Expenditure (22.3%)

Fiscal Deficit

6



Deficit Financing



Foreign Financing

GHS **9.1** billion
(1.8% of GDP)

AGAINST

GHS **15.9** billion
(3.7% of GDP) in 2021

- To include USD 750 million planned international financing to cater for liability management and capex.

- IMF SDR allocation and syndicated loans from commercial banks



Domestic Financing

GHS **27.9** billion
(5.6% of GDP)

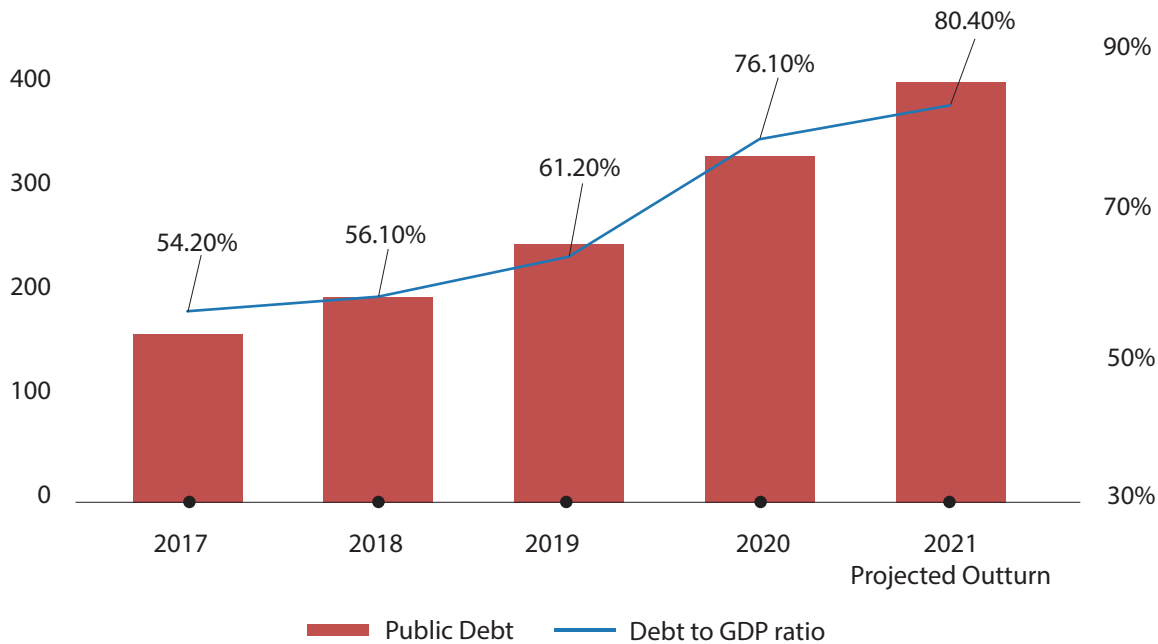
AGAINST

GHS **25.4** billion
(5.9% of GDP) in 2021

Tap-ins or reopening medium to long-term bonds and the continuation of treasury bill issuances

Public Debt

7



In GHS million	2017	2018	2019	2020	2021
Total Public Debt	142,617	173,069	218,229	291,631	354,390
% of GDP	55.50%	57.60%	62.40%	76.10%	80.40%
Domestic	66,769	86,900	105,481	149,834	185,346
% of Total Debt	46.8%	50.2%	48.3%	51.4%	52.3%
% of GDP	26.0%	28.9%	30.2%	39.1%	
External	75,847	86,169	112,748	141,797	169,044
% of Total Debt	53.2%	49.8%	51.7%	48.6%	47.7%
% of GDP	29.5%	28.7%	32.3%	37.0%	



Debt-GDP-Ratio

77.8% Actual 2021 (Q1 - Q3)
80.4% Projected Outturn 2021

Debt to GDP Projection

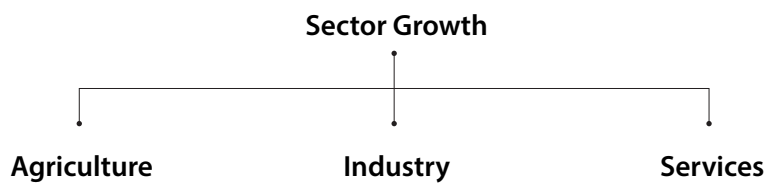
Based on data from the 2022 budget and using the IMF framework for projecting public debt and fiscal adjustment paths, Ghana's 2021 debt to GDP is projected at **80.4%**.

