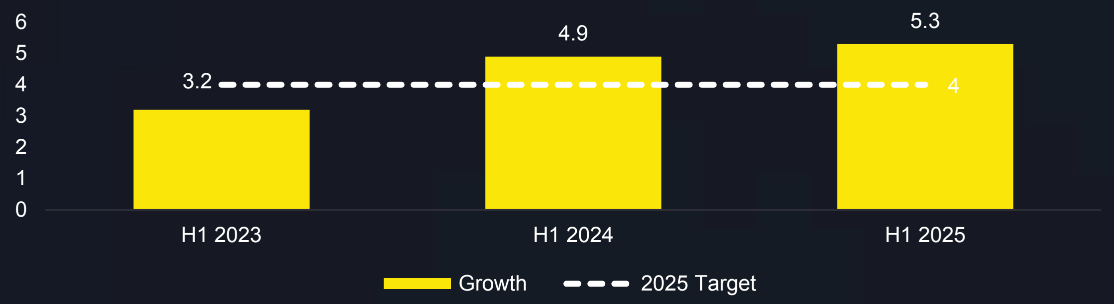
Ghana's 2025 Mid-Year Budget Review Insights

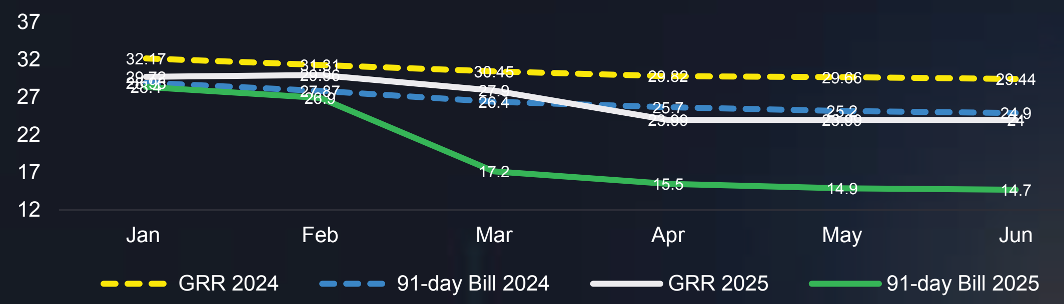
July 2025

Snapshot | H1 Macroeconomic Performance

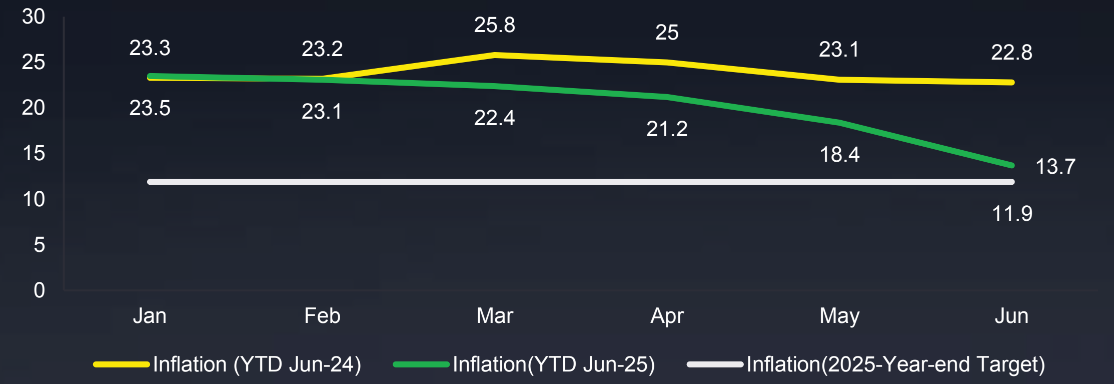
H1 GDP Growth Rate vs 2025 Target (%)



H1 Interest Rate (%)



H1 Inflation VS 2025 Target (%)



H1 Cedi depreciation/appreciation against the USD (%)

Commentary

Ghana's economic growth is accelerating with midyear performance already surpassing the 2025 target. This is a positive sign indicating strong economic outlook and positive momentum.

A decline in the 91-day bill rate suggests easing inflation and improving monetary stability. This trend is expected to drive down lending rates and provide a boost for businesses looking to borrow.

