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The Impact of the 2007/2008 Global Financial Crisis on Ghana

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Dedication

This paper is dedicated to the memory of my late mom, Mrs. Felicia Insaidoo who indoctrinated in me the culture of modesty and humility.

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" To God Be the Glory,
Great things He has done,
Greater things He will do..."

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List of Acronyms

BoG	Bank of Ghana
BOP	Balance of Payment
BSIC	Banque Sahelo-Saharienne Pour L'investment et le Commerce
CAN	Africa Cup of Nations
CBC	Central Bank of Chile
CIA	Central Intelligence Agency
CPI	Consumer Price Index
DMB	Demand Deposit Banks
FDI	Foreign Direct Investment
GCB	Ghana Commercial Bank
GDP	Gross Domestic Product
GH¢	Ghana Cedis
GIPC	Ghana Investment Promotion Centre
GLSS	Ghana Living Standard Survey
GoG	Government of Ghana
GPRS	Ghana Poverty Reduction Strategy
GSE	Ghana Stock Exchange
HIPC	Highly Indebted Poor Country
IMF	International Monetary Fund
ISSER	Institute of Statistical, Social and Economic Research
LDC	Least Developed Countries
M or m	Million
NDC	National Democratic Congress
NGO	Non Governmental Organisation
NPP	New Patriotic Party
ODA	Official Development Assistance
OA	Official Aid
SARB	South Africa Reserve Bank
SIC	State Insurance Corporation
SSA	Sub-Saharan Africa
UK	United Kingdom
UN	United Nations
USA	United States of America
US$	United States Dollars
US	United States
VALCO	Volta Aluminium Company
WAMCO	West Africa Mills Company Limited
WTO	World Trade Organization

Abstract

At the onset of the 2007/2008 global financial crisis, the initial position of most pundits was that due to the limited integration of developing countries especially Sub-Saharan Africa, the region would be insulated from the vagaries of the financial contagion. Evidence so far indicates that the region was not spared from the fallout of global financial crisis. The financial crisis erupting on the heel of the global energy and food crisis exacerbated an already precarious Ghanaian economic condition. By assessing the different transmission mechanisms of the financial crisis on the economy of Ghana, this research unveils the different threads through which the affected channels impacted the crisis on the Ghanaian economy. The research findings points to FDI flows and imports as the most vulnerable of the transmission mechanisms with respect to the Ghanaian economy.

Keywords

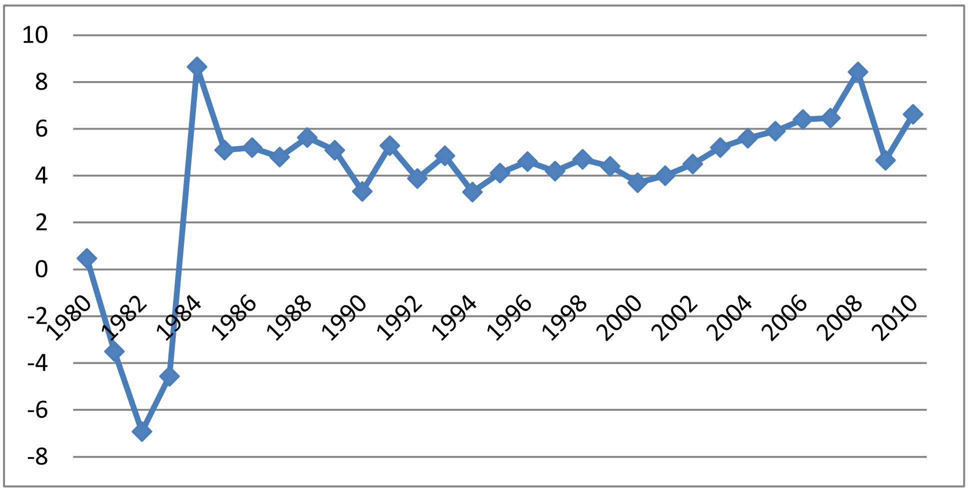
Global financial crisis, Sub-Saharan Africa, Ghana, transmission mechanisms

Chapter 1 Introduction

Sub-Saharan Africa: Least integrated but the worst hit by the crisis (Bakrania and Lucas 2009)

Ghana witnessed remarkable economic growth rates at the turn of the new millennium. The return to multi-party democracy in the early 1990s marked the genesis of positive economic growth rates relative to pockets of negative growth rates recorded especially in the early 1980s under military rule, (see Fig.1 below). The return to constitutional rule in 1992 engineered an outstanding economic growth trend and entrenched democratic dispensation; these coupled with primary commodity (cocoa and gold) price increases and key market reforms paved way for the growth of the private sector (Ackah et al. 2009). The turn of the new millennium is particularly remarkable due to the consistent increasing trend in real GDP growth up to 2008 averaging 5.6 percent in the process (see Fig. 1 below). Sound economic management, rising prices of primary commodities, appreciable inflows of external financing and debt relief according to (Ackah et al. 2009) were the key factors that fuelled this impressive performance.

Fig.1: Real GDP Growth (Annual %) (1980 – 2010)



Source: World Development Indicators 2010, (www.worldbank.org)

The 2007-2008 global energy and food crisis however threw the Ghanaian economy out of gear. Total investment which was on a steady upswing suddenly stagnated in 2008 (see Table 1, below) due to a general loss of confidence in the economy. Crude oil price hikes in 2008 further deteriorated the fiscal balance of the government of Ghana due to the country's dependence on imported crude oil. Ghana's debt stock had been declining due to the Ghana Poverty Reduction Strategy (GPRS), a programme under the Highly Indebted Poor Country (HIPC) initiative facilitated by the International Monetary Fund (IMF) and World Bank. A total amount of US$ 3.5 billion was received by the Ghanaian government as debt relief when the country reached the HIPC completion point in 2004. Debt had been declining as a result until 2007 when global crude oil hikes compelled government to borrow to finance its budget.

Table 1: Selected Economic Indicators in Ghana (2004 – 2008)

	2004	2005	2006	2007	2008	2009	2010
Real GDP Growth	5.6	5.9	6.4	6.5	8.4	4.7	6.7
Debt (% GDP)	58.2	48.6	26.2	31.5	34.3	39.2	41.2
Fiscal Balance (% GDP)	-3.1	-2.6	-3.6	-4.8	-7.9	-3.4	-7.7
Total Investment (% GDP)	18	19.1	21.6	22.9	23	24.4	21.8
External Current Account(% GDP)	-2.5	-5.1	-4.7	-8.1	-13.4	-6.4	-7.2
Consumer Prices(Index 2000=100)	12.6	15.1	10.2	10.7	16.5	19.3	10.7
Reserves (Months of Imports)	3	2.6	2.5	2.6	2	2.6	2.3
Exports (% GDP)	24.3	22.7	23.2	23	26.7	43.5	49
Imports (% GDP)	37.3	38.5	37.4	38.3	47.5	59	66.2
Trade Balance (% GDP)	-10.5	-14.8	-14.8	-15.7	-17.5	-8.5	-9
Terms of Trade (index 2000=100)	108	92	93	92	83	111	118

Source: IMF Regional Economic Outlook: Sub-Saharan Africa, April 2011 and World Development Indicators 2010 and Ghana Statistical Service

Exports of goods and services as a percentage of Gross Domestic Product (GDP) were erratic over the 2004-2007 periods. The 2005 – 2010 periods however saw an increasing trend, marginally rising in 2008 and 2010 but a healthy increase of its share in GDP in 2009. Imports share in GDP have been on a steady upswing until 2008 when it recorded a sharp rise of 44 percent but the import share in GDP plummeted in 2009 (see Table 1, above). (Massa and te Velde 2008) attributes the sudden acute rise in imports in 2008 to the energy crisis and a strong domestic demand for imports. Energy crisis led to a high domestic production cost, domestic products couldn't compete with cheap imported products leading to the closure of some domestic business enterprises. An erratic and stagnating exports vis-à-vis a strong imports resulted in the detoriation of the terms of trade and the trade balance though the 2009 figures were an improvement. The terms of trade and trade balance improvement in 2009 were due to a decline in import and not an exceptional performance of exports. Inflation increased marginally from 10.2 percent in 2006 to 10.7 percent in 2007 but sky-rocketed to 16.5 percent in 2008, this was principally due to the energy and food crisis. Inflation worsened in 2009 but nose-dived from 19.3 percent to 10.7 percent in 2010. A major source of worry for the Ghanaian economy was the worsening state of it reserves. The international benchmark for reserves for any country is 3 months of the country's imports of goods and services (Massa and te Velde 2008). Ghana's reserves have been falling over the 2004-2008 periods reaching a low of 2 months of imports of goods and services in 2008. This clearly was a worrisome state which signaled the inability of the country to rely on reserves to cushion the economy against external shocks like the global financial crisis. The gloomy picture painted above prior to the onset of the 2007/2008 financial crisis led to Ghana being categorized as one of the countries which was 'highly exposed' to the global financial crisis by the World Bank (Institute of Statistical, Social and Economic Research 2009). (Massa and te Velde 2008) also estimated the impact of the global financial crisis to be felt much stronger in Ghana than in the rest of Sub-Saharan Africa (SSA) region.

The world was thrown into turmoil with the eruption of the global financial crisis which began in 2007 and matured in the second half of 2008. The 2007/08 global financial crisis which originated in the advanced economies, had rippling effects strongly felt in the rest of the world resulting in some developing country's economies being made worse off than others (Berman and Martin 2010). The impact of the crisis has varied across regions and countries. Heterogeneity in economic and institutional structures as well as policy responses has made it possible for the impact of the crisis to be felt differently on countries and regions. Additionally, the extent to which countries especially developing ones were exposed and vulnerable to the key transmission mechanisms of the crisis determined how the country in question would be affected. Example can be cited of a previously crisis-prone Latin America region which has been able to relatively weather the recent crisis; this seems to suggest that the region's efforts to reduce its macroeconomic and financial vulnerability[1] have been effective.

Pundits initially thought the SSA region would be spared the rippling effects of the global financial crisis due to the limited integration of the region's financial system into global financial system (Horhota and Matei 2009, Naudé and World Institute for Development Economics Research 2009) but evidences so far have shown otherwise. (Bakrania and Lucas 2009) puts it perfectly that the SSA region is the least integrated into the global system yet it was the hardest hit by the global financial crisis. According to (International Monetary Fund 2010), the region's real GDP growth which had averaged 6.6 percent over the 2004-2008 periods plummeted to 2.8 percent in 2009. The region's fiscal balance deteriorated from an average figure of 0.1 percent over the periods 2004-2008 to negative 7.2 percent in 2009. SSA current account balance which measures the difference between the region's total exports of goods, services and transfers and its total imports fell from an average of 0.8 percent over the 2004-2008 periods to negative 2.3 percent in 2009.

[1] Latin America after the "lost decade" of 1980s embarked on macroeconomic stabilization and market-oriented structural reforms which included fiscal adjustments, privatization of state enterprises, financial reforms, trade liberalization.

A number of key channels were identified as the transmission belts through which the global financial crisis may affect developing countries. The financial sector of an economy was expected to be the first point of contact of the global financial crisis and then spread to the real sectors of the economy (Ackah et al. 2009). (Naudé and World Institute for Development Economics Research 2009) enumerates six key channels through which the financial crisis may transmit to developing economies; through the contraction of Foreign Direct Investment (FDI), decline in the performance of the banking sector, fall in stock prices, decline in trade, drop in remittances and decline in aid.

Although a significant body of literature has surfaced on the impact of the 2007/2008 global financial crisis on the global economy, developed and emerging economies; the same cannot be said of literature on the effect of the crisis on developing countries particularly Sub-Saharan Africa (SSA). Very limited empirical work has emerged on the implication of the recent global financial crisis on SSA, probably due to the initial notion of the relative insulation of the region from the financial contagion owing to the limited integration of the region's financial system into the global financial system. It is however apparent that many countries in the SSA region were deeply affected by the adverse effects of the global financial crisis. The realization of the non-insulation of the region to the financial contagion in many quarters in the region has nonetheless failed to produce significant work on the impact of the recent global financial crisis on SSA. This paper attempts to fill some of the knowledge gaps by providing an assessment of the impacts of the 2007/2008 global financial crisis on the Ghanaian economy.

The paper seeks to achieve this by answering the following questions, 1) which of the transmission mechanisms of the recent global financial crisis was the Ghanaian economy most vulnerable to? 2) How did the affected channels transmit the financial crisis to the Ghanaian economy? Which of the three sectors (Agriculture, Industry and Services) of the Ghanaian economy was hardest hit by the financial crisis?

It is important at this juncture to point out a preliminary caveat: the paper tries to provide empirical evidence to substantiate any claims of the impact of the recent global financial crisis on the Ghanaian economy, but analysis are challenging due to attribution problem. To what extent are the impact a result of the recent global crisis and to what extent is the impact borne out of the dwindling state of the Ghanaian economy prior to the eruption of the crisis taking into consideration the precarious state of the Ghanaian economy prior to the recent financial crisis. To this end, the paper sometimes resorts to anecdotal press reports or evidence in order to clarify issues due to the patchy nature and sometimes unavailability of empirical evidence.

The paper is arranged as follows: Chapter 2 entails a literature review on the impact of the recent global financial crisis on emerging and developing economies, sub-Saharan Africa as well as on Ghana. A general overview of the Ghanaian economy with emphasis on the crisis period is provided in Chapter 3. Chapter 4 entails analysis and findings of the impact of the 2007/2008 financial crisis on the Ghanaian economy vis-à-vis the key transmission channels employing exploratory data analysis as well as anecdotal press reports. Chapter 5 provides the conclusion to the paper.

Chapter 2 Literature Review

Like any other financial crisis, the literature on 2007/2008 global financial crisis is enormous though studies on the impact of the crisis on the Sub-Saharan Africa region are limited. The enormity might be partly due to the interest issues on global financial system commands. The gravity of the impact of the crisis has made pundits to christen it as the worst financial crisis since the 1930s Great Depression (Ackah et al. 2009, Brunnermeier 2008, Mizen 2008).

2.1 Financial Crisis and Emerging and Developing Economies

The adverse direct effects of the crisis on emerging and developing countries were not as profound as the effects on advanced economies; primarily due to the less exposure of financial systems of these economies to the advance economies financial markets (Karshenas 2009). Developing countries were relatively better cushioned during the first phase of the financial crisis, however with the deepening of the financial crisis, credit crunch, and decline in private wealth, the financial crisis soon permeated the real economy, by the last quarter of 2008, the world real economy was in a crisis as well. World trade suddenly plummeted and commodity prices rapidly declined due to the financial crisis induced economic crisis.