Tesah Capital's Opinion

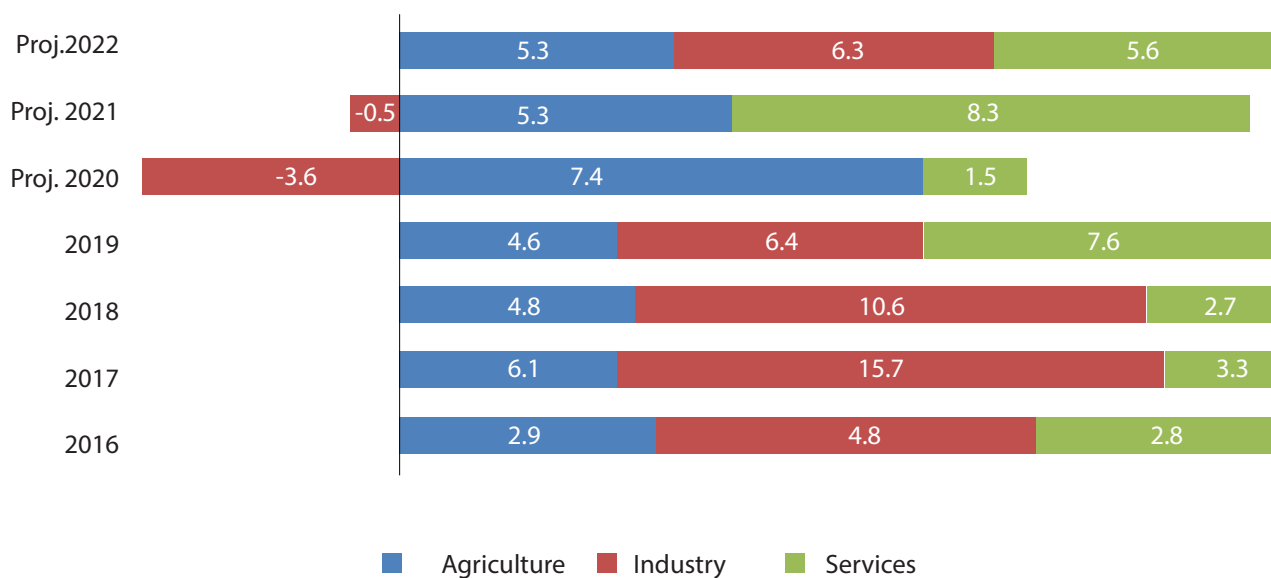
The expected fiscal deficit of cedis 35.11 billion cedis will increase the public debt to cedis 395.81 billion cedis.

The rising inflationary risk in advanced economies implies that the government will face an increased cost of financing the debt through international debt markets.

This suggests that the government is likely to continue with the trend of using the domestic debt market to finance a larger portion of the public debt. Increased borrowing in the local debt market could lead to an increase in interest rates and crowd out the private sector from the loan market.



GDP growth in 2022 is underpinned on industrial activities. The Industrial sector is expected revert to contributing the highest to overall GDP, despite posting negative growth rates for the past two years as a result of the dire effects of the COVID-19 pandemic on the sector