Ghana's easing inflation has been driven by effective fiscal consolidation, a tight monetary policy stance, strong central bank reserves, and the appreciation of the Cedi.

Despite global uncertainties, the Cedi has strengthened significantly against major currencies in the first half of the year.

Source: Mid-Year Budget Review, EY Analysis

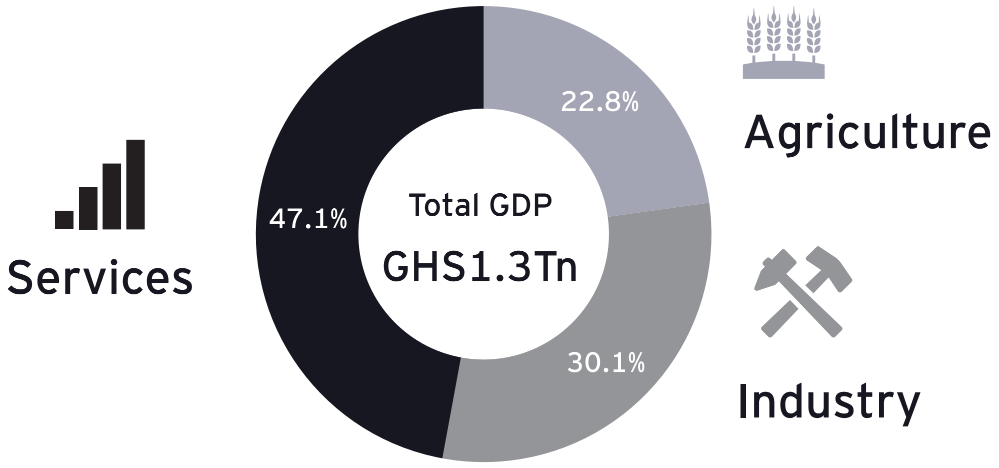
Snapshot | Updated 2025 Economic Targets

Key revisions – revenue: GHS229.9b from GHS227.1b, expenditure: GHS269.5b from GHS270.9b, overall fiscal deficit: 2.8% from 3.1%

GDP Growth Target for 2025:

4.0%

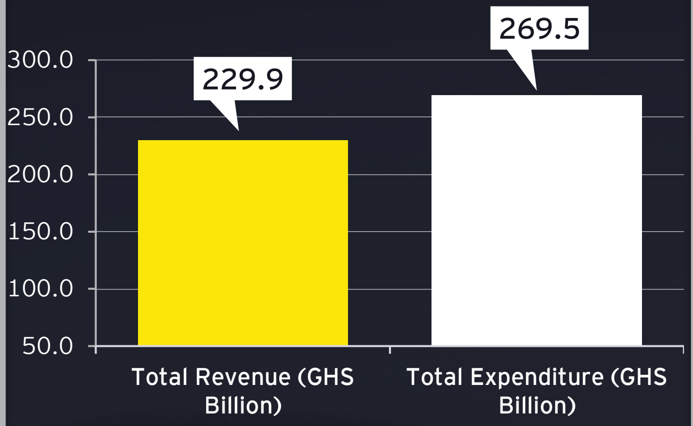
Sectoral Distribution of GDP 2025 (GHS Million)



Inflation Target for 2025

11.9%

Fiscal Targets for 2025



Tax Revenue Breakdown for 2025

Tax Revenue	Non- tax Revenue
GHS 190.0B	GHS 39.9B

Expenditure Breakdown for 2025

Compensation of Employees	Use of Goods and Services	Grants to Other Gov't Units	Capital Expenditure	Other Expenditure	Interest Payment
GHS 76.2B	GHS 6.7B	GHS 54.6B	GHS 32.7B	GHS 39.4B	GHS 59.9B