The Latin America region had experienced remarkable economic growth within the 2003 to 2007 periods owing to a number of factors; growth in formal employment, enhanced distribution of income, poverty reduction, high remittances, low cost and availability of external financing, thriving world trade and commodity prices. The region evaded the first phase of the financial crisis but as the financial crisis intensified in advanced economies; the region soon felt the pinch of the crisis through deceleration of remittances growth, difficulties in external financing and the general loss of confidence in investment particularly portfolio investment (Ocampo 2010). The region entered a strong recession contrary to earlier assessment. The strong favourable external balance sheet due to the 2003-2007 boom periods and advanced countries bailouts and stimulus packages acted as a catalyst in weakening and shortening the financial transmission mechanism of the crisis on the region. However, fall in world demand led to trade volume collapse which significantly affected manufacturing and service exporters in the region, small economies that were dependent on remittances in the region were affected by the crisis. The net effect of these external shocks has varied from country to country in the region. Whilst some countries in the region recovered promptly, Mexico and several countries in Central America were slow to recover with Venezuela languishing in recession as at the end of 2010.

The exposure of China's financial system to the US sub-prime mortgage was limited due to the government control of the system thus the Chinese economy was able to escape the financial contagion. However economies like China, India, Japan, Korea, Malaysia and a few others who are exports dependents could not evade the indirect effects of the financial crisis. Since a laudable amount of United States imports are from developing countries, the recession induced fall in demand resulted in a reduction in developing country's exports earnings. India which exports IT services to the United States and other advanced economies experienced a deceleration in the growth of its software sector (Naudé and World Institute for Development Economics Research 2009).

(Te Velde 2010) reports of a net portfolio investment outflows of US$ 48 million in the second half of 2008 in Bangladesh due to the financial crisis. The paper also reports of a decline in the Bangladesh's Dhaka Stock Exchange growth in the period July 2008-February 2009. The paper again finds that garments which constitute 86 percent of Cambodia's total exports earnings plummeted from an average monthly earning of US$ 250 million in 2008 to US$ 100 million in January 2009, the paper however finds that Bangladesh exports which is made up of 75.6 percent garments fared well in the international market, this the paper attributes to the low prices of Bangladesh's garments which suited US consumers who had switched from the consumption of luxuries to cheap products in response to the crisis.

In response to the escalating financial crisis in 2007 and 2008, central banks around the globe resorted to a number of measures to contain the crisis. Whilst central banks in advanced economies engaged in coordinated easing of their rates to near zero, emerging economies policy rates cuts were smaller due to challenges with high inflation and exchange rate pressure on the onset of the crisis. Hong Kong reduced its base rate to 2.0 percent in 2008; Chile held its interest rate at 8.25 on 9th October 2008 reasoning that the financial crisis would be accompanied by inflationary pressure. By July 2009, Central Bank of Chile (CBC) had lowered its policy rate to 0.5 percent (Bank of Ghana 2009).

2.2 Financial Crisis and Sub-Sahara Africa

Pundits initially thought the SSA region would be spared the rippling effects of the global financial crisis due to the limited integration of the region's financial system into global financial system (Horhota and Matei 2009, Naudé and World Institute for Development Economics Research 2009) but evidences so far have shown otherwise. (Bakrania and Lucas 2009) puts it perfectly that the SSA region is the least integrated into the global system yet it was the hardest hit by the financial crisis. Sub-Sahara Africa like other developing countries experienced remarkable growth rates during the 2002-2007 pre-crisis period thanks mainly to the commodity boom and sound economic and political governance (Fosu 2010). SSA growth rate over the period averaged 6.5 percent, far above the G7 and the world average growth rate of 2.2 percent and 4.4 percent respectively over the same period according to (International Monetary Fund 2010). The ill-timing of the financial crisis derailed SSA march towards desired economic and human development. Indeed SSA growth rate fell from 7.1 percent in 2007 to 5.59 percent in 2008 and 2.78 percent in 2009 (International Monetary Fund 2010). (Fosu 2010) identifies two key mechanisms, through which the US originated financial crisis can transmit to the SSA region, trade shocks through fall in demand for SSA exports leading to exports volume and prices falling and financial shocks through the unavailability of credit and high cost of international credit.

Global recession that aroused out of the global financial crisis led to sharp declines in commodity prices. The plummeting of commodity prices resulted in decline in SSA exports volumes as well as export earnings. SSA economies are largely dependent on exports (Naudé and World Institute for Development Economics Research 2009, Fosu 2010, Anyanwu) averaging 40% of GDP. Favourable world economic growth led to commodity boom which fuelled the remarkable growth rates of export dependent SSA. The region recorded rises in food, metal and energy prices by 102 percent, 329 percent, and 230 percent respectively between June 2003 and July 2008 but then plummeted by 30 percent, 64 percent, and 46 percent respectively between June 2008 and February 2009 due to the financial crisis (Fosu and Naude 2009). It is however noteworthy to mention that SSA export destination have been diversified in recent years towards China and since China was able to promptly recover from the global financial crisis, the vulnerability of SSA exports might be minimal.

(Fosu 2010) shows a couple of mechanisms under financial shocks that could aid in transmitting the financial crisis to SSA. He notes that the exposure of Africa banks to the global financial market have been limited in the past but recent structural adjustments programmes in the region have paved way for foreign ownership of banks and capital account liberalization, the region is no longer insulated from global financial happenings. According to the paper, more than half of domestic banks assets in more than one half of African countries are owned by foreigners, to that extent countries like Zambia, Chad, Botswana, Cape Verde, Cote d'Ivoire, Lesotho were vulnerable to the direct financial impact of the crisis. (Maimbo 2008) recognizes the coming of age of Africa stock markets with capitalization reaching 107 percent of GDP by 2007 further showing the vulnerability of the financial sector in the region.

(Fosu 2010) indicates that overseas development aid, foreign direct investment and remittances which accounted for more than 10 percent of Africa's GDP in 2006 were all subject to decline due to the financial crisis. He reiterates that since development partners' income levels have dropped due to the financial crisis, they might not be able to meet their agreed Official Development Assistance (ODA) targets. This he notes caused African governments to contract external loans to cover their budget shortfalls since most African government depends on ODA to supports its budget which might lead to external debt crisis. He however showed that grants which are the most generous of ODA to SSA did not decline during the crisis period, rather increasing from 3.1 percent in 2007 to 3.7 percent and 4.8 percent in 2008 and 2009 respectively. He further noted that remittances which plays a vital poverty reduction role in African countries was expected to fall due to the financial crisis induced recession experienced in senders countries which are mostly advanced economies.

Contrary to pundits' expectation of SSA financial sectors withstanding the impact of the crisis due to its underdevelopments and de-linkage, (Te Velde 2010) finds alarming growth decline in the region; Nigeria stock market capitalization dropped by 46 percent in 2008 and its all share index fell by 67 percent between March 2008 and the same month in 2009. One of the reasons behind these declines, the paper mentioned was the withdrawal of US$ 15 billion by foreign portfolio investors in January 2009. The paper also reports of Kenya's Nairobi Stock Exchange plummeting by 35 percent in 2008 and Zambia's Lusaka Stock Exchange declining by 29 percent between December 2007 and December 2008.

(Humphrey 2009) examined the state of trade finance in Sub-Saharan Africa during the global financial crisis with particular emphasis on horticulture and garments. The paper identified the two sectors as being "at the forefront of Africa's drive to increase exports of high-value agricultural products and manufactures". The findings of the study were that in both sectors, there had not been any impact on trade finance. Thus African exporters accessed trade finance from customers, the international banking system and domestic banks at least up to March 2009. However the paper raised a number of concerns:

- Exchange rate volatility: The use of different currencies for trade transaction resulted in increased domestic cost of production relative to revenues from export. Thus the lower revenue made firms to reduce production which resulted in job losses in these sectors.
- Demand: The paper found that customers were continuously reducing their level of demand thus pushing down the prices in the two sectors.
- Distribution: The paper again found that while big local buyers have not been affected by trade finance, some smaller buyers were unable to access or borrow cash from farm gate or cooperatives in order to invest in supplies. This the paper claimed has distributional and poverty consequences.

In order for investors to get good yield on their investment, South Africa with a huge current account deficit left its policy rates unchanged on October 9th, 2008. However with the deepening of the crisis in 2009, the South Africa Reserve Bank (SARB) eased its policy rates from 11.5 percent in January 2009 to 7 percent by August, 2007. This was an attempt by the Central Bank to stimulate economic activity by making available 'cheap' money. By November 2010, SARB have lowered its policy rate to 5.5 percent.

2.3 Financial Crisis and Ghana

Ghana like any other Sub-Sahara Africa country which is thousands of miles away from the United States was perceived to be de-linked from the global financial markets thus pundits thought the impact of the United States originated crisis on Ghana would not be as dire as in the advanced economies. Evidence so far however shows that Ghana had it own fair bouts of the adverse effects of the financial crisis. The 2007-2008 food and energy price hikes preceding the global financial crisis had even made the Ghanaian economy precarious prior to the eruption of the financial crisis. (Ackah et al. 2009) notes that the 2007-2008 food and energy price hikes pushed Ghana's current account deficit to alarming levels. The paper asserts oil-importing countries like Ghana were adversely affected by the global crude oil price hikes, this reflected in inflationary pressure on the Ghanaian economy which hovered around 18.1 percent in the last quarter of 2008. The paper reports that Ghana like the other developing countries in the SSA region was weakened by the world food and energy crisis, the eruption of the global financial crisis further exacerbated the already deteriorating economic situation in the region. The paper reports that the 2007-2008 energy and food crisis left Ghana's current account, fiscal deficit, exchange rate, inflation and debt indicators in a precarious state.

(Ackah et al. 2009) identifies a number of channels through which the global financial crisis could transmit to the Ghanaian economy. The paper identifies stock markets, banking sectors, foreign direct investment, remittances, aid and trade as the key transmission belts of the crisis. The paper notes that the Ghana Stock Exchange (GSE) all share index which was considered one of the best performers in the world due to its 35 percent impressive growth in 2008 plunged by more than 11 percent in the first half of 2009. The paper finds that the impact of the global financial crisis on Ghana's banking system has been mild citing limited exposure to international financial markets and the dependence of Ghana's banks on available domestic low-cost deposits and liquidity as factors. The paper however notes the deteriorating of some of the financial soundness indicators as an indication of the adverse effect of the crisis. General tightening of credit condition, confirmed by (Te Velde 2010), drop in the growth of total asset of the banking industry from 50.4 percent in 2007 to 37.2 percent in 2008, a fall in loan and advances to 42.7 percent in 2008 relative to 67.9 percent growth in 2007. The paper also reports that Ghana became the first African country outside of South Africa in 2007 to issue Eurobond, in the process raising US$ 750 million from sovereign bond issued on the international capital markets. Reuters however reported in January 2008 the suspension of a seven-year US$ 300 million intended Ghana bond due to gloomy world market conditions[2], a clear sign of the negative impact of the global financial crisis. (Ackah et al. 2009) reports of the negative impact of the crisis on Foreign Direct Investment (FDI) in Ghana, they notes a 16 percent decline in FDI in 2008 plunging from US$ 5.3 billion in 2007 to US$ 4.4 billion in 2008, the paper attributed to increasing capital outflows due to the financial crisis induced perception of risky investment climate in Ghana. FDI-generated employment in Ghana fell from 15,526 in the last quarter of 2007 to 10,022 in the same quarter in 2008 according to (McCord et al. 2009). The paper again reports that there were no apparent adverse effect on remittances received by non-governmental organization (NGO), embassies, service providers, households etc. in the greater part of 2008, the economy began feeling the pinch of the financial crisis through the decline in remittances from the last quarter of 2008 which persisted through 2009. The paper notes that moneygram; an international money transfer business operated by Ghana Commercial Bank, the biggest commercial bank in Ghana in terms of market share started experiencing decline in its remittances from October 2008. Remittances through moneygram dropped from a peak of US$ 8 million in October 2008 to US$ 6.8 million and US$ 6 million in January

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[2] See http://in.reuters.com/article/2009/01/28/emerging-bonds-idINLS40896920090128?sp=true.

2009 and February 2009 respectively. (Ackah et al. 2009) finds no evidence to indicate a decline in aid received by Ghana due to the financial crisis; ironically the paper estimated aid receipt by Ghana to reach US$ 2 billion in 2009, the highest since 2000. Though this prediction did not materialize in 2009, aid received by Ghana did not decline either. (Ackah et al. 2009) further finds that exports receipt free on board increased by 22 percent in 2008 from GH¢ 3.3 billion in 2007 to GH¢ 4.03 billion in 2008, the paper however notes that the growth of exports receipts between the second and fourth quarter in 2008 were slower relative to the growth in 2007. The paper points to the slower growth as a sign of the adverse impact of the financial crisis on Ghana's exports.

The (Ackah et al. 2009) paper is flawed by its inability to assess the impact of the crisis on Ghana's imports. Ghana's imports declined significantly over the crisis period, an indication of the adverse effects of the crisis but the paper failed to look at Ghana's import.

Chapter 3 Overview of Economic Situation in Ghana

3.1 Real Sector Developments

The real sector of the Ghanaian economy has witnessed an impressive growth rates commencing from the turn of the new millennium.

3.1.1 Real GDP and Sectoral Growths (2000 – 2006)

3.7 percent was registered in 2000 as the GDP growth rate; the drop in the growth rate relative to the growth rate of 4.4 percent in 1999 was attributed to weak macroeconomic fundamentals, rises in domestic inflation and the depreciation of the Ghanaian Cedi (Government of Ghana 2001). The continuous decline in primary commodities prices on the world market and the weakening of the foreign exchange earning capacity of the economy resulted in the cedi depreciating against the major foreign currencies.

The GDP growth rate 4.0 percent in 2001 exceeded the rate in 2000 by 0.3 percentage points. The rise in the growth rate was attributed to an improved growth in the agricultural sector, the largest sector in the economy by 4.0 percent relative to a growth rate of 2.1 percent and 3.9 percent in 2000 and 1999 respectively (Government of Ghana 2002). The industrial sector growth was 2.9 percent, a drop from 3.9 percent recorded in 2000. The growth of the services sector however stagnated recording 5.1 percent in both 2000 and 2001.