7.4%

Provisional Growth 2020

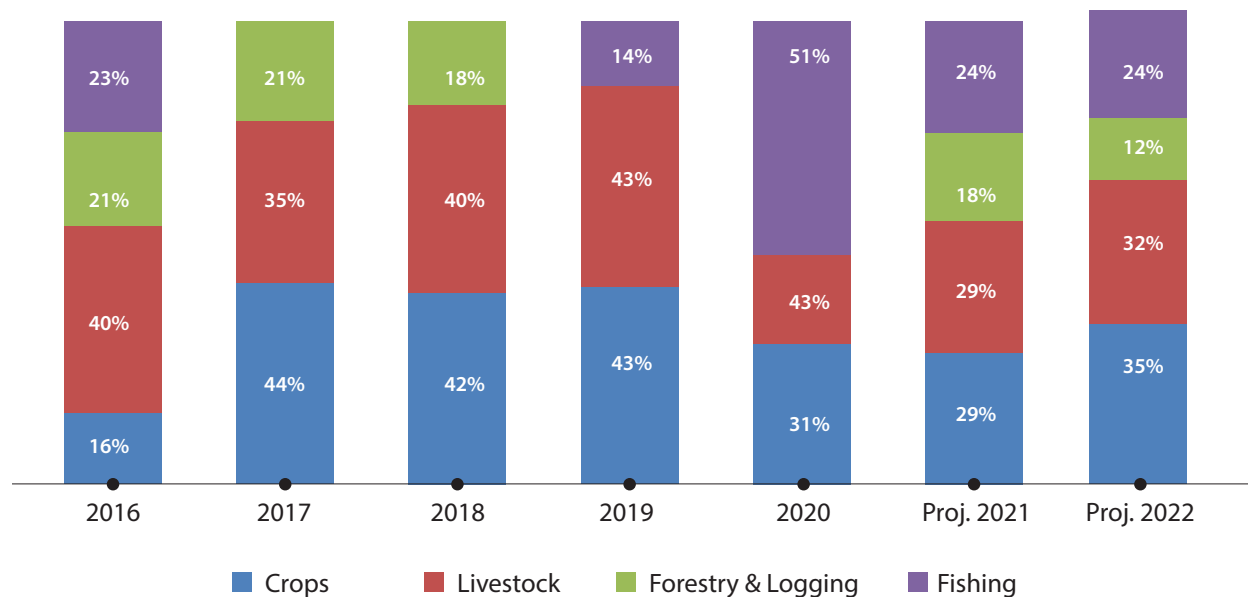
5.3%

Projected Growth 2021

5.3%

Projected Growth 2022

Contribution to Sector Growth



Crops and livestock have been the main drivers of the agricultural sector for the past 5 years (contributing over 70% on average over the years). The trend however reversed in 2020 as Fishing contributed ~51% to the sector growth.

Initiatives / Outlook



Crops and livestock development programme to facilitate low prices of enhanced seeds and fertilizers to increase cereal production



Provision of 14,000 breeding stock of small ruminants, 8,000 grower pigs, 5 million broiler day old chicks and 20,000 broiler birds to livestock farmers



Complete ongoing construction works on various irrigation projects



Initiation of zonal offices by the Tree Crops Development Authority

-3.6%

Provisional Growth 2020

-0.5%

Projected Growth 2021

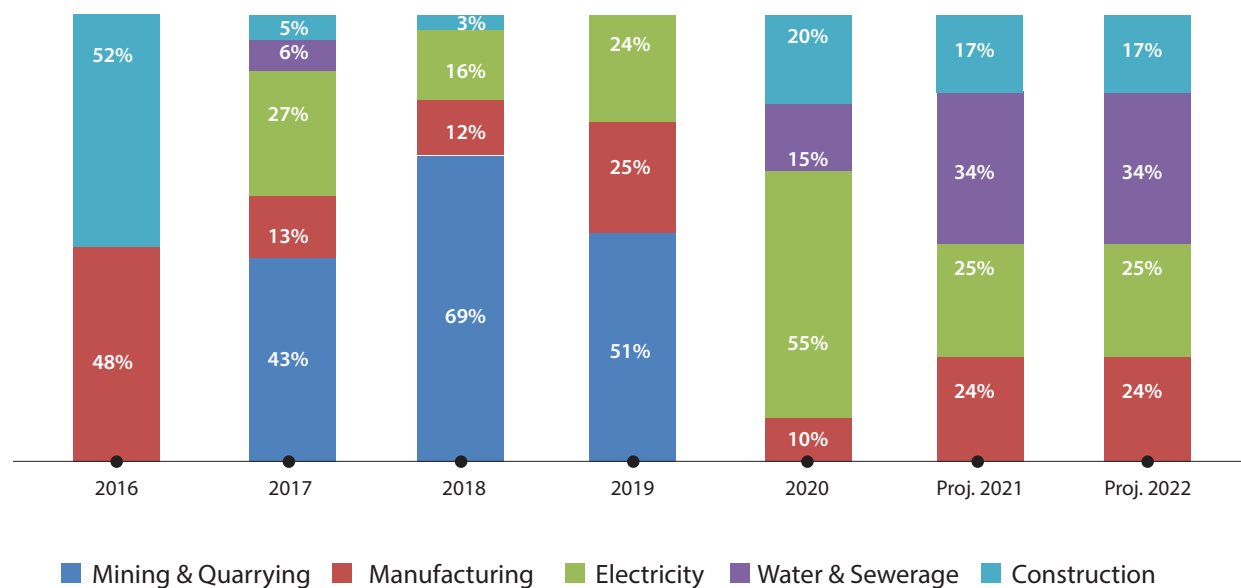
6.3%

Projected Growth 2022

Initiatives / Outlook

- 1 Commencement of commercial production in 2022 by new assembly plants under the Ghana Automotive Development Programme.
- 2 Support 45 additional 1D 1F projects
- 3 Reduction in withholding tax on sale of unprocessed gold by small-scale miners to 1.5 percent from 3.0% with effect from 1st January, 2022;
- 4 Renegotiation of Power Purchase Agreements
- 5 Dualisation of Accra-Kumasi roads to take off in 2022

