

Economic impacts of and policy responses to the coronavirus pandemic: early evidence from Ghana

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Key messages

- Ghana has closed its borders and introduced significant restrictions on movement to mitigate coronavirus spread.
- GDP growth is expected to be at least 4.2 percentage points lower as a result of the pandemic.
- The main channels of impact are commodity exports (oil, cocoa, gold), tourism and remittances.
- Interest rates have been cut and a GH¢1 billion (0.3% of GDP, \$174 million) stimulus package has been announced.

Introduction

As of 6 April 2020, Ghana has recorded [287 cases of COVID-19, with 5 deaths](#). The Government of Ghana (GoG) has announced [several restrictions on movement](#) in response, including a partial lockdown of Greater Accra and Greater Kumasi Metropolitan areas, with exclusions for essential services. Since 22 March, Ghana's land, sea and air borders have been [closed to all human traffic](#). [All public gatherings were suspended](#) for four weeks on 21 March, with permission for private burials not exceeding 25 attendees. All educational institutions have been closed until further notice.

Ghana's key exports are [crude oil, cocoa and gold](#). In terms of contribution to GDP, the mining sector constitutes 9%, petroleum 4% and cocoa 1%, respectively. The extractives sector is important for export revenues, with prices extremely important for royalty revenues to the government. The hospitality and tourism sector contributes 3% of GDP.

[In 2017, GoG spent \\$147 per capita on health care](#), while external health expenditure was \$21 per capita (PPP international US\$). Ghana's [debt-to-GDP ratio was 63% in December 2019](#), compared with 58% in the previous year.

Ghana's parliamentary and presidential elections are due in November 2020 and Ghana's decennial census is planned for June 2020.

Economic and social impacts

Trade and production impacts

On 30 March, the minister of finance announced a [revision of the GDP growth forecast down from 6.8% to 2.6%](#) in the event of an outbreak, or 1.5% if there is a partial lockdown (which has since been announced). These estimates include the impact of lower oil prices.

Since the beginning of the year, [crude oil prices have fallen by 60%](#), and [cocoa prices by around 10%](#). However, [gold prices have increased](#) by around 6% over the same period.

The hospitality and tourism sector has suffered from travel restrictions. [Hotel occupancy rates are down from 70% to under 30%, and restaurants were experiencing a 60% reduction in trade](#) even before the lockdown began.

The inflation rate [for February 2020 was 7.8%](#), the same as the previous month. The [unemployment rate stood at 7.1%](#) in August 2019. 85% of the workforce was employed in the informal sector. Services, agriculture and industry accounted for 49%, 38% and 13% of employment, respectively.

Finance

The Ghana Stock Exchange index has [fallen by 6.1%](#) since the beginning of the year. The cedi is currently trading at 5.77/US\$. Since the beginning of March (when it was trading at 5.35/US\$), it has [lost around 8% of its value](#). Annual projection for [remittances in 2019 stood at 3.8% of GDP](#).

Fiscal impacts

A [Ministry of Finance Statement on 30 March](#) forecast a total GH¢7.9 billion reduction in revenue for 2020. This includes a GH¢2.3 billion shortfall in non-oil tax collections (0.6% of GDP) and a GH¢5.7 billion reduction in oil revenue (1.4% of GDP), of which GH¢3.5bn would have been budget funding.

The fiscal deficit is expected to increase from GH¢18.9 billion (4.7% of GDP) to GH¢30.2 billion (7.8% of revised GDP). The primary balance is expected to move from a projected surplus of GH¢2.8 billion (0.7% of GDP) to a deficit of GH¢ 5.6 billion (1.4% of revised GDP). Excluding interest payments, the net fiscal impact is GH¢ 9.5 billion (2.5% of revised GDP).

Monetary and financial policy

On 18 March, the Bank of Ghana (BoG) [cut its policy rate by 150 basis points to 14.5%](#) and reduced reserve requirements for banks to increase liquidity in the financial system. It also announced measures to promote and improve efficiency of mobile money: reduced transaction costs, increased balance and transaction limits and permitting all users to register with current details for a mobile money account.

GoG has partnered with commercial banks to provide [additional liquidity to the private sector](#), including a GH¢3 billion loan syndication facility, a six-month repayment holiday for certain loans and a 200 basis point reduction in interest rates priced off the Ghana Reference Rate.

Fiscal policy

Macroeconomic stimulus

On 27 March, the president [announced the establishment of a Coronavirus Alleviation Programme \(CAP\)](#). This will provide GH¢1 billion (0.3% of GDP) for macroeconomic stimulus, to alleviate the impact of the pandemic. It will be funded through withdrawals from the Petroleum Funds.

Assistance to businesses

The Ghana Revenue Authority will provide [additional flexibility for taxpayers](#) during the crisis. This includes:

- Extension of due dates for filing taxes;
- Remission of penalties for taxpayers who redeem outstanding debts by 30 June;
- Tax waivers for withdrawals from certain pension plans;
- VAT waivers for donated medical supplies; and
- Making donations to fight the pandemic fully deductible for tax purposes.

GoG will provide up to [GH¢600 million in concessional loans for small businesses](#), with a one-year repayment holiday. The loan period is two years.

Social protection

GoG will provide [dry food staples and hot meals to 400,000 households](#) identified as vulnerable in areas currently subject to the lockdown. It has also established a [public trust fund](#), to mitigate the impact of the pandemic on the most vulnerable in society. The fund will receive charitable contributions from the public and will be managed by a Board of Trustees, headed by former Chief Justice Sophia Akuffo. As of 5 April, the fund contains [GH¢ 8.75 million in donations](#).

Health measures

In addition to the CAP, GoG will spend GH¢572 million on a Preparedness and Response Plan, to bolster the capacity of the health system, including additional resources for testing facilities, case management, contact tracing and infection prevention and control.

GoG will [waive all water supply charges](#) for citizens for the next three months. And there will be no disconnections of electricity or water during this period.

On 27 March, [GH¢300 million was released to the National Health Insurance Agency](#), as part of measures to increase liquidity to health care providers and the pharmaceutical industry. GoG has announced [support for health care workers](#), including additional pay, income tax waivers, free transport to work and life and sickness insurance. It is also distributing PPE to regional health directorates for frontline workers.

Police and armed forces have been deployed for [mass disinfection](#) of areas under lockdown.

Donor support

The World Bank has agreed to [provide \\$100 million](#) (0.2% of GDP) to support Ghana's COVID-19 response. Of this, \$35 million will be provided in emergency support to prevent, detect and respond to the pandemic, and the remaining \$65 million in contingency financing, reallocated from the Greater Accra Resilient and Integrated Development Project.

In addition, GoG is [seeking support](#) from donors:

- A Development Policy Operation support of GH¢1,716 million from the World Bank;
- A Rapid Credit Facility of GH¢3,145 million from the IMF.

Information in this note is correct as of 6 April 2020.

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