2002 saw the GDP grow at 4.5 percent, an improvement on the 2001 growth rate of 4.2 percent. Strong production output in the crops and livestock sub-sector of the agricultural sector accounted for the improved growth rate in 2002 (Government of Ghana 2003), the agricultural sector grew at 4.4 percent relative to its growth rate of 4.0 percent in 2001. Whilst the industrial sector grew at 4.7 percent, an increase over the 2001 growth rate of 2.9 percent, the services sector growth declined from 5.1 percent in 2001 to 4.7 percent in 2002.

2003 saw the increasing trend in real GDP growth maintained, recording a 5.2 percent, an increase of 0.7 percentage points on the previous year's growth rate of 4.5 percent. A high yield in cocoa production due to a mass insecticide spraying exercise in cocoa farms propelled the agriculture sector to grow at 6.1 percent relative to 4.4 percent in 2002 (Government of Ghana 2004). The industrial and service sectors grew at 5.1 percent and 4.7 percent respectively.

The GDP growth rate of 5.6 percent registered in 2004 showed an increase by 0.4 percentage points over the previous year's growth rate. Whilst both industrial and services sectors stagnated in growth in 2004 by registering 5.1 percent and 4.7 percent, the agricultural sector growth rate was 7.5 percent relative to the 6.1 percent recorded in the previous year. Further rises in cocoa production resulted in the cocoa sub-sector registering a growth rate of 29.9 percent in 2004 against the growth rate of 16.4 percent in 2003. The higher cocoa yield was attributed to the continuance of the mass cocoa insecticide spraying exercise implemented by the NPP government in 2001 (Government of Ghana 2005).

Real GDP growth registered in 2005 was 5.9 percent, a 0.3 percentage point increase over the growth rate registered in 2004. The year saw a slowdown in the growth rate of the agricultural sector registering 4.1 percent against a 7.5 percent growth rate in 2004. The other two sectors however recorded impressive growth rate in the year, the industrial sector chalking a growth rate of 7.7 percent relative to the sector's growth rate of 5.1 percent in 2004 and the services sector registering a growth rate of 6.9 percent against the 4.7 percent registered the previous year (Government of Ghana 2007).

2006 saw an improved GDP growth rate of 6.4 percent, a 0.5 percentage points increase over the previous year's growth rate. The Agriculture sector showed sign of recovery by registering a growth rate of 4.5 percent against the 4.1 percent recorded in 2005. The industrial sector continued its rising trend by chalking a growth rate of 9.5 percent, a 1.8 percentage point improvement on the previous year's growth rate. The services sector's growth rate however slowed down recording a 6.5 percent growth rate relative to the 6.9 growth rate in 2005.

3.1.2 Real GDP Growth and Sectoral Growth during Crisis Period

The Ghanaian economy continued its remarkable growth even in the midst of the 2007/2008 global financial crisis, the 6.5 percent GDP growth rate in 2007 was a 0.1 percentage point improvement on the previous year rate.

Table 2: Real GDP Growth (2007 – 2010)

	2007	2008	2009	2010
Real GDP Growth (%)	6.5	8.4	4.7	6.7

Source: World Development Indicators 2010

2008 saw the economy grow at 8.4 percent, a huge leap from the previous year's rate of 6.5 percent (see Table 2 above). This impressive growth rate led to some policy makers in Ghana touts that the economy was resilient to the financial crisis which was at the time in its maturity stage in the second half of 2008. Economic growth however plummeted in 2009 signaling the lagged effect of the global financial crisis on the Ghanaian economy. Real GDP growth slowed down by 44 percent to register a growth rate of 4.7 percent in 2009 (see Table 2 above). Growth rate rebounded in 2010 by a 2.0 percentage point increase indicating a recovery of the Ghanaian economy from the global financial crisis.

The marginal 0.1 percentage point increase in GDP growth rate in 2007 was attributed to the poor performance of the agricultural sub-sector due to poor rainfall slowing the sub-sector growth from 4.5 percent in 2006 to 4.3 percent in 2008. Additionally, the effect of the 2006 and 2007 domestic energy crisis derailed the performance of the industrial and services sectors which are dependent on electricity for their business activities. The domestic energy crisis was caused by the renewal of Volta Aluminum Company (VALCO) production which caused the demand for electricity to go up by 909.42 kilowatt-hours (Institute of Statistical, Social and Economic Research 2007, Institute of Statistical, Social and Economic Research 2008). The energy crisis is reflected in the negative 15 percent growth rate of the electricity and water sub-sector in 2007 (see Table 3 below), again due to the heavy reliance of manufacturing on electricity, the sub-sector grew by negative 2.3 percent in 2007 (see Table 3 below).

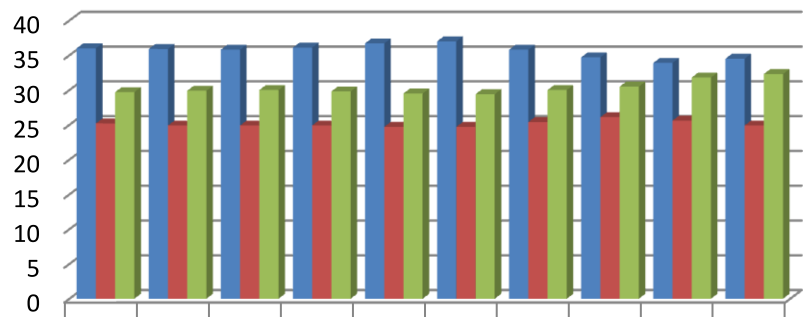
Table 3: Sectoral and Sub-Sectoral Real Growth Rates (2007 -2009)

	2007	2008	2009
AGRICULTURE	**4.3**	**6**	**6.1**
Crops & Livestock	4	5.8	8.2
Cocoa Production & Marketing	6.5	5	6.2
Forestry and Logging	2.5	3.5	3.5
Fishing	5	10	-2.3
INDUSTRY	**7.4**	**8.1**	**1.6**
Mining & Quarrying	30	2.1	8.2
Manufacturing	-2.3	4.5	-1.3
Electricity & Water	-15	19.4	7.5
Construction	11	8.3	-1.7
SERVICES	**8.2**	**9.3**	**5.9**
Transport, Storage & Communication	6	8.9	7.7
Wholesale, Retail Trade, Restaurant, Hotels	10	10.2	2.8
Finance, Insurance, Real Estate & Business Services	15	9.6	8.7
Government Services	6	9.7	6.2
Community, Social and Personal Services	5	4.5	4.5
Producers of Private Non-Profit Services	5	5	4

Source: (Institute of Statistical, Social and Economic Research 2009, Institute of Statistical, Social and Economic Research 2010)

The 2008 impressive GDP growth rate of 8.4 percent was achieved on the back of all the three sectors of the economy recording increased growth rates. The industry sector grew at 8.1 percent, an improvement on the 7.4 percent growth rate registered the previous year. With the recovery from the energy crisis, the electricity and water sub-sector was the biggest contributor to the industry sector registering 19.4 percent growth rate relative to the negative 15 percent growth rate in the previous year (see Table 3 above). Though the manufacturing sub-sector registered a positive growth rate of 4.5 percent in 2008, it attracted less investment including foreign direct investment (FDI) as compared to the other sub-sectors and the services sector (Institute of Statistical, Social and Economic Research 2009). Despite the agricultural sector being the slowest growing sector, it continues to command the largest share in national output registering 33.9 percent in 2008 (see Fig. 2 below). The slow growth rate of the agricultural sector has been attributed to the limited investment the sector receives attracting about 4 percent of all investment in 2008 (Institute of Statistical, Social and Economic Research 2009).

Fig. 2: Sectoral Contribution to National Output, 2000-2009 (% of Total 1993 Constant Prices)



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Agric	36	35.9	35.8	36.1	36.7	37	35.8	34.7	33.9	34.5
Industry	25.2	24.9	24.9	24.9	24.7	24.7	25.4	26.1	25.6	24.9
Services	29.7	29.9	30	29.8	29.5	29.4	30	30.5	31.8	32.3

Source: (Institute of Statistical, Social and Economic Research 2009, Institute of Statistical, Social and Economic Research 2010)

The agricultural and services sectors increased their share in the national output whilst the industry sector's contribution to the national output fell in 2009. The agricultural and services sectors contribution to national output increased from 33.9 percent and 31.8 percent respectively in 2008 to 34.5 percent and 32.3 percent respectively in 2009 (see Fig. 2 above). The industry sector contribution however dropped from 25.6 percent in 2008 to 24.9 percent in 2009 (see Fig. 2 above). 2009 saw the agricultural sector growing the fastest with 6.2 percent growth rate followed by the services and industry sectors with a growth rate of 5.9 percent and 1.6 percent respectively (see Table 3 above). The agricultural sector was the only sector in 2009 to register an increase in its growth rates from 6 percent in 2008 to 6.1 percent in

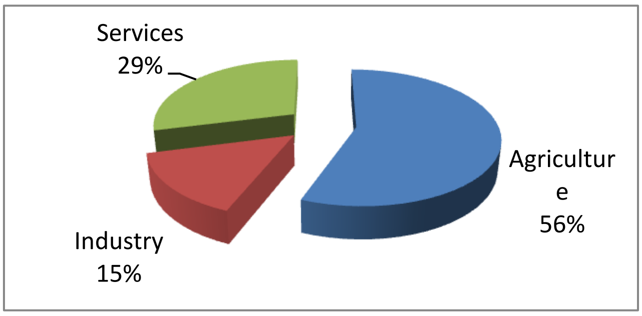
2009, the rest of the sectors chalked declines in their growth rates from 8.1 percent and 9.3 percent for the industry and services sectors respectively in 2008 to 1.6 percent and 5.9 percent respectively in 2009 (see Table 3 above). Though the fishing sub-sector of the agricultural sector grew at negative 2.3 percent in 2009, the 2.4 percentage points increase in the growth rate of the crops and livestock sub-sector and the 1.2 percenatge points increase in the growth rate of the cocoa production and marketing sub-sector compensated for the negative growth in the fishing sub-sector. The construction sub-sector of the industry sector was the worst sub-sector performer in 2009 with a growth rate of negative 1.7 percent relative to 8.3 percent in 2008 (see Table 3 above). This poor performance was attributed to a number of factors; first, the sub-sector failed to attract enough investment due to dwindled total investment in the economy in 2009, second, a sizeable portion of private inward remittances are channeled to the construction of private houses for migrants abroad, the fall in private inward remittances translated into the poor performance of the construction sub-sector in 2009 and third, the abrupt halting of government construction activities as a result of a change in government in 2009 (Institute of Statistical, Social and Economic Research 2010). All the sub-sectors in the services sector registered a decline in their growth rate with the exception of the community, social and personal services sub-sector which growth rate stagnated over the 2008-2009 period. The decline in the growth rate of the wholesale, retail trade, restaurant and hotels sub-sector form 10.2 percent in 2008 to 2.8 percent in 2009 was attributed to the high cost of credit from banks (wholesale and retail trade) and the fall in international tourism receipts (restaurants nad hotels).

3.1.3 Sectoral Employment Generating Capacities

Unfortunately, recent unemployment data on the Ghanaian economy is difficult to retrieve due to its unavailability. The unavailability of data was confirmed by the Minister of Youth and Employment when he blustered 'I have no data on unemployment rate' when he was dragged to parliament on 16th June, 2011 to give data on the unemployment rate in Ghana and possible solutions. He explained that since the last round of the Ghana Living Standards Survey (GLSS) in 2006, the economy lack logistical capacity to churn out statistics on unemployment rate annually (Gadugah 2011).

Due to the unavailability of unemployment data, the author uses sectoral job advertisement as a proxy to gauge the employment generating capacities of the three sectors of the Ghanaian economy. Though, the agricultural sector absorbs 56 percent of the labour force in Ghana (see Fig. 3 below), its employment generating capacity of on average 2 percent of the total employment generation is woefully abysmal (see Table 4 below). This phenomenon might be due to the slow rate of the sector's growth in recent years due to lack of investment. Another factor might be due to the informal structure of the sector requiring no formal advertisement on job openings.

Fig. 3: Labour Force Occupation (%)



Source: CIA World Factbook 2011

The services sector which has been the fastest growing sector in recent years absorbs 29 percent of the labour force (see Fig. 3 above). The sector's employment generating capacity has averaged 82 percent in the 2007 – 2010 periods reflecting the remarkable growth and the formal structure of the sector. The industry sector is the least absorber of labour force at a 15 percent rate; the sector's employment generating capacity over the 2007 – 2010 periods has averaged 16 percent.

Table 4: Quarterly Job Advertisements (2007q1 – 2010q4)

Quarters	Agric	Industry	Services	Total	Quarterly Changes
2007q1	23	264	1237	1524	
2007q2	12	249	1756	2017	32.35
2007q3	27	346	2066	2439	20.92
2007q4	45	357	2176	2578	5.7
2008q1	40	337	3640	4017	55.82
2008q2	33	373	2441	2847	-29.13
2008q3	31	647	1956	2634	-7.48
2008q4	14	236	1828	2078	-21.11
2009q1	11	128	4167	4306	107.22
2009q2	21	230	1562	1813	-57.9
2009q3	23	234	1748	2005	10.59
2009q4	20	725	1578	2323	15.86
2010q1	15	316	6243	6574	183
2010q2	7	229	1987	2223	-66.18
2010q3	35	409	2459	2903	30.59
2010q4	9	431	1923	2363	-18.6

Source: Bank of Ghana Quarterly Bulletin (April – June 2011)

With the poor performance of the services sector in 2009 growing at 5.9 percent relative to 9.3 percent in 2008 (see Table 3 above), the generating capacity of the sector was adversely affected. The first quarter of 2009 registered 4306 job openings in the services sector, job openings sharply dropped to 1562 in the second quarter, increased marginally to 1748 openings in the third quarter before ending the year with a decreased job openings of 1578 (see Table 4 above).

3.2 Monetary and Financial Developments during Crisis Period

The Bank of Ghana (BoG) successfully implemented a redenomination of the Ghana cedi in the second half of 2007; facilitation of business transactions and the enhancement of the business environment were the rationale behind the exercise. Broad money supply grew at a slower rate registering 21.67 percent in 2007 relative to 39.07 percent in 2006(Institute of Statistical, Social and Economic Research 2007). There was an increase in the ratio of credit to private sector as a share of GDP from 0.18 in 2006 to 0.27 in 2007, an indication of an improved flow of credit to the private sector.