Overall Fiscal Deficit

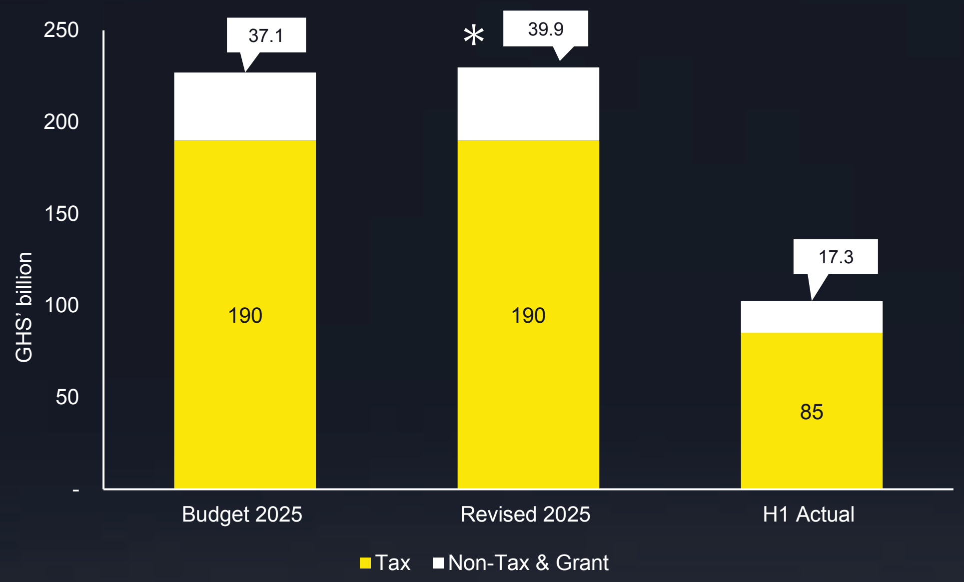
2.8%

Source: 2025 Budget Statement, EY Analysis

Source: Mid-Year Budget Review, EY Analysis

Execution Report | 2025 Policy Implementation Tracker (1/3)

REVENUE REPORT



* **Budgeted revenue was revised to account for additional revenue of GHS2.8 billion expected from the implementation of the Energy Sector Levies (Amendment) Act, 2025 (Act 1141).**

KEY FISCAL MEASURES: REVENUE

- Government intends to implement measures including the use of Artificial Intelligence (AI) to address custom revenue leakage and smuggling following a GH¢1.6 billion (12.7%) shortfall in custom revenue in the first half of 2025.
- A robust surveillance programme is being implemented to reduce smuggling at both inland and maritime borders.

TAX REFORMS

2025 Tax Policy	Status
Taxes to be abolished as per 2025 original budget: a) 10% withholding tax on lottery winnings (i.e., Betting Tax) b) 1% Electronic Transfer Levy (i.e., E-Levy) c) Emission levy on industries and vehicles d) Valued-Added Tax (VAT) on motor vehicle insurance policies e) 1.5% Withholding tax on small-scale miners' unprocessed gold winning	Done
Reduction of the tax refund ceiling from 6% to 4%	Done
Growth and Sustainability Levy (GSL) for mining companies will be revised upwards from 1% to 3% of gross production	Done
Extension of sunset clause for the Special Import Levy to 2028	Done
Restructure and consolidate existing levies under the Energy Sector Levies Act, 2015, Act 899 (as amended)	Done
Zero-rating of minimum wage rate	Pending
VAT Reforms	Pending
Re-introduction of road tolls	Pending
Reform for Property Rate Collection	Pending
New legal and regulatory regime for Non-Tax Revenues (NTR)	Pending

- Tax exemptions on Marine Gas Oil (MGO) are to be withdrawn to curb smuggling and prevent revenue losses estimated at nearly GH¢500 million.

Source: Mid-Year Budget Review, EY Analysis

EXPENDITURE REPORT

GHS' billion	Original budget	Revised budget	YTD actual	YTD utilisation
Compensation of employee	76	76	39	51%
Use of goods and services	7	7	2	29%
Grant to other gov't units	55	55	25	46%
Capital expenditure	33	33	7	22%
Other expenditure	33	36	11	32%
Interest payment	64	60	25	42%
Total	**267**	**266**	**110**	**41%**

KEY FISCAL MEASURES: EXPENDITURE

- A nationwide payroll audit identified over 14,000 unverifiable workers and 53,311 separated staff still on payroll.
- An audit of GH¢68.7 billion in arrears revealed GH¢3.6 billion in errors and duplications, and GH¢562.6 million lacking documentation.
- Prudent debt management which has led to a GH¢4.9 billion saving in domestic interest payments by June 2025.
- Denomination of all government contracts in local currency effective 24 July 2024.
- MDAs must seek Finance Ministry approval before payroll-related commitments.

