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IEA Press Release

From Stabilization to Transformation: An Assessment of Ghana's 2026 Mid-Year Budget Review

A. Key Macroeconomic Performance Indicators as of June 2026

The Minister's presentation highlighted significant improvements in key macroeconomic indicators and expressed strong optimism for Ghana's future economic outlook. The economic updates presented include:

- The overall GDP growth according to the Minister was 6.4% for the first quarter of 2026 ahead of the 4.8% full-year target.
- Inflation declined from 23.8% in December 2024 to 5.4% in December 2025 and slightly edged up to 5.7% by June 2026.
- Real GDP per capita increased from $2527 in 2024 to $3,385 at the end of 2025.
- The monetary policy rate declined from 27% in January 2025 to 14% in June 2026. Similarly, the 91-day Treasury bill rate has reduced from 11.09% in December 2025 to 5.73% in June 2026. Bond rates have also declined.
- The primary balance on commitment basis recorded a surplus of 0.9 of GDP by end of June 2026. On track to achieve the target of 1.5% of GDP by end of year. The overall deficit to GDP ratio was -0.2% by June 2026, far lower than the targeted annual deficit to GDP ratio of -2.2%.
- The Gross International Reserves as at the end of June 2026 stood at 5 months of imports cover.
- The cedi continues to appreciate after the 2025 restructuring, and cumulative monetary tightening that has kept real policy rates positive.
- Debt to GDP ratio declined from 61.8% in 2024 to 44.7% in 2025 and now at 45% by June 2026.

B. Policy Challenges and Sustainability of Gains

Given these indicators, it is quite clear that the macroeconomic developments in 2026 point to a recovery in GDP growth, declining inflation, declining interest rates, improvement in fiscal gap, a relatively stable currency, and increasing foreign exchange reserves. However, policy challenges and downside risks to economic growth, fiscal sustainability, credit development, exchange rate

P. O. Box OS 1936, Christianborg, Accra, Ghana. Tel: +233 302 244716 / 226388 / 226333 / 030 7010713/4
Fax: +233 302 222313 | Email: iea@ieagh.org | Website: www.ieagh.org

stability, reserve accumulation, and public debt sustainability remain. In what follows, I discuss these key policy challenges and suggest what needs to be done to sustain the gains.

1. The Quality of Growth Matters: Generally, Ghana made significant progress toward macroeconomic stabilization in the first half of the year. Overall GDP growth was 6.4 percent for the first quarter of 2026 ahead of the 4.8 percent full-year target. Non-oil real GDP recorded 6.3 percent, also well ahead of the targeted 4.9 percent. To us, the current growth, driven mostly by the service sector (7.1%), is a course to worry given the limited employment generation potential of the sector. Industry's growth (6.9%), driven by Mining and Quarrying (10.7%), could enhance job creation if government focuses on developing the mining value chain and value addition to the natural resources. Furthermore, direct state interventions to support the lagging agriculture sector (4.0%) will be key in achieving balanced growth and job creation.

2. Fiscal Consolidation is Not an End in Itself: Obviously, the mid year fiscal position shows a tighter deficit than programmed on commitment basis and a solid primary surplus consistent with the consolidation path in the review. The IEA agrees that reducing expenditure is a legitimate fiscal consolidation strategy, however it does not automatically improve economic performance. The impact depends on which component of public expenditure is reduced and how the private sector responds to it. The IEA also emphasizes that fiscal consolidation should include improving the efficiency and effectiveness of public spending to ensure that limited resources are allocated to projects that generate the greatest economic returns. The new fiscal rule can improve credibility. Nevertheless, for it to work, government must comply with the rules consistently, and the fiscal reporting must be transparent and strictly monitored by the newly established independent fiscal council.

3. Interest Rate and Credit Development: It was our expectation that the reduction in Monetary Policy Rate (MPR) from 27% in January 2025 to 14% in July 2026 and the fall in Treasury Bill (TB) rate from 11.09% in December 2025 to 5.73% in June 2026 would provide the rationale for commercial banks to reduce their lending rates significantly. However, the average lending rate's responsiveness to this significant reduction in MPR has been slow compared to periods when MPR is adjusted upwards. This situation has resulted in wider interest rate spreads in the country particularly between lending rates and MPR. The high lending rate is inimical to economic growth as it inhibits private sector credit growth and thereby constrains domestic investments and expansion of production in the economy.

4. Managing Resource Dependence Risk: The IEA believes that the establishment of the Ghana Gold Board (GoldBod) has played a significant role in Ghana's economy by increasing exports of gold and foreign exchange inflows to support exchange rate stability and strengthen reserve accumulation. The IEA is of the view that a stable exchange rate supports confidence in the economy, helps manage inflation, and makes it easier for the government to plan debt repayments, especially for foreign-denominated debt. However, the over reliance on gold to achieve these goals presents a serious policy dilemma. Hence, the IEA believes that exports revenue, exchange rate stabilisation and reserve accumulation require an equally broad approach, including export promotion strategy, import substitution strategy, enforcing foreign exchange market regulations and increasing Ghanaian ownership of the economy.