Contribution to Sector Growth



There has been an uneven contribution to growth by the various subsectors under industry for the past five years. For instance, Manufacturing and Construction were the drivers of the sector in 2016 but were overtaken by Mining and Electricity from 2017 to 2018. The government however aims to finish the year with a somewhat even contribution from the various sectors, with Water and Sewerage contributing the most (34%)

1.5%

Provisional Growth 2020

8.3%

Projected Growth 2021

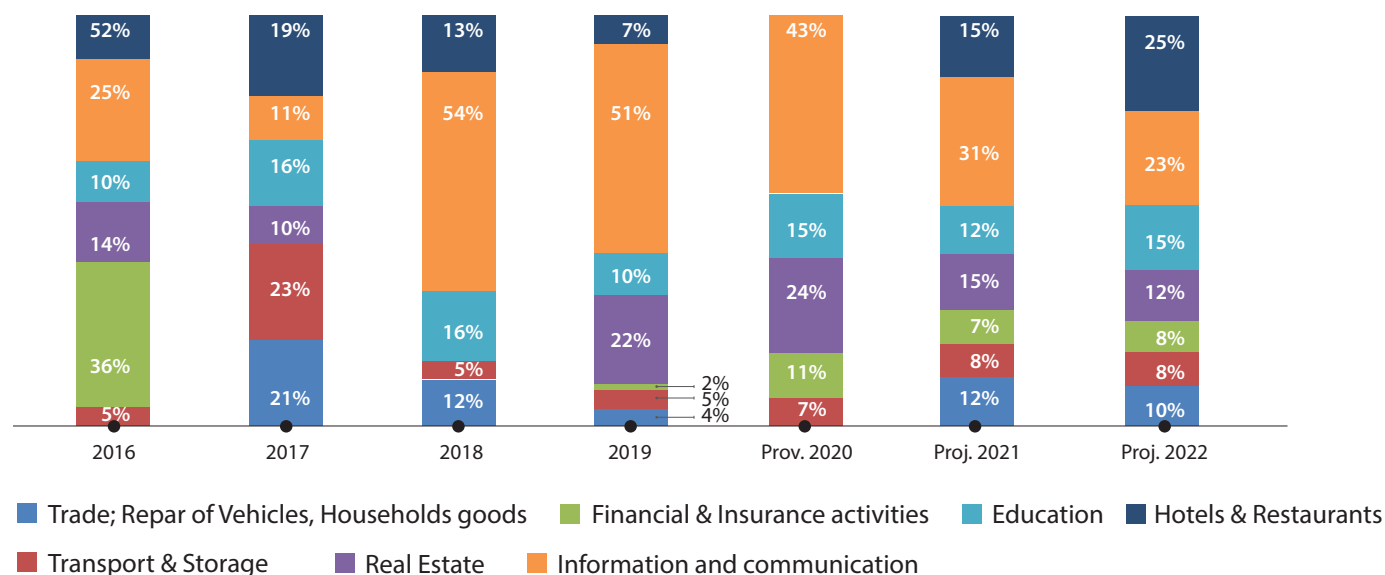
5.6%

Projected Growth 2022

Initiatives / Outlook

- 1 Removal of toll charges on all public roads and reassignment of current work force taking tolls
- 2 Introduction of YouStart initiative as a key vehicle to create 1 million jobs in 3 years under the Ghana CARES programme.
- 3 GH¢75 million to be spent over the next three years on skills development programmes for young graduates and youthpreneurs.
- 4 Transformation of Ghana Amalgamated Trust (GAT) into a Permanent Company
- 5 Boost digital skills for 60,000 beneficiaries through a train-the-trainer model
- 6 Procurement of 100 more ambulances to augment existing fleet.

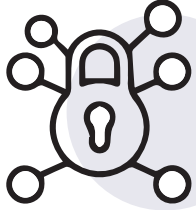
Composition to Sector Growth



ICT has been the main growth driver for the services sector over the years, thriving on the back of the government's focus on economic digitalization. This trend is expected at the end of the year 2021.

Financial Sector Outlook

12



Privatization Of Ghana
Amalgamated Trust
(GAT)



GHS 1.1 billion allocated
for financial sector clean-
up in 2022

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