Source: Mid-Year Budget Review, EY Analysis

Execution Report | 2025 Policy Implementation Tracker (3/3)

IMF programme benchmarks

Benchmark	Status
Amendment to Public Procurement Act requiring MoF commitment authorisation	Done
Amendment to PFM Act introducing debt and operational fiscal rules	Done
Establishment of Independent Fiscal Council	Done
Establishment of Compliance Division at MoF	Done
Migration of 549 MDAs/MMDAs to GIFMIS	Done
Full integration of GHANEPS with GIFMIS	Done
Operationalisation of ECG single account Mechanism	Done
Restructuring plan and capital injection for NIB	Done
Audit of payables and commitments	Ongoing
Publication of PFM Compliance League Table	Ongoing
Implementation of audit recommendations to prevent new payables	Ongoing
Continued monitoring of MDA compliance with fiscal rules	Ongoing
Preparation for 5th IMF Review (based on end-June 2025 data)	Ongoing

Status of key Government projects

Education

- **Free SHS:** GHS1 billion paid to programme from January to June 2025; MoE and GETFund focused on infrastructure expansion.
- **Technical and Vocation Education Training (TVET):** Nine (9) State of the Art TVET centres to be completed and commissioned by 2028.
- **STEM Projects:** Eleven (11) STEM schools completed with three (3) more in progress.

Energy & Power

- **Energy Sector Recovery Programme (ESRP):** Cash waterfall mechanism and gas sector reforms progressing.
- **Renewables:** 60MW under development; 200MW potential via Scaling-Up Renewable Energy Programme.
- **Independent Power Producers (IPPs):** MoF engaged in renegotiations for more favourable PPA terms.

Health

- **Agenda 111:** Eighty-six (86) projects at various stages; Eight (8) nearing completion.
- **National Health Insurance Scheme (NHIS):** Claims payment improved; GoG committed to clearing arrears to providers.

Roads & Transport

- **Road Projects:** 291 ongoing, including Accra-Kumasi dualisation, Hohoe-Jasikan-Dodo Pepesu Road and critical bridges.
- **Rail:** Tema-Mpakadan railway line development is expected to commence Q3 of 2025.

Digitisation & Financial Inclusion

- **Digitisation in Customs Revenue Collection:** Adoption of AI in revenue assessments and roll-out of an Advanced Cargo Information (ACI) system.
- **GH-Link Expansion:** Interoperability and infrastructure upgrades ongoing.
- **VAT Reforms:** Compliance drive enhanced.

Agric & Food Security

- **Planting for Food & Jobs (PFJ) Phase II:** Implementation of the Input Credit System and the Ghana Agricultural Land Information Bank (GhLIB).
- **Grain Warehousing:** Sixteen units of 20-metric-tonne silos secured.

Source: Mid-Year Budget Review, EY Analysis

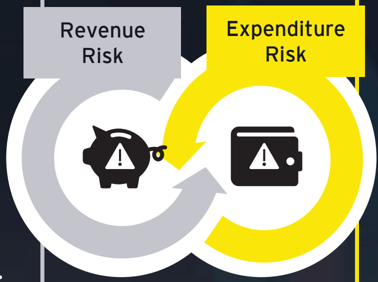
H2 2025 Roadmap | Outlook

Opportunities

- The effective implementation of the 24-Hour Economic policy as well as the GoldBod initiatives could offer a transformative pathway to strengthen macroeconomic stability and create employment opportunities.
- The allocation of GHS13.8billion to the road sector underscores government's commitment to enhancing transportation infrastructure. This is a good start but needs to be scaled up significantly towards the bigger goal of the USD10billion planned for the Big Push agenda.
- The appreciation of the Cedi against major currencies contributes to improved investor confidence and ease of inflationary pressures.
- Recapitalisation of National Investment Bank (NIB) positions the bank to support local industry while contributing to job creation and preservation.
- Falling Inflation and Interest rate make borrowing cheaper and in turn expected to drive private sector expansion especially for small and medium-sized businesses.
- The plan to remove the cascading effect of levies on taxable supplies will, among others, have positive impact on the bottom line of businesses and reduce the cost of doing business in Ghana.