The BoG inflation target of 7-9 percent region was obviously missed when at the end of 2008; inflation had averaged 16.5 percent (see Table 5 below). The cause of the rise in inflation particularly in the first half of 2008 was due to hikes in global food and oil prices and significant fiscal expansion (Institute of Statistical, Social and Economic Research 2009). Global oils price shocks adversely affected domestic food prices through rises in the transportation cost of food domestically and since food constitute more than 50 percent of Consumer Price Index (CPI) in Ghana, inflation ensued. Inflation declined marginally in the second half of 2008 when the food and oil price shocks eased. Broad Money supply growth increased sharply in 2008 registering 40.2 percent relative to 21.67 percent recorded in 2007. Demand deposits growth declined from 51.5 percent in 2007 to 31.2 percent in 2008. Savings and time deposits growth declined as well registering 33.7 percent in 2008 relative to 48.1 percent in 2007. Foreign exchange deposits however recorded impressive growth from GH¢ 992.9 million in 2007 to GH¢ 1,816.8 million in 2008. The composition of money holdings changes was borne out inflation developments and particularly the depreciation of the Ghana cedi against the major currencies ending the year with GH¢ 1.2141 to US$ 1 as compared to GH¢ 0.9704 to US$ in 2007 (Institute of Statistical, Social and Economic Research 2009). In a wake of a depreciation of a local currency people find safe haven in foreign currencies resulting in the change in the composition of money holdings in 2008. The depreciation of the Ghanaian cedi was due to foreign exchange outflows exceeding inflows necessitated by higher food and oil bills, external debt servicing and higher spending on infrastructure (Institute of Statistical, Social and Economic Research 2009). In order to control inflation, the BoG increased it prime rates on three consecutive occasions in 2008, increasing from 13.5 percent in 2007 to 14.25 percent in March 2008, further raising it to 16 percent in May 2008 and finally settling on 17 percent in July 2008. These increases pushed up interest rates on government securities considerably with a 91 day Treasury bill rate rising from an average of 10.34 percent in 2007 to an average of 18.22 percent in 2008 (see Table 5 below). Commercial banks' lending rate also went up from an average of 23.75 percent in 2007 to an average of 25.02 percent in 2008 (see Table 5 below) raising the cost of credit in the process.

Table 5: Annual Average Interest Rates, Inflation and Exchange Rates Movement (2006-2009)

	2006	2007	2008	2009
Central Bank				
Bank Rate/Prime Rate	12.5	13.5	17	18
Treasury Bill Discount Rate (91 days)	9.41	10.34	18.22	21.33
Interest Rate Equivalent	10.7	9.83	15.51	22.53
Commercial Banks				
Deposit Rates				
Demand Deposits	7.13	8.25	4.63	3.36
Savings Deposits	4.75	4.75	5.18	10
Time Deposits	8	8.25	9.59	19
Certificates of Deposit	7.25	7.5	14	20.5
Call Money	4.75	5.25	6.36	13.75
Others	7.25	6.5	7.16	15.92
Lending Rates	24.25	23.75	25.02	32.75
Interest Margins				
Savings	19.5	19	19.84	22.75
Time Deposits	16.25	15.5	15.43	13.75
Change in Consumer Price Index (CPI)	10.2	10.7	16.5	19.3
Exchange Rate Movement (US Dollars)	0.9236	0.9704	1.2141	1.4284

Source: (Institute of Statistical, Social and Economic Research 2010)

The targeted inflation rate of 12.5 percent in 2009 was missed when at the end of the year; inflation had averaged 19.3 percent (see Table 5 above). Broad Money supply growth decline from 40.2 percent in 2008 to 26.9 percent in 2009. Total demand deposits dropped by 2.9 percent from GH¢ 2,137 million in 2008 to GH¢ 2,075.20 million in 2009. Total savings and time deposits however rose by 80.5 percent from GH¢ 2,442.70 million in 2008 to GH¢ 3,409.30 million in 2009. Foreign currency deposits rose by 46.6 percent to GH¢ 2,664.2 million in 2009 relative to GH¢ 1,816.80 in 2008. Given the depreciation of the Ghana cedi by 1.42 percent in 2009 (see Table 5 above), it is unsurprising the high demand for foreign currency in 2009. BoG policy rate for 2009 was 18 percent which translated into higher prices for government securities and commercial banks interest rates. 91 day Treasury bills rate rose from an average of 18.22 percent in 2008 to an average of 21.33 percent in 2009 (see Table 5 above). Commercial banks lending rates rose from an already high average rate of 25.02 percent in 2008 to a cut-throat average rate of 32.75 percent in 2009 (see Table 5 above).

3.3 Fiscal Developments during Crisis Period

Maintenance of the improved debt situation, a drop from a 48.6 percent of GDP in 2005 to 26.2 percent of GDP in 2006 (see Table 1), was the objective of the government in 2007 in spite of the crude oil price hikes and the energy crisis. Total revenue including grants to the government amounted to GH¢ 4,508.20 million (see Table 6 below), the figure was 19.8 percent higher than the targeted amount of GH¢ 3,762.57 million in 2007 (Institute of Statistical, Social and Economic Research 2008). Tax revenue which is an important source of revenue for the government rose by 46.13 percent in 2007 accounting for the significant improvement in government revenue (Institute of Statistical, Social and Economic Research 2008). Total expenditure including net lending amounted to GH¢ 5,624.50 million in 2007 resulting in a budget deficit of GH¢ 1,116.30 million (see Table 6 below).

Fiscal discipline was the watch-word for the government in 2008, however the budget deficit for 2008 amounted to GH¢ 2,390.10 million (see Table 6 below), the highest since 2001. The increasing trend in government expenditure since 2006 was attributed to the "Ghana at 50" independence celebrations in 2007 and the building of two stadia and renovation of additional two stadia for the African Cup of Nations (CAN 2008) hosted by Ghana in 2008 (Institute of Statistical, Social and Economic Research 2008). Another factor for the rise especially in the current expenditure in 2008 was the world crude oil price hikes in greater part of the year.

Table 6: Fiscal Sector Indicators (GH¢ million) (2006 - 2009)

	2006	2007	2008	2009
Total Revenue & Grants	3,191.80	4,508.20	5,617.70	4,518.60
Total Expenditure & net lending	3,873.50	5,624.50	8,009.80	5,780.70
Current expenditure	2,473.50	3,624.50	5,259.60	3,988.20
Interest Payments	393.40	440.00	679.20	689.20
Capital expenditure	1,006.60	1,577.20	2,071.00	1,103.30
Overall Balance (Govt Budget)	-681.70	-1,116.30	-2,390.10	-1,262.10
				% of GDP
Total Revenue & Grants	17.10	19.50	18.60	12.30
Total Expenditure & net lending	20.70	23.30	26.50	15.70
Overall Balance (Govt Budget)	-3.60	-4.80	-7.90	-3.40

Source: Ghana Statistical Service

Tight fiscal discipline was again preached by the government in 2009 only this time; it was able to some extent meet the discipline target. The 19.6 percent decline in total revenue in 2009 was blamed on the underperformance of tax revenue (Institute of Statistical, Social and Economic Research 2010)(Institute of Statistical, Social and Economic Research 2010). The 46.7 percent fall in capital expenditure (see Table 6 above) was attributed to the abrupt halt in government constructions when the new NDC government came into power. The drop in total expenditure especially in current expenditure can be attributed to the easing of world crude oil price and the placement of an embargo on public sector employment by the NDC government in 2009. 2009 ended with a budget deficit of GH¢ 1,262.10 million (see Table 6 above), a marked improvement of 47.1 percent on the previous year's deficit.

3.4 External Sector Developments during Crisis Period

Ghana's external sector has had it fair share of challenges despite improvements in exports. A surplus of US$ 413.10 million was registered in 2007 relative to US$ 415.10 million registered in the previous year (see Table 7 below). The drop in surplus was attributed to the fact that gains in exports were eroded by increased imports especially oil imports (Institute of Statistical, Social and Economic Research 2008). The 3.5 percent improvement in exports in 2007 was attributed the increase in both commodity prices and volume especially cocoa and gold. The 21.7 percent rise in imports was as a result of the 57 percent increase in oil imports, increase in imports bill towards the Ghana at 50 celebrations in 2007 and the African Cup of Nations (CAN 2008) in 2008 (Institute of Statistical, Social and Economic Research 2008).

Table 7: External Sector Indicators (2006 Constant Prices) (US$ m) (2006–2009)

	2006	2007	2008	2009
Exports of goods and services	5,125.40	6,056.60	7,070.60	7,959.50
Imports of goods and services	8,286.50	10,083.00	12,566.60	10,789.70
Balance of Trade	-3,161.10	-4,026.40	-5,496.00	-2,830.20
Current Account Balance	-1,040.20	-2,121.80	-3,543.10	-1,165.10
Overall Balance (BOP)	415.10	413.10	-940.80	1,158
Major Export:				
Cocoa Beans	1,041.10	975.70	1,161.90	1,422.40
Gold	1,277.30	1,733.80	2,246.30	2,550.80
				% of GDP
Exports of goods and services	23.20	23.00	26.70	43.50
Imports of goods and services	37.40	38.3	47.50	59.00
Current Account Balance	-4.70	-8.1	-13.40	-6.40
Overall Balance	1.90	1.6	-3.60	6.30

Source: Ghana Statistical Service

The overall balance recorded a deficit of US$ 940.80 million in 2008 after recording surpluses in the three previous years. This was as a result of a high rate of increase in import relative to a slower growth in exports. Regardless, the 16.7 percent increase recorded in exports in 2008 was remarkable given the turmoil the world economy was in due to the global financial crisis. Oil import for the year rose by 12.4 percent necessitated by the oil price hikes reaching a high of US$ 147 per barrel in July 2008 (Institute of Statistical, Social and Economic Research 2009). The rise in total import in 2008 was caused by the 32.5 percent rise in non-oil imports which was attributed to increased government investment and consumption in 2008 (Institute of Statistical, Social and Economic Research 2009). The rise in exports in 2008 was led by the usual suspects, gold and cocoa beans and products registering 29.6 percent and 36.1 percent growth rates respectively.

In the midst of the global economic chaos orchestrated by the financial and economic crisis, the Ghanaian economy managed some robustness with respect to gloomy external indicators in 2009. There were improvements in Ghana's trade and current account balances. US$ 1,158 million was registered as balance of payment surplus relative to the deficit recorded the previous year. This improvement was as a result of the decline in imports from US$ 12,566.6 million in 2008 to US$ 10,789.70 million in 2009 (see Table 7 above). This decline was primarily due to the decline in oil imports from US$ 2,349.2 million in 2008 to US$ 1,500 million in 2009. Non-oil imports also decline by 21 percent in 2009 (Institute of Statistical, Social and Economic Research 2010). Exports for the year rose from US$ 7,070.60 million in 2008 to US $ 7,959.50 million in 2009 (see Table 7 above). The combination of total imports decline and exports increases resulted in an improved balance of trade deficit of US$ 2,830.20 million in 2009 relative to a deficit of US$ 5,496 million in 2008 (see Table 7 above).

Gold export earnings (see Table 7 above) to Ghana have recorded impressive rises over the crisis period due to a number of factors. A combination of uncertainty surrounding global macro-economic conditions and favourable supply and demand fundamentals continued to drive gold prices prior, during and after the crisis. The rally gold price was attributed to increased investment activity in China and a rebound in jewellery consumption in India, the world's largest gold market. The metal also benefited from continued European sovereign debt problems as investors hedged against currency risk.

3.4.1 Destination of Exports

Europe has been the major market for Ghana's export (mainly cocoa and non-traditional exports) over the period 2007 – 2011. The two major destinations of Ghana's exports as of the first quarter of 2011 were the Netherlands (15.37 percent) and the United Kingdom (3.69 percent) (see Table 8 below). These two countries have been the two top destinations of Ghana's exports since 2007. It is noteworthy to recognise the decline in the exports share to industrial countries between 2007 and 2009, might be due to the financial crisis induced recession which resulted in the fall in demand in these countries.

Table 8: Direction of Trade (Exports) (in percent of total) (2007 – 2011)

Trade Partners	2007	2008	2009	2010	2011q1
Industrial Countries	34.1	29.5	25.7	28	34.57
France	4.3	3.6	3.3	3.4	3.45
Germany	2.2	1.6	1.5	1.8	2.07
Italy	1.8	1.5	1.3	0.8	2.43
Japan	1.9	0.7	1.8	1	0.2
Netherlands	9.5	10.2	10.4	9.4	15.37
United Kingdom	6.4	4.8	5.2	4	3.69
United States	2.2	2.5	2.2	3	1.99
Others	5.8	4.7	4.7	4.7	5.37
Other Europeans	7.5	13.6	18.7	13.3	20.46
Rest of the World	58.5	56.9	50.9	58.7	44.97

Source: Bank of Ghana Statistical Bulletin June 2011

3.4.2 Origin of Imports

Ghana's major source of imports has been industrial countries which contributed 27.78 percent (see Table 9 below) in the first quarter of 2011. The United States and United Kingdom are the top two countries that Ghana imports from in recent years.

Table 9: Direction of Trade (Imports) (in percent of total) (2007 – 2011)

Trade Partners	2007	2008	2009	2010	2011q1
Industrial Countries	39.4	78	38.7	47.5	27.78
France	2.8	6.4	3.7	6.8	3.1
Germany	4.6	9.8	3.3	2.9	3.08
Italy	3.3	5	1.8	2.3	2.19
Japan	2	5	2.4	1.8	1.6
Netherlands	3.5	8.5	3.1	2.8	2.95
United Kingdom	4.3	11.3	4.1	4.5	4.81
United States	5.6	15.7	6.8	8.3	10.06
Others	13.2	16.5	13.5	18.1	20.66
Other Europeans	2.3	8.1	8	8.8	9.42
Rest of the World	58.3	52.1	53.3	47.3	42.13

Source: Bank of Ghana Statistical Bulletin June 2011

Chapter 4 Findings and Analysis of the Impact of the Financial Crisis on the economy of Ghana

The effect of the 2007/2008 financial crisis which originated from the advanced countries is still being felt around the world especially in developing countries though most of these economies are on a recovery path. Contrary to earlier positions that developing regions particularly Sub-Saharan Africa would be insulated from the financial crisis, the region has however been the hardest hit by the crisis (Bakrania and Lucas 2009). (Fosu and Naude 2009) notes three factors which fuelled the initial belief that the SSA region might evade the effects of the crisis: first, SSA banks had limited exposure to the US financial market where the crisis originated from; second, the view that the stimulus packages implemented by the US and European governments were deemed to be sufficient to avoid decline in both commodity demand and aid to the SSA region and third, the increasing trade partnership between the SSA region and the Asia region might have resulted in some de-coupling of the dependency of the region's growth rates on the US and European growths drive. The region was however not spared the fallout of the financial crisis, growth rate of Sub-Saharan Africa dropped from 7.3 percent in 2007 to 5.7 percent in 2008 and eventually to 2.8 percent in 2009 against a remarkable growth rates averaging 6.6 percent in the 2004 – 2008 period (International Monetary Fund 2010).