5. Public debt credibility: The Minister noted the operationalization of the Sinking Fund to strengthen debt management and demonstrate Government's commitment to meeting future debt obligations. Though the IEA welcomes the initiative, our main concerns are funding consistency, legal protection from diversion, and its integration into a broader debt management strategy. The government is also focused on keeping the debt-to-GDP ratio stable, which is a core principle of fiscal sustainability. The review notes that debt management is contingent on the cedi holding its value. We agree, because depreciation of the cedi would increase the debt ratio and repayment costs, especially for foreign-denominated debt. It could also feed into inflation and subsequently into interest rates hikes and increase in cost of domestic debt. Hence, as earlier mentioned, using broad measures to manage the stability of the domestic currency is paramount.

C. Growth and Transformation Opportunities

Ghana's stabilization is done. Now is the time to turn macro stability into real economic transformation, jobs, and resilience. We cannot afford to go through another fiscal cycle where fiscal prudence leads to economic stabilization only to be followed by fiscal indiscipline and economic crises. This has been the bane of Ghana, and now is the opportunity to break away and reap the dividend from economic stabilization. The IEA calls on government to do the following:

1. Move Beyond Stabilization Budgeting: Two years of stabilization budget is enough. We need to transition to transformational budgeting to reflect more of the developmental initiatives under the 24-hour economy programme. This means investing in growth-enhancing infrastructure, promoting value addition and industrialization, and creating sustainable jobs rather than simply maintaining macroeconomic balances. This will ensure export diversification through industrialization and increase productivity in the real sector, providing more fundamental support for exchange rate stability and foreign debt sustainability.

2. Transform Agriculture from Subsistence to an Industrial Engine: Increase agriculture spending from the current approximately 2 percent to 10 percent of the national budget, in line with the Comprehensive Africa Agriculture Development Programme (CAADP) commitments under the Kampala Declaration. The International Food Policy Research Institute (IFPRI) projections indicate that this could increase agrifood GDP by approximately 67 percent by 2035 while reducing national poverty to around 7 percent. The government must invest in high-return interventions including SME agro-processing, agronomy extension services, climate adaptation, and improved seed systems. We must create opportunities for comprehensive and integrated rural development programme that has the capacity to create descent jobs in the rural areas.

3. Pursue Employment-Led Growth: Shift the focus from growth at any cost to employment-led growth, where economic expansion is accompanied by opportunities that improve household incomes and livelihoods. The services sector's growth must be accompanied by deliberate policies to create decent jobs, and the industrial sector must be supported to absorb the growing labour force.

4. Reform the Natural Resource Regime for Maximum State Benefit: Move beyond royalty regimes to effective state ownership of natural resources, contracting mining firms to mine on behalf of the state and increase local processing and value addition. This would ensure that Ghana captures a significantly larger share of resource revenues to support fiscal management for economic development and debt sustainability.

5. Transition the GoldBod from a Trader to a Strategic Asset Manager: Increase the large-scale mining mandatory sale requirement from 30% to 50% once the current policy is stabilized. Address the US$1.7 billion quasi-fiscal loss in 2025 by bringing it onto the government's balance sheet as recommended by the IMF. Learn from the experience of the Guyana Gold Board, which recorded massive losses due to price manipulation, lack of transparency, and corruption. GoldBod must not repeat these mistakes.

6. Break the Interest Rate Transmission Bottleneck: Banks must strengthen their risk-based pricing frameworks and extend more lending toward productive sectors such as agriculture and manufacturing. The government must use incentive and directive strategies to ensure that the reduction in MPR translates into affordable credit for businesses.

7. Empower the Fiscal Council with Real Enforcement Authority: The Council must have operational independence, technical capacity, and guaranteed access to fiscal data. Board members must be selected based on technical expertise rather than political loyalty, and the Council must publish regular reports accessible to Parliament, civil society, and the public. Parliament must be empowered to summon the finance minister whenever the Fiscal Council reports a breach, backed by a possible vote of censure to give the Council real enforcement power.

8. Legislate an Interest-to-Revenue Ceiling: Set a 15% ceiling by 2028 in the Fiscal Responsibility Act with an escape clause, shifting focus from primary balance optics to genuine debt affordability. This will ensure that debt service costs do not crowd out critical public investment in health, education, and infrastructure.

D. Concluding Remarks

In conclusion, the IEA thinks that the government has done well to achieve some reasonable macroeconomic stability as most of the macro-indicators have moved in the right direction within a relatively short period of time. The question is no longer whether Ghana can stabilize its economy. The question is whether we have the courage to consolidate those gains into lasting economic transformation that improves the lives of every Ghanaian. The IEA believes we do, but it requires bold thinking and even bolder action.

Thank you.

Prof. Alexander Bilson Darku
Director of Research, IEA