Risks to the 2025 Fiscal Framework

- **Revenue Risk from Commodities**
  Ghana's budget remains vulnerable to fluctuations in global gold and cocoa prices which could derail fiscal targets. To reduce this risk, the government should continue diversifying revenue sources and increasing value addition to exports.
- **Energy Sector Fiscal Risk**
  Annual revenue shortfalls exceeding USD1.5 billion threaten the sector's fiscal sustainability. Stabilization requires structural reforms including quarterly tariff adjustments, implementation of the Energy Sector Recovery Programme (ESRP) and completion of a multi-year tariff review.
- **Customs Revenue Leakage**
  Systemic leakages at key Customs points and widespread land border smuggling led to an estimated USD1.6 billion revenue loss in H1 2025. Addressing this requires stronger anti-smuggling operations, improved cargo clearance technology and enhanced revenue assurance measures.



- **Interest Payment Outlook**
  Interest payments have been revised downwards by GHS4.3 billion, driven by a GHS5.1 billion drop in domestic interest from lower T-bill rates. However, external interest payments have been revised upwards by GHS795 million due to post cut-off bilateral disbursements. Sustaining lower payments require swift debt restructuring and disciplined borrowing.
- **Payroll Integrity Risk**
  Ghost names and payroll inflation threaten fiscal discipline. Enforcing monthly payroll validation and applying strict sanctions for fraudulent approvals are key to curbing this risk.
- **Local Currency Contracting Policy**
  Using foreign currency for domestic transactions undermines Cedi stability. The government's directive to denominate all contracts in local currency is a positive step though initial implementation may face challenges, especially for externally funded projects.

Fiscal Discipline Imperative: Weak fiscal discipline has long hindered effective economic management. Sustaining recent gains requires a firm, ongoing commitment to prudent fiscal practices.

Source: Mid-Year Budget Review, EY Analysis

H2 2025 Roadmap | EY Point of View

Revenue mobilization – Ghana's H1 revenue at 44.5% of the budget is commendable. The budget revision focused on incorporating anticipated revenues (GHS2.8b) from the amended energy sector levy act, suggesting strong government confidence in meeting the annual revenue target. While Ghana has consistently met its nominal tax revenue targets over the years, it continues to register one of the lowest tax-to-GDP ratios (2024: 13.6%), below SSA regional average in the last few years of around 18%. This persistent structural gap suggests that future tax revenue targets should be calibrated to align with strategic objectives for improving Ghana's tax-to-GDP ratio, rather than solely emphasising collection benchmarks. It is encouraging to note that the GRA has set for itself a stretched target of 16.3% for FY25.

Fiscal discipline – Ghana's positive H1 fiscal performance with primary surplus surpassing targets signals improved fiscal health and re-stablishes policy credibility with partners like IMF, laying groundwork for sustainable reforms. To consolidate these gains and prevent expenditure overruns, greater fiscal discipline is crucial which requires, among others, a strong focus on value for money, championing efficiency in expenditure and blocking financial leakages.

Debt sustainability – Public debt reduced from GHS 727 billion to GHS 613 billion in six months, a drop of over GHS 113 billion (15.7% decline) with Debt to GDP ratio also improving from 61.8 percent to 43.8 percent, mainly due to the significant appreciation of the Cedi. While these are commendable short-term improvements, ensuring medium-term sustainability necessitates accelerating structural reforms, completing the external debt restructuring programme, controlling new debt accumulation and maintaining a reasonable cost of borrowing.

Currency stability – The Cedi has recently shown notable appreciation against major trading currencies. This positive trend is largely driven by renewed investor confidence bolstered by the ongoing IMF programme, structural reforms such as the GoldBod, fiscal consolidation efforts and favourable commodity prices, particularly gold and cocoa. To sustain this momentum over the medium to long term, it is imperative for government to address the underlying structural factors that contribute to dollarisation. This should be complemented by rigorous enforcement of foreign exchange regulations. Effectively tackling these structural challenges will help reduce the prevalence of domestic demand for foreign currency, as well as transacting business using foreign currency within the domestic economy.

Private sector boost – The decline in interest rates coupled with recapitalisation of NIB and the agro-industrial initiatives for local value addition is expected to ease cost of credit for businesses, pave way for SME lending, industrial support and job creation. Regulatory delays and informal sector risks must be addressed for the full potential of the private sector to be unlocked.

Source: Mid-Year Budget Review, EY Analysis, Min. of Fin.

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