4.1 Transmission Channels

(Ackah et al. 2009) identifies a number of channels through which the global financial crisis could transmit to the Ghanaian economy. The paper identifies stock markets, banking sectors, foreign direct investment, remittances, aid and trade as the key transmission belts of the financial crisis.

4.1.1 Stock Market

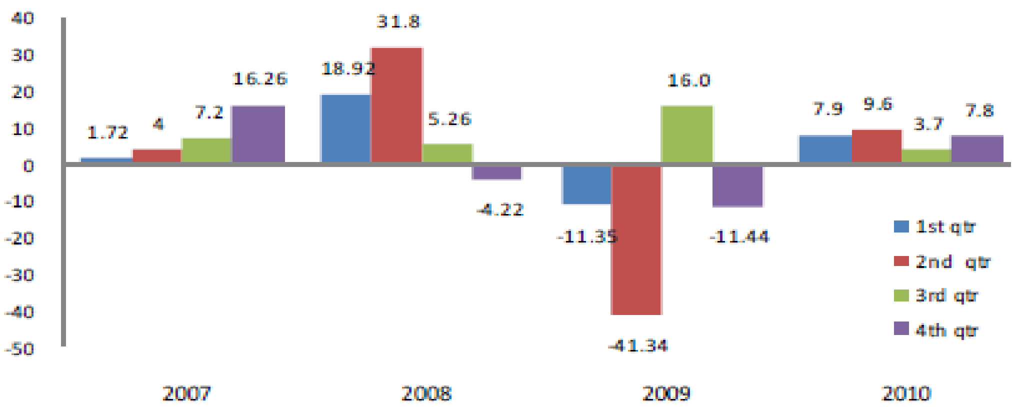
The importance of stock market for the economic development of an economy cannot be overemphasized; it provides critical investment funds to private companies in particular to expand its production. The number of stock markets in the SSA region is currently 16 with Ghana, Malawi, Swaziland, Uganda and Zambia being the most recently established (Massa and te Velde 2008). Due to heightened risk aversion of investors coupled with tightened global credit conditions and capital market and exchange rates volatility in some countries in the SSA region, capital inflows were intuitively expected to fall at the onset of the financial crisis. Ghana's stock exchange performance in recent years prior to the recent financial crisis has been impressive attracting capital inflows as a result. The first sneak peak of the impact of the global financial crisis on the stock market in Ghana was the suspension of an intended issuance of a seven-year US$ 300 million bond in January, 2008 due to gloomy world market conditions[3].

The all-share index increased by 51.76 percent in 2008 (see Fig. 4 below) which made the exchange one of the best performing in the world. On the back of an impressive performance,

[3] See http://in.reuters.com/article/2009/01/28/emerging-bonds-idINLS40896920090128?sp=true.

the exchange was expected to be resilient to the fallout of the global financial crisis, the Ghana all-share index however started dipping in the third quarter of 2008 and continued its downward trend reaching a trough of negative 41.34 percent in the second quarter of 2009 (see Fig. 4 below). The third quarter of 2009 recorded a positive growth of 16 percent but the year ended with an annual loss of negative 51.76 percent making the performance of the exchange one of the poorest in the region. Market capitalisation also dropped from GH¢ 17,895.12 million at the end of December 2008 to GH¢ 15,941.92 million at the same period in 2009 (Institute of Statistical, Social and Economic Research 2010). Ghana Commercial Bank (GCB), Cal Bank (Cal) and SIC Insurance Company (SIC) which are strong performers on the exchange lost 32.73 percent, 40 percent and 46 percent respectively in 2009 (Business & Financial Times 2010).

Fig. 4: Ghana Stock Exchange All Share Index Growth (%)



Source: Taken from the Bank of Ghana Quarterly Bulletin (October – December 2010)

Inflationary pressures and high interest rates in especially government securities led to a wave of redemption by the investing public and fund managers. The uncertainty in stocks triggered a mass rush for the money market instruments and with Government of Ghana treasury bills offering on average 21.53 percent return on the 91 day Treasury bill in 2009 (see Table 5), investors found a safe haven in government securities.

The impact of the financial crisis on the stock exchange was further deepened due to the inability of investors to adjust to a new automated trading system installed in 2009. The stock exchange decline in 2009 due to liquidity dry-up, rise in domestic interest rates making money markets more attractive and loss of confidence in portfolio investments posed a series of challenges to the growth of the Ghanaian economy.

4.1.2 Banking Sector

According to (Naudé and World Institute for Development Economics Research 2009), one channel the crisis would trickle down to developing countries is through the banking system. The effects through this transmission mechanism can be direct and indirect. Directly through the holdings of assets in developing countries of contaminated subprime mortgages from the crisis hit industrialized countries. Unlike Eastern and Central Europe foreign-owned banks that are major international players and thus were exposed to the contaminated subprime mortgages, Africa foreign owned banks were relatively insulated from this direct bank channel due to the limited relationship with international banks. Though Ghana's banking system is 65 percent owned by foreigners (Massa and te Velde 2008), most of these owners are from other developing countries. Out of a total of 27 registered banks in Ghana, 9 are owned by indigenous Ghanaians and government, 4 (Barclays Bank – UK, Standard Chartered Bank – UK, International Commercial Bank – Switzerland and Societe Generale – Social Security Bank – France) have foreign ownership from advanced economies, the rest of the 14 banks foreign ownership are from Nigeria with the exception of Stanbic Bank – South Africa, Amal Bank and Ecobank – Africa, BSIC Bank – Libya and Bank of Baroda – India. This confirms (Massa and te Velde 2008) assertion that Sub-Saharan Africa banks does not depend much on external borrowing because they are largely financed domestically or regionally. There is no evidence to indicate the withdrawal of funds by parent banks from the four advanced economies foreign-owned banks to offset losses though Barclays Bank recorded unprecedented losses in 2009 mainly due to loan defaults and fraud, a PricewaterhouseCoopers banking survey reported in (Business & Financial Times 2009).

The critical banking transmission mechanism is through the indirect effect where declines in stock prices of banks might lead in the long run to deepen poverty in developing countries. Fall in stock market prices will lead to a fall in capital of banks. The effect on banks with insufficient holdings in cash would be severe because in an attempt to shore up its capital, bank lending would have to be sacrificed. In an extreme situation, banks may face solvency issues and might have to fall on the government to bail them out. Due to a directive from the Bank of Ghana to commercial banks to increase their minimum capital requirement from GH¢ 7 million to GH¢ 60 million in November 2007, banks in Ghana during the crisis period didn't face solvency problems. Gross loan and advances showed an increasing trend throughout the crisis period but real values of these loan and advances declined consistently throughout 2009 (see table 10 below).

Table 10: Gross Loans, Real Annual Growth of Loans and by Borrowers

	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Gross Loans and Advances (GH¢m)	4,146.48	4,430.24	4,750.91	5,353.95	5,966.80	6,569.72	6,795.20	6,722.53	6,917.65
Real Annual Growth (%)	45.95	37.87	33.79	26.13	21.81	23.04	18.46	6.08	(0.03)
			Gross Loans by Borrower (percent of Total Loans)						
Private Enterprises	64.01	62.60	64.95	65.99	63.44	64.26	66.93	68.71	67.55
Household Loans	17.46	17.63	18.33	18.43	17.58	17.88	16.25	15.89	15.47
Govt & Public Institutions	4.68	6.39	4.83	4.51	5.26	4.38	3.79	1.92	2.48
Public enterprises	13.85	13.39	11.89	11.07	13.72	13.47	13.04	13.48	14.50

Source: Taken from (Bank of Ghana 2010a)

The continuous fall of real growth of banks' loans and advances in 2009 from 23.04 percent at the end of the first quarter to 18.46 at the end of the second quarter to 6.08 percent at the end of the third quarter ending the year with a negative growth of 0.03 percent (see Table 10 above) posed a serious implication for the economy of Ghana. The decline impacted on the level of investment in the economy leading to a lower growth with its attendant unemployment. A rise in unemployment led to a decline in personal income levels which fed into lower demand. A drop in consumer spending impacted negatively on economic growth and since government revenue depends on growth, a decline in growth leads to a fall in government revenue. This situation makes it difficult for any governments to fight poverty head on.

(Te Velde 2010) noted the general tightening of credit as one of the effect of the financial crisis on Ghana; indeed evidence shows the high cost of credit during the crisis period in Ghana. Commercial banks lending rates hovered around 25.02 percent in 2008 and sky-rocketed to a cut-throat rate of on average 32.75 percent in 2009 (see Table 5).

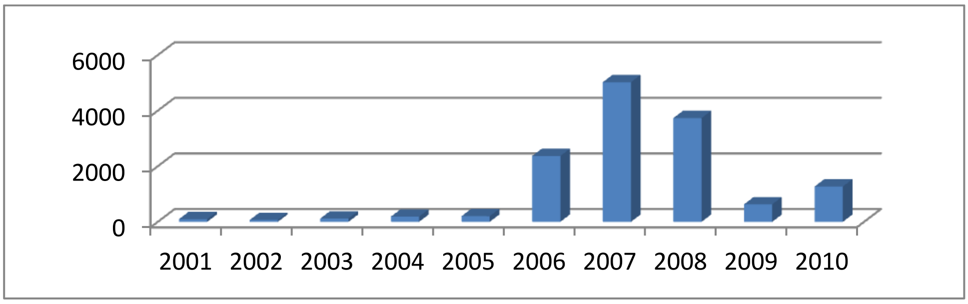
4.1.3 Foreign Direct Investment

A higher rate of return on foreign investment relative to domestic investment is the key rationale behind FDI. Another rationale is the reduction of risk by diversifying investments across countries. Additionally, attractiveness of a new market in a foreign land informs the decision of firms and companies to engage in FDIs. SSA have benefitted enormously from FDIs from around the globe over the last decade, FDIs to SSA have averaged US $19 billion per annum over the period according to (International Monetary Fund 2010). The amount of FDIs to SSA in 2008 was US $ 31 billion, dropped marginally to US $28 billion and US $26 billion in 2009 and 2010 respectively but it is expected to bounce back to US $32 billion in 2011 according to IMF estimates. The influx of FDI to SSA has been attributed to risk diversification and the higher rate of return the region offers relative to mature economies (Massa and te Velde 2008). China, India and the Gulf States have been the recent major investors in the SSA region with investment mainly in the services sectors like the telecommunication. With the shrinkage of capital in the global market that resulted from the recent financial crisis, FDIs were expected to decline in the region (Massa and te Velde 2008).

The source of Foreign Direct Investment to Ghana is spread all over the world. The total amount of FDI the Ghanaian economy received from September 1994 to December 2009 amounted to US$13,138.95 million with Britain accounting for 36.8 percent, followed by the US with 18.7 percent; United Arab Emirates with 15.7 percent and Nigeria with 8.9 percent (see Annex III). A significant amount of investment received over the period went to the manufacturing sub-sector accounting for 57.46 percent, building and construction sector accounted for 18.52 percent, followed by the services sector with 11.31 percent, general trade with 8.4 percent and the remaining sectors receiving less than 5 percent of total investment. The manufacturing sub-sector enjoyed 96.5 percent of total investments from Britain over the 15-year period, the sector again received over 90.4 percent of investments from the United States. 91 percent of total investments to the manufacturing sub-sector are from Britain and United States (Institute of Statistical, Social and Economic Research 2010).

The investment climate in the economy prior to the eruption of the financial crisis was very encouraging resulting in Ghana being awarded the 'Best Investment Climate' in the Commonwealth Business Council African Business Awards 2008 (Ackah et al. 2009).

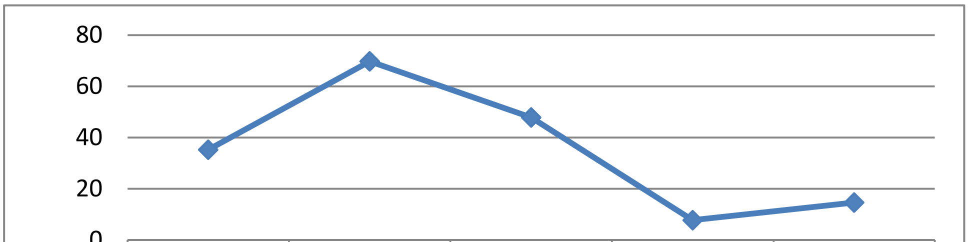
Fig.5: Foreign Direct Investment (Constant US$m) (2000 – 2010)



Source: Ghana Investment Promotion Centre (http://www.gipc.org.gh/publications.aspx)

Stable democratic dispensation, good economic growth, endorsement by the World Bank Doing Business 2008 (see Annex II) as Ghana being among the 'Global Top 10 Reformers' (Ackah et al. 2009) and most significantly the discovery of oil in commercial quantity in 2007 led to the influx of foreign direct investment with oil giants like Kosmos Energy (USA) and Tullow Oil Plc (Britain) investing heavily in oil exploration in the Cape three point of the Western Region of Ghana where the oil was discovered. FDI in 2007 recorded an impressive growth of 112.13 percent (see Fig.5 above). FDI to Ghana however declined in 2008 by 25 percent and further plummeted by 83.2 percent in 2009. This is unsurprising due to the two major source of FDI to Ghana (Britain and USA) economies being hit by the financial crisis and its resultant credit crunch. With the share of FDI in GDP averaging 35 percent over the 2006 – 2010 periods (see Fig. 6 below), happenings in FDI would most likely have an impact on GDP. The severe drop in FDI in 2009 had a significcant impact on the Ghanaian economy. First, expected employment creation by FDI projects to Ghanaians plummeted from 195,942 in 2008 to 21,050 (see Annex IV), accounting for a 89.3 percent drop. A fall in expected employment would translate into

Fig. 6: FDI as a percentage of GDP



	2006	2007	2008	2009	2010
GDP%	35.2	69.7	47.8	7.7	14.6

Source: World Development Indicators 2010 and GIPC

low income levels which would lead to lower consumer spending resulting in the fall of the consumption component of GDP. Second, a fall in FDI would negatively impact on the investment component of GDP. Since a significant portion of FDI was received by the manufacturing sub-sector, the growth of the contribution of the sector to GDP can be used as a yardstick in gauging the impact of the drop in FDI on GDP. Indeed, manufacturing was the only sub-sector in Industry to record a negative GPP growth, it recorded a negative growth rate of 1.28 in 2009 (see Table 3 and Annex I).

