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Terkper expresses confidence in the growth of economy



Mr Seth Terkper, the Minister of Finance and Economic Planning on Wednesday expressed confidence that the progressive policies and measures adopted by government would lead the economy back to a record growth within the shortest possible time.

According to him, Ghana's economy had bright medium term prospects, supported by an expanded services sector, and the discovery of more oil fields (TEN and Sankofa), and the coming on stream of the gas processing plant, were clear indications that the progress would happen sooner even though similar projections in the past had not really materialised.

He said with the various measures adopted by government, "growth is expected to pick up over the medium term to 9.2 per cent in 2017, inflation will be reduced to 8.2 per cent by 2017 and fiscal and current account deficits will be reduced to 3.7 per cent and 4.9 per cent, respectively in 2017. This will result in a build-up of reserves to cover months of goods and service.

Mr. Terkper, who was presenting a report on the current state of the economy at a forum in Accra, said government recognised the importance of addressing the short-term challenges facing the economy in order to safeguard the bright prospects of the economy and was determined to do so.

However, the achievement of the expected growth, requires an uncompromising sense of discipline, without which the opportunities and gains to be made in the rise of the economy may be dispelled, he said.

He shared some lessons learnt after the country's impressive economic growth over the past decade until it began to face major setbacks, mainly on account of energy challenges and a combination of unfavourable global factors and domestic challenges.

He said the economy had come under severe stress since 2012, leading to the record of double digits fiscal and external current account deficits, but blamed the fiscal slippage in 2012 on higher wages and wage arrears payments under the implementation of the Single Spine Salary Structure, and also the shortfall in corporate income taxes from the petroleum sector as a result of the export of lower barrels of crude oil that was projected.

The Finance Minister cited the high interest cost burden arising from the steep rise in short-term

domestic interest rates, the shortfall in donor grants, higher subsidies on utility and petroleum, as well as higher spending on goods and services as contributory factors.

The factors, he said led to the huge budget deficits which shattered important macroeconomic gains, while the economic rescue ropes snapped after falls in the prices of gold, cocoa and crude oil for over a year.

He said the picture got grimmer when the nation got darker because the careless activity of a pirate ship clipped the gas pipeline in Togo's waters, and the country had to suffer a two-year disruption of gas supply and until a government suffering from limited cash-flows had to import light crude oil for power generation.

Mr Terkper said government had since implemented a number of measures in the 2013 and 2014 budgets, with the adoption of some home-grown policies to ensure macroeconomic stability to address the causes of the fiscal overruns in 2012, and these measures were basically what the International Monetary Fund (IMF) agreed with government on and accepted to grant a \$1 billion rescue package to Ghana.

He said significant progress has also been made in addressing issues regarding the wage bill as a ratio of the Gross domestic Product, ensuring a reduction from 8.9 per cent in 2012 to 8.3 per cent in 2014, and it was expected to further decline to 7.7 per cent in 2015.

"Similarly, the wage bill including wage arrears cleared as a ratio to tax revenue has declined from 68.2 per cent in 2012 to 65.1 per cent in 2014 and expected to decrease further to 46.1 per cent in 2015".

The Finance Minister said subsidies on petroleum prices and utility tariffs had virtually been removed, with corporate income tax from oil companies significantly turned positive, and shortfalls in corporate income receipts in the petroleum sector reversed.

He said given government's commitment to fiscal consolidation, the 2015 Budget outlines additional measures and reforms which form a significant part of the measures under the programme with the IMF, and these in addition to earlier measures being implemented were expected to result in a significant reduction in the fiscal deficit to ensure debt sustainability and macroeconomic stability.

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