(Ackah et al. 2009) attributes the negative impact of the crisis on Foreign Direct Investment (FDI) to an increasing capital outflows due to the financial crisis induced perception of risky investment climate in Ghana. With high inflation and lending rates, weak local currency and a general loss of confidence in the economy, it is unsurprising investors looked outside the Ghanaian economy. (McCord et al. 2009) also reports of a drop in FDI-generated employment from 15,526 in the last quarter of 2007 to 10,022 in the same quarter in 2008.

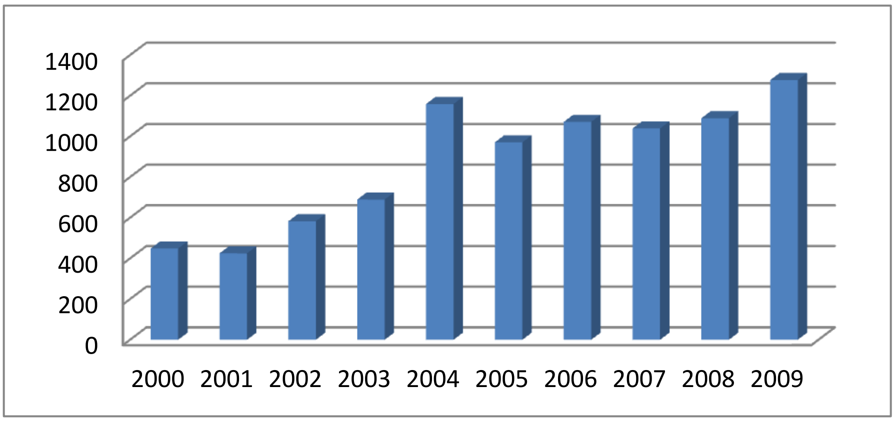
4.1.4 Aid

Developing countries are saddened with low income and unemployment which leads to low savings and investments. Capital stock is therefore low in these countries, yet these countries experience high population growth rate. Rapid economic development is needed to sustain the high population but due to low savings and investment, these countries are unable to sufficiently cater for their population. These countries in order to bolster their economies go to richer countries for foreign aid in the form of financial and technical assistance. The rationale behind richer countries offering aid are; 1) to help developing countries achieve sustainable growth and development and 2) to balance global economic growth (Shah 2005).

SSA has received increased Official Development Assistance (ODA) since 2000 culminating into a net value of $40 billion in 2006 (Massa and te Velde 2008). SSA dependent on aid varies from country to country, whilst countries like Ghana (7.5 percent of GDP) and Benin (8.3 percent of GDP) are more aid dependent, others like Kenya (0.8 percent of GDP) and Nigeria (0.7 percent of GDP) are less aid dependent[4].

Intuitively, ODA to SSA was expected to fall due to the financial crisis induced recession in most developed countries who were aid donors. Again there was scepticism to G8 commitment to double ODA to $130 billion (at constant 2004 prices) to Africa by 2010 (Massa and te Velde 2008).

Fig.7: Net ODA & OA Received (Constant US$m) (2000 – 2009)



Source: World Development Indicators 2010

However, aid flows to Ghana continued to rise during the crisis period though the growth rate was slower in 2008, a 17 percent increase was registered in 2009 (see Fig. 6 above), suggesting that the crisis had little or no impact on aid flows to Ghana.

4.1.5 Remittances

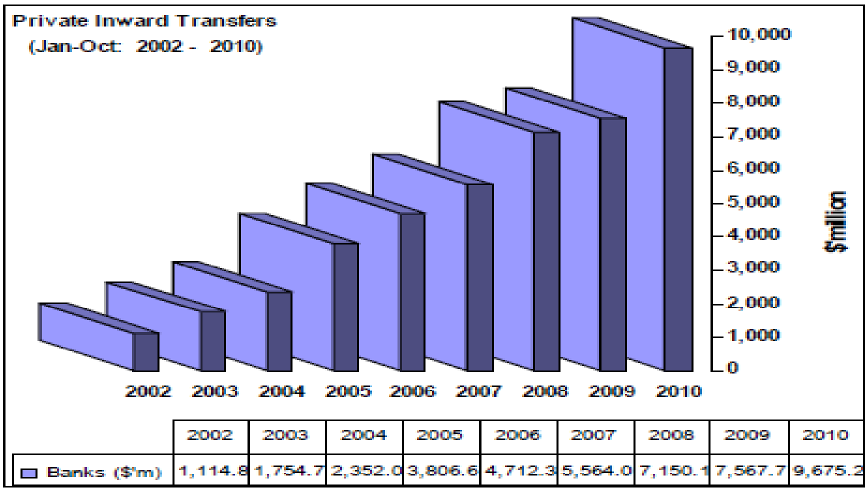
Remittances are the largest source of external capital to developing countries. In 2008, US$ 443 billion was estimated to be remittances worldwide (World Bank 2011) which is greater than twice the level of international aid in the same year. In addition to the high levels of remittances worldwide, it is relatively better distributed globally as compared to aid which is mostly skewed towards specific countries and regions. The worldwide remittances figure dropped in 2009 to US$ 416 billion largely due to the global economy contraction precipitated by the financial crisis. The US which is the biggest remitter in the world and hardest hit by the financial crisis figure for remittances outflow dropped from US$ 48.8 billion in 2008 to US$ 48.3 in 2009 (World Bank 2011).

[4] International Monetary Fund calculated Official Development Assistance in 2008

Remittances growth in the Sub-Saharan African region has been impressive, growing from US$ 4.6 billion in 2000 to US$ 21.4 billion in 2008 (World Bank 2011). The significance of remittances in the region cannot be overemphasized; it has been one of the most useful poverty reduction mechanisms in many countries in the region (Anyanwu). Its significance is manifested in the 2009 high dependency ratio of a number of countries in the region, Lesotho (24.8 percent), Togo (10.3 percent), Cape Verde, Senegal and Guinea Bissau (9.1 percent), The Gambia (7.9 percent), Liberia (6.2 percent), Nigeria and Sudan (5.6 percent) and Kenya (5.4 percent) (World Bank 2011). Remittances to the region fell by 3.7 percent in 2009 from US$ 21.4 billion in 2008 to US$ 20.6 billion in 2009 (World Bank 2011). The decline in remittances posed a serious implication for the region since remittances are mostly used for food purchases, school fees and health care (Anyanwu).

With about 20 percent of Ghana's migrants living in the US where the impact of the financial crisis induced credit crunch was hit hard, remittances to Ghana was expected to fall.

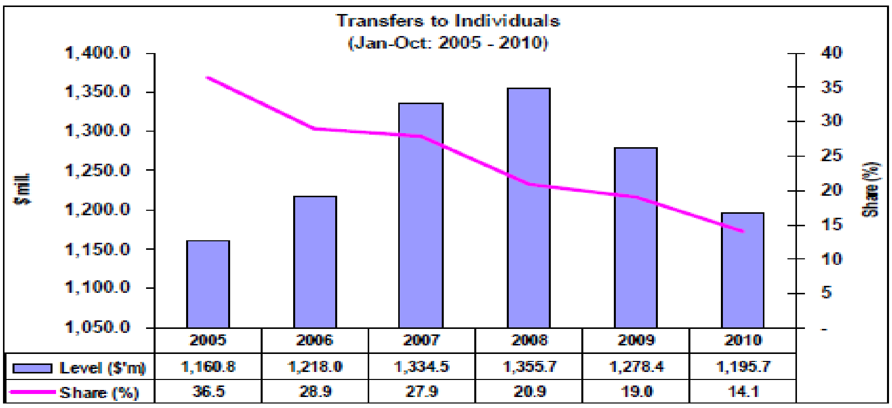
Fig.8: Private Inward Transfers through Banks (Jan-Oct: 2002 -2010)



Source: Taken from (Bank of Ghana 2010b)

Remittances however did not fall but the growth rate slowed down considerably recording 5.8 percent growth in 2009 relative to 28 percent growth in 2008 (see Fig. 8 above), a clear indication of the adverse effect of the financial crisis on remittances. Remittances however rebounded in 2010 with a 27.8 percent growth indicating the recovery or the recovery-in-progress of most of the advanced economies from the crisis.

Fig.9: Transfers to Individuals (Jan-Oct: 2005 – 2010)



Source: Taken from (Bank of Ghana 2010b)

While the receipt of remittances by embassies, NGOs, service providers, etc plays an important role in economic growth, remittances received by households are even more essential. On average, remittances accounts for about 5 percent of households' income in Ghana but a higher percentage for receiving households (Ackah et al. 2009). (Adams et al. 2008) using the 2005 Ghana Living Standard Survey indicates that for all household groups, the remittances recipient household group on average have the lowest observed poverty and the highest mean per capita expenditure for an observed expenditure. The study finds the reduction of poverty headcount and poverty gap by 88.1 percent and 90 percent respectively by remittances recipient households. It is important to note the drop in remittances received by individuals by level from US$ 1,355.7 million to US$ 1,278.4 million and by share of total remittances, 20.9 percent to 19 percent in the first ten months of 2008 and 2009 respectively (see Fig.9 above). The 2009 drop in individual remittances receipts impacted on the economy of Ghana through the reduction of consumer spending and by extension the consumption component of GDP.

4.1.6 Trade Channels

The global crisis resulted in a contraction of global trade. The sudden trade collapse was unprecedented. According to (Bricongne et al. 2010), world trade dropped by 29 percent between September 2008 and January 2009 whilst world GDP only contracted by a meagre 3 percent over the same period. A number of factors have been attributed to the sudden collapse in world trade: declining exports, decline in imports, unavailability of trade finance, volatile commodity prices etc.

The trade decline effects of the crisis were able to permeate countries which hitherto had little exposure to the US financial market. There were global reports of the scale down of production and employment as a result of limited export opportunities. Two general factors were the underlining cause of the trade decline, 1) the crisis induced credit crunch made it difficult for producers to access external finance in the process hindering firms' production and exports capacities, 2) there were decline in global demand due to the gloomy economic picture all the major financial institutions were painting, consumers were generally skeptical hence the reduction in their spending (Ackah et al. 2009).

Favourable growths in advanced and emerging economies such as China and India acted as a catalyst in the increase in the prices and demand for commodities prior to the eruption of the financial crisis. China and India continuous demand for natural resources in the period leading to the financial crisis favoured agricultural net exporters and oil rich countries. The financial crisis unfortunately had a negative effect on world growth prospects with Sub-Saharan African growth plummeting from 5.7 percent in 2008 to 2.8 percent in 2009 (International Monetary Fund 2010). Ghana's trade made up of exports and import plummeted in 2009 at a rate not experienced since 2001, two factors accounted for these drops, first, the decline in both oil and non-oil imports and the fall in exports growth during the year.

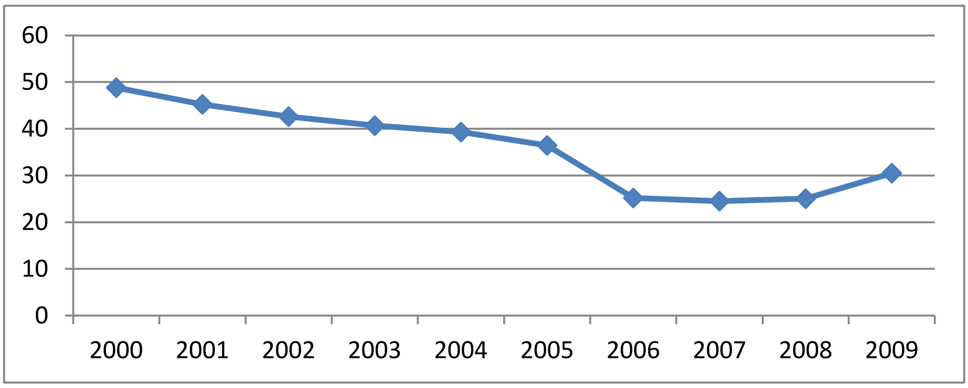
4.1.6.1 Export

Export has been one of the key drivers of growth in the sub Saharan Africa region (Massa and te Velde 2008). Remarkable regional economic growth in recent years prior to the crisis was largely influenced by commodity exports particularly by the performance of oil-rich economies like Nigeria, Equatorial Guinea, Angola, and Gabon. The financial crisis induced recession resulted in the decline in income of the advanced economies which led to a fall in global demand. The decline in exports earnings reduced project development and foreign exchange earnings which resulted in large job losses due to cut in production. The resultant drop in domestic demand due to unemployment had further negative impacts on domestic economies in the sub region.

Many developing countries governments rely overly on revenue from commodity exports. In Africa, for example, oil generates more than half of all revenues for Nigeria, Gabon, Equatorial Guinea and Congo. These countries benefitted immensely from the oil price hikes prior to the crisis. The sudden drops in oil prices beginning in the second quarter of 2008 resulted in much fiscal pressure, as well as concerns that affected governments will cut back on spending on social services and infrastructure. Production levels were cut down by domestic companies resulting in job losses due to the lack of exports opportunities. On the other hand, countries like Ghana, Rwanda and Kenya who are net oil importers and are vulnerable to oil price hikes (Massa and te Velde 2008), gained immensely from the decline in oil prices.

Ghana depends heavily on exports earnings for its quest for growth and development. This is reflected in its share of exports of goods and services in GDP averaging 35.8 percent over the 2000-2009 periods (see Fig. 10 below).

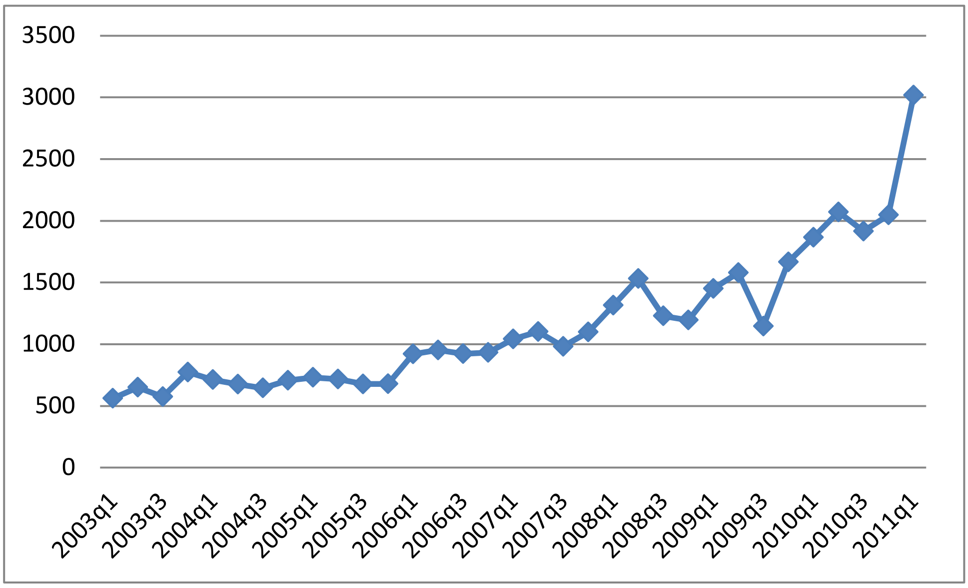
Fig. 10: Ghana's Exports as a percentage of GDP



Source: World Development Indicators 2010

Ghana, though a small economy has been very active player in world trade. Ghana is the second largest producer of cocoa after Ivory Coast in the world. Ghana is also one of the forerunners in the production and exports of gold; the country is the second largest producer of gold in Africa after South Africa, second largest exporter of wood and wood products and the third largest producer of timber in Africa. Ghana's quarterly merchandised exports was impressive relative to other sub Sahara African countries. Gold, cocoa and timber accounted for 79 percent of Ghana's exports in 2009 (Institute of Statistical, Social and Economic Research 2010). The quarterly figures show a generally increasing export during the crisis period (see Fig. 11 below). Eventhough the third quarters of 2007, 2008, 2009 and 2010 experienced drops in exports.

Fig. 11: Quarterly Exports in 2006 Constants Prices (2003q1-2011q1)



Source: Bank of Ghana Quarterly Bulletins

Though exports earnings increased in 2009, there was a decline in the rate of exports growth, an indication of the effect of the financial crisis on Ghana's exports. Exports grew at 8.9 percent and negative 27.5 percent in the second and third quarters respectively in 2009 relative to growth rate of 16.4 percent and negative 19.7 percent in the same period in 2008 (see Fig.11 above).

In terms of exports volumes, the four major export commodities experienced mixed performance during the financial crisis period but registered an increasing aggregate volume. A combination of uncertainty surrounding global macro-economic conditions and favourable supply and demand fundamentals continued to push up gold prices prior, during and after the financial crisis (see Table 11 below). The rally gold price was attributed to increased investment activity in China and a rebound in jewellery consumption in India, the world's largest gold market (Budget Statement). The metal also benefited from continued European sovereign debt problems as investors hedged against currency risk. Gold production however stagnated during the crisis period growing at 2.9 percent and 2.3 percent in 2008 and 2009 respectively; the stagnation most likely caused by dampened investments in the sector due to financial crisis induced economic recession. Gold production rebounded in 2010 with a growth rate of 17.3 percent, an indication of the recovery of the sector from the crisis. The rises in gold prices more than compensated for the drops in production rate.

Table 11: Ghana: Value, Volume & Unit Price of major Exports (2007 – 2010)

	2007	2008	2009	2010
Gold				
Value (US$ m)	1,733.80	2,246.25	2551.36	3803.52
Volume (fine ounces)	2,525,716	2,599,739	2,658,758	3,117,566
Unit Value (US$ per ounce)	686.46	864.03	959.61	1,220.03
Cocoa Beans				
Value (US$ m)	946.26	1225.11	1422.38	1,660.01
Volume (metric tons)	531,748	563,951	508,206	547,421
Unit Value (US$ per ton)	1,779.53	2,172.37	2,798.82	3,032.42

Cocoa Products				
Value (US$ m)	156.98	261.89	443.65	625.19
Volume (US$ per ton)	75,545	83,967	125,783	164,073
Unit Value (US$ per ton)	2,077.92	3,118.96	3,527.12	3,810.41
Timber and Timber Products				
Value (US$ m)	250.13	316.8	179.83	189.47
Volume (cubic meters)	531,813	586,865	428,503	427,131
Unit Value (US$ per cubic meter)	470.34	539.81	419.68	443.58

Source: Bank of Ghana Statistical Bulletin (June 2011)

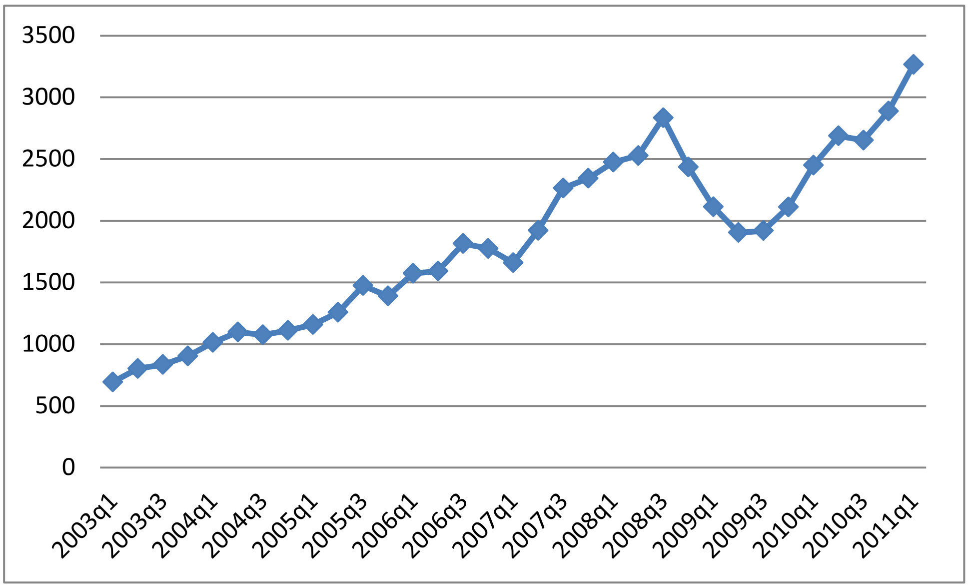
The production volume of cocoa beans plummeted in 2009 falling from a growth rate of 6 percent in 2008 to negative 9.9 percent in 2009. A clear indication of the adverse effect of the financial crisis on the sector, this was corroborated by a report in the Ghanaian media that 3000 workers of West Africa Mills Company Limited (WAMCO), a Takoradi-based cocoa processing firm were sent home in 2009 owing to the inability of the company to sell its products in the international market due to the global financial crisis (Ghanaian Chronicle 2009). Cocoa beans production however recovered in 2010 with a growth rate of 7.7 percent. The increases in prices of cocoa beans over the crisis period compensated for the drop in volume especially in 2009. Cocoa products like cocoa butter, chocolate, cocoa powder etc production levels were not affected during the crisis period recording a growth rate of 11.1 percent, 49.8 percent and 30.4 percent in 2008, 2009 and 2010 respectively. This impressive growth makes a strong case for exports of finished products instead of primary commodities. Demand for Ghana's cocoa products proved to be inelastic even in the midst of the financial crisis. The cocoa products prices over the crisis period saw a general increasing trend as well. The timber and timber sub-sector performed poorly with a volume growth of negative 27 percent and negative 0.3 percent in 2009 and 2010 respectively, prices in the sub-sector declined in 2009 and rose marginally in 2010 (see Table 11 above). The timber and timber products sub-sector was the hardest hit by the financial crisis amongst the top four commodity exports of Ghana.

4.1.6.2 Import

With world exports in turmoil, a lot of governments in Sub-Saharan Africa were rendered handicapped due to low revenues. Reduced revenues made it difficult to import to provide for the basic needs and services of the citizenry. Private enterprises due to lack of export opportunities had to cut down production level, which meant a downturn in their importation of capital and intermediate goods for production.

The import channel provides a clearer picture of an impact of an economic crisis on an economy. (Bergeijk 2009, Bergeijk 2011) suggest that exports often do not provide a meaningful picture of an impact of an economic crisis. The author explains that a decline in domestic demand may for instance induce firms to find new markets abroad and if policy makers respond with devaluation, one would expect exports to increase in the aftermath of a financial crisis. He further suggests that import gives a meaningful picture of an impact of a financial crisis on developing emerging economies. This assertion is corroborated by the happenings in Ghana's trade during the financial crisis period, exports earnings were robust against the crisis but imports plummeted at a rate not seen since 2001.

Fig. 12: Quarterly Imports in 2006 Constants prices (2003q1-2011q1)



Source: Bank of Ghana Quarterly Bulletins

Ghana's imports stagnated in the second quarter of 2008, increased sharply in the third quarter and started plummeting at an alarming rate. Imports grew by negative 14.1 percent, negative 13.2 percent and negative 9.9 percent in the fourth quarter of 2008, the first quarter of 2009 and the second quarter of 2009 respectively. The negative trend however changed in the third quarter of 2009, imports growing by a marginal 0.8 percent and by 10 percent in the last quarter of 2009 (see Fig. 12 above).

Ghana depends heavily on imports for its economic activities; out of a total import of US$ 10,268.5 million in 2008, US$ 2,413.66 million constituting 24 percent were for consumption and other non-productive purposes (see Table 12 below), a similar trend is observed in the provisional figures for 2009, 26 percent accounted for consumption and other non-productive ventures in total imports. Total oil import declined by 53 percent from US$ 3,156.74 million in 2008 to US$ 1,488.97 million in 2009, the drop in value partly explained by the drop in crude oil prices from an average price of US$ 91.48 per barrel in 2008 to an average price of US$ 53.56 per barrel in 2009. With all imports for productive ventures declining in the provisional figures in 2009 (see Table 12 below), economic activities were put under immense stress further slowing economic growth in 2009.

Table 12: Classification of Non-Oil imports according to End uses (US$ m)

Broad Economic Classification		2007 Q4	2007 Annual	2008 Q4	2008 Annual	2009* Q4	2009* Annual
Capital	Capital Goods (except Transport)	258.92	909.12	286.79	1,180.03	164.12	810.74
	Industrial Transport	107.44	387.35	126.94	561.71	104.17	453.60
Capital Total		**366.36**	**1,296.47**	**413.72**	**1,741.73**	**268.28**	**1,264.35**
Consumption	Durable consumer goods	40.59	140.17	37.75	141.47	23.70	101.14
	Non-durable consumer goods	88.16	327.45	123.25	436.03	69.86	318.80
	Non-industrial transport	7.47	37.18	11.47	41.59	15.96	51.46
	Primary food and beverages, mainly for household consumption	21.77	60.09	18.32	84.06	12.83	60.84
	Processed Food and Beverages, mainly for household consumption	260.65	729.45	241.44	830.61	272.70	830.25
	Semi-durable Consumer Goods	49.74	144.62	61.40	179.35	36.16	131.72
Consumption Total		**468.38**	**1,438.97**	**493.63**	**1,713.11**	**431.21**	**1,494.21**
Intermediate	Capital Goods - Parts and Accessories	90.19	340.50	158.07	542.66	107.55	460.85
	Primary Food and Beverages, mainly for Industry	30.20	107.98	40.65	189.90	25.48	160.16
	Primary Industrial Supplies n.e.s.	29.35	88.47	47.38	144.21	32.70	125.97
	Processed Food and Beverages, mainly for Industry	48.80	131.35	38.29	169.97	50.18	143.87
	Processed Industrial Supplies n.e.s.	574.22	1,883.77	654.90	2,391.84	505.26	2,038.05
	Transport Equipment - parts and accessories	61.15	238.46	93.40	317.78	59.46	249.32
Intermediate Total		**833.92**	**2,790.53**	**1,032.70**	**3,756.36**	**780.62**	**3,178.21**
Other	Goods n.e.s.	12.45	40.63	1.03	6.75	4.69	27.26
	Passenger cars	91.19	406.53	154.22	693.80	132.82	593.27
Other Total		**103.64**	**447.17**	**155.25**	**700.55**	**137.50**	**620.53**
Grand Total		**1,772.30**	**5,973.14**	**2,095.30**	**7,911.76**	**1,617.62**	**6,557.29**

* Provisional

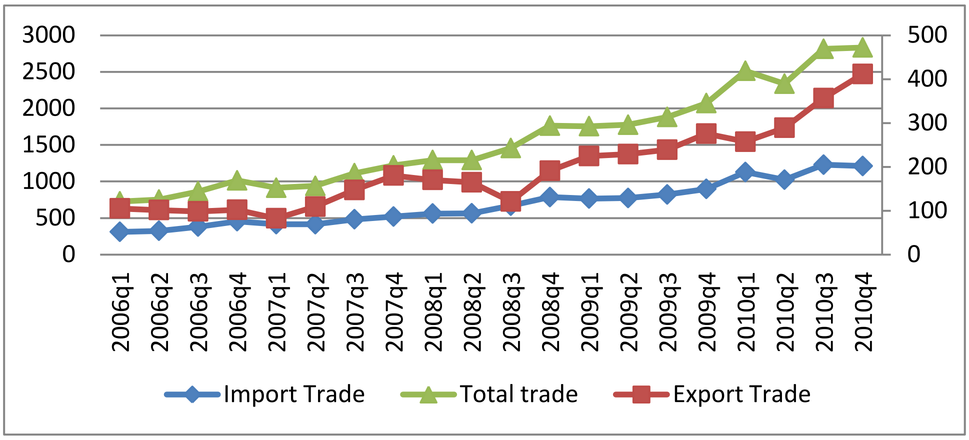
Source: Taken from Bank of Ghana Quarterly Bulletin (October – December 2009).

The fall in imports for consumption purposes by 12.7 percent in 2009 (see Table 12 above) reflects the decline in the purchasing capacity of the domestic market.

4.1.6.3 Trade Finance

According to the World Trade Organization (WTO), over 90 percent of trade transactions involve some degree of credit, guarantee or insurance; trade finance is therefore the engine of trade. It is imperative for stakeholders in trade in SSA to have access to affordable trade finance to enable them import and export and thus be part of world trade. An efficient running financial system is therefore indispensible for the smooth running of trade (Auboin 2007). The financial crisis resulted in the drying up of credit which was orchestrated by the recession that accompanied the crisis. Global trade plummeted due to the increasing limitation to credit and access to trade finance, SSA trade equally suffered the same faith.

Fig. 13: Quarterly Trade Credits by Deposit Money Banks (DMBs) (2006-2009)



Source: Bank of Ghana Statistical Bulletin

Credit to exporters and importers by Deposit Money Banks over the crisis period registered generally an increasing trend albeit a slow trade credit growth in 2009 (see Fig. 13 above). The stagnating growth of trade credit in 2009 might be explained by the high cost of credit during the year.

4.1.7 Tourism

Though tourism has not been widely mentioned as one of the transmission mechanism of the global financial crisis, the author deemed it a significant linkage between the Ghanaian economy and the international market. The significance of tourism to the Ghanaian economy cannot be overemphasized; it has proven to be a significant foreign exchange earner in recent years. Tourism is the third biggest foreign exchange earner in Ghana according to (Institute of Statistical, Social and Economic Research 2009). International tourism receipts accounted for about 20 percent of total exports earnings in 2008 (Ackah et al. 2009). It is estimated that with government commitment, the sector can be a lead foreign exchange earner for Ghana with strong positive implication for employment generation, poverty reduction and wealth creation in the short run.

With the financial crisis induced recession causing reduction in income in advanced economies, households consumed less luxury resulting in a decline in the demand for vacation. Tourism receipts in Ghana was affected, this is reflected in the real growth rate of the hotels and restaurants sub-sector of negative 3.8 percent in 2009 relative to a 9 percent growth rate in 2008, the sector however rebounded in 2010 with a growth rate of 2.7 percent (see Annex I).

4.2 Summary of Findings

The paper have performed a 'litmus test' on the various transmission mechanisms of the financial crisis on the economy of Ghana, these findings were discovered:

- True to expectations of stock markets performance around the globe plummeting due to risk aversion by investors and the drying up of credit orchestrated by the financial crisis, Ghana's stock market suffered its worst performance since the commencement of trading on the market in 1990. The first sign of the impact of the financial crisis on Ghana stock market though was the suspension of the intended issuance of a seven-year US$ 300 million bond. The all share index registered a loss of 51.76 percent in 2009, market capitalization also dropped by 10.9 percent year-on-year in December 2009.
- Two transmission mechanisms were identified with the banking system channel, direct and indirect. Directly through the foreign ownership of banks, the argument was that

parent banks in advance countries due to recession might borrow from subsidiary banks in developing countries thereby putting financial strain on the operations of these banks.

Though Ghana's banking system is 65% owned by foreigners, most of these owners are from other developing countries like Nigeria, India and Libya thus cushioning Ghana's economy to some extent from the direct bank effect.

The critical banking transmission mechanism is through the indirect effect where declines in stock might lead to fall in capital of banks and other big firms. Insufficient funds in banks will lead t a decline in bank lending which will hinder the growth of the private sector in an economy. Luckily, Commercial banks were not faced with solvency issues due to recapitalization drive by all banks. Nonetheless, the real loan and advances to the private as well as the public sector registered declines throughout 2009.

- FDI flows to Ghana were shaken by the fallout of the financial crisis. FDI flows prior to the eruption of the financial crisis were healthy with the entrance of Kosmos Energy and Tullow Oil Plc in the oil industry reflecting on a 112.3 percent rise in FDI in 2007. FDI however felt the pinch of the global crisis when it started to decline in 2008 and further plummeted by 83.9 percent in 2009 (see Fig. 5 above). With the huge employment generating capacity of FDI and the heavy dependant of the industry sector on FDI, the sharp declines in inflows posed serious challenge for economic growth.
- Ghana's development budget which is 50 percent funded by aid was not expected to be affected. Aid flows after declining in 2007 recovered in 2007 and subsequently rose by 17 percent in 2009 (see Fig. 7 above). This seems to suggest that the financial crisis had little or no impact on aid flows to Ghana.
- Remittances to Ghana accounted for 0.8 percent of GDP in 2008 and 0.7 percent in 2009 (World Bank 2011), this might seem insignificant to have a major influence on GDP growth. But a decline of remittances to individuals irrespective of its share in GDP has an adverse effect at the household level. Though private inward transfers rose by 5.8 percent in 2009 (see Fig. 8 above), remittances received by individuals dropped by 6.5 percent in the same year.
- Ghana exports over the last decade have recorded increasing trends. Prices of Ghana major exporting commodities fared well on the world market even in the midst of the crisis, these rises reflected in increases in exports earnings though the export growth rate slowed down in 2009 (see Table 11 above). Cocoa beans production declined in 2009 but increasing prices of cocoa insulated cocoa exports from the impact of the decline. Gold and cocoa products enjoyed favourable production and prices over the course of the crisis period. Timber and Timber products however registered decline in its volume and prices in 2009, an indication of the adverse effect of the crisis on the timber industry in Ghana.
- Ghana dependence on imports is evidenced its average 56.28% share of GDP over the 2000-2009 period. The rate of decline in merchandised imports in 2009 had not seen since 2001. Oil import declined by 53 percent in 2009 due to the easing of crude oil prices. Non-oil imports also declined dramatically in 2009.

- Trade financing during the crisis period were not significantly affected though trade credits by Deposit Money Banks stagnated in 2009 (see Fig. 13). This stagnation might have been caused by the unattractiveness of credits due to it high cost.
- Tourism in recent years have been a major foreign exchange earner for the economy of Ghana. With good reviews from international travel organisation and the wonderful hospitality of the Ghanaian people, international visitors throng in to tour the country. There were decline in tourism receipt due to the financial crisis.

4.3 Mitigation Measures by the Government of Ghana in the wake of the global financial crisis

In the wake of the crisis where almost every public establishment, business entities and individuals were running for shelter, government around the globe stepped in and offered mitigating measures to soften the impact of the crisis, the government of Ghana was not an exception.

4.3.1 Implemented Measures

In order to minimise the impact of the financial crisis on the Ghanaian economy, the following measures were implemented by the government:

- Removal of import duties on cereals which included wheat, rice and yellow maize
- Removal of import duties on crude vegetables, fertilisers and agricultural inputs.
- Tax on premix fuel was removed to boost the productivity of the fishing communities.
- Tax reduction on gas oil, kerosene and marine oil, this was aimed at reducing transports cost caused by rising oil prices.
- Government also supported the production cost of electricity to protect consumers from high tariffs.

4.3.2 Proposed Measures

The government proposed the following measures in the 2009 Budget statement:

- Streamline government expenditure by reducing wasteful expenditure especially on official foreign travels.
- Reduce the existing ministries from 27 to 24, this was aimed at rationalizing government expenditure
- Provision of school uniforms to 1.6 million pupils in deprived communities; this was aimed at lessening the financial burden on parent in deprived communities.
- The provision of free exercise books to every student in public basic schools and the increase in capitation grant by 50 percent.
- In order to encourage domestic investment, the government proposed to review all mining, oil and forestry's firm agreements in order to curb capital outflow or repatriation. This was aimed at stabilizing the local currency which was depreciating against all the major foreign currencies.
- Revision of petroleum taxes in order to reduce petroleum prices.

Chapter 5 Conclusion

Ghana, an integral part of the world economy was not spared the torrential effects of the recent global financial crisis. Similar to other developing countries in the SSA region, the economic condition of Ghana prior to the onset of the global financial crisis was very precarious making the country very vulnerable to external shocks. With rising government debt, fiscal balance challenges, external current account problems, terms of trade and trade balance difficulties and reserves at lowest levels, the eruption of the financial crisis was ill-timed.

Whilst Ghana has achieved remarkable economic growth for the past decade, the structure of the economy has not changed significantly since 1957 when Ghana attained independence. Although services and industry sectors have contributed significantly to the recent enviable economic growth, the agriculture sector still remain dominant in the Ghanaian economy employing 56 percent of labour force (see Fig. 3) and accounting for more than one third of national output (see Fig. 2). Over the 2000 – 2009 periods, the services sector has been able to gain some share of agriculture share in national output. The sector has been increasing it share in national output since 2005, registering 32.3 percent in 2009 relative to 29.4 percent in 2005 (see Fig. 2).

One way of grasping the impact of the recent financial crisis on the Ghanaian economy is to break up the national output into its four key components and assess how each of the transmission mechanism of the financial crisis impact on each component of national output. National output of an economy by definition comprises of 1) private consumption, 2) private investment, 3) government spending and 4) net exports. In order to achieve total growth, a combination or all these components needs to grow.

(World Bank 2007) study suggests Ghana's growth in recent years has cut across all three sectors of the economy. The study also reveals that the dominant contributor to the productivity of growth between the 1970-2005 periods was consumption and investment, though the study acknowledges the dominance force of export between 1991 and 1996 contributing about 30 percent to GDP growth. The study however reports that the largest contributor to the impressive GDP growth in recent years has been government spending and investment. For the 2001 – 2005 periods, the study finds that Ghana's exports contribution to GDP growth was only 6 percent relative to government spending and investment accounting for 40 percent within the same period with private consumption accounting for the remaining 56 percent.

Ghana happens to be a small open economy who is an active player in world trade. Despite policy rhetoric on the need to diversify Ghana's export, nothing significant has been done since independence in 1957. Cocoa, gold and timber have been dominating Ghana's export since 1970 accounting for about 79 percent of total exports in 2009 (Ackah et al. 2009). As a result of the dominance of these three commodities, the Ghanaian economy remains unprotected against commodity price shocks (World Bank 2007). The study conducted by (World Bank 2007) also notes that when cocoa prices declined by 50 percent though remained positive between 1998 and 2000, there was a deceleration in real GDP growth by 20 percent. Fortunately for the economy of Ghana, its primary commodities prices did not experience shock at the international market. Gold, cocoa beans and products experienced a general increasing trend in its prices (see Table 11) and with the exception of cocoa beans and timber which experienced a drop in its volume in 2009, gold and cocoa products production levels more than compensated for these declines. With imports significantly declining in 2009, net exports looked healthy with the two dominant sub-sectors cocoa production & marketing and mining & quarrying both registering increasing growth rate (see Table 3). The performance of exports cushioned to some extent the impact of the crisis on the Ghanaian economy.

With government spending and investment accounting for 40 percent of growth in the 2001 – 2005 periods, and private consumption contributing 54 percent to GDP growth in the same period, the 19 percent decrease in individual remittance transfer in the first ten months of 2009 (see Fig. 9), a negative 0.03 decline in real credit at the end of 2009 by banks (see Table 10), an average 32.75 percent lending rate by banks in 2009 (see Table 5), an average 19.3 inflation in 2009 (see Table 5), a weakened exchange rate, balance of payment difficulties (see table 6) and a shaken consumer confidence, Ghana's economic growth was adversely affected in 2009.

(World Bank 2007) notes the necessity of investment to a strong and enduring growth. The 2008 and 2009 consecutive drops in FDI (see Fig. 5) significantly affected the growth of the Ghanaian economy. The industry sector of the economy which heavily depends on investment as evidenced in the manufacturing sub-sector receipts of 56.46 percent of total FDI over the Sept 1994 – December 2009 period (see Annex III), was the hardest hit of the three sectors by the financial crisis. This sector's poor performance was as a result of a decline in FDI and drop in government spending due to its fiscal discipline stance in 2009. The poor performance of the industry sector is evidenced in its growth rate of 1.6 percent in 2009 relative to 8.1 percent in 2008. The impact of the crisis on the industry sector was toned down by the growth of the mining and quarrying sub-sector registering 8.2 percent growth relative to 2.1 percent growth in 2008. The agricultural sector, the least dependent on investment was the only sector to record an increase in growth rate adding just 0.1 percentage point to its growth rate 6 percent in 2008 (see Table 3). The growth can also be attributed to the good performance of crop & livestock and cocoa production and marketing sub-sectors. The services sector was affected by the crisis with all the sub-sectors recording slower growth rates with the exception of Community, Social and Personal Services whose growth rates stagnated in 2009.

The 14 percent imports decline in 2009 reflected the reduced purchasing power of domestic consumers due to weakened local currency and inflation, signaling the impact of the financial crisis on import. (Institute of Statistical, Social and Economic Research 2009) attribution of the drop in import to the easing of crude oil prices and Ghana not hosting any international competition or celebration is neither here nor there. Ghana did not and will not host any international competition or celebration in the foreseeable future, yet imports recorded in 2010 exceeded the pre-crisis level in 2008 (see Fig. 12) though price of crude oil were relatively low in 2010 as well.

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Appendices

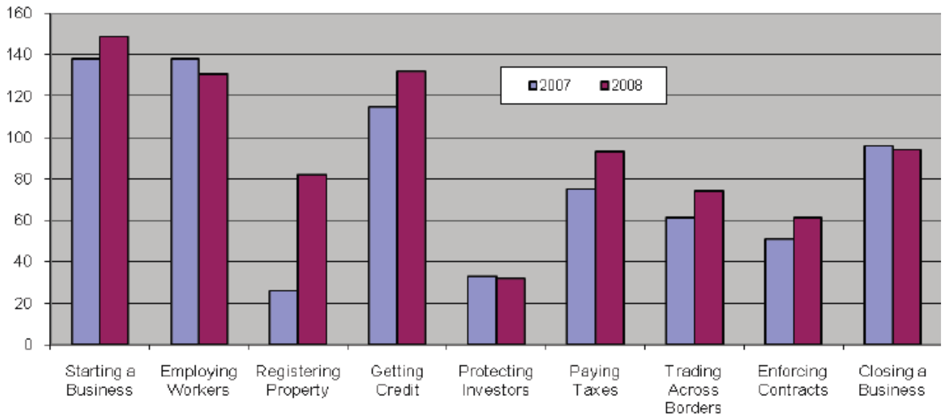
Annex I: GDP by sectors at 2006 Constant Prices (GH¢ million)

	2006	2007	2008	2009	2010*
AGRICULTURE	**5,415.0**	**5,322.0**	**5,716.1**	**6,129.0**	**6,453.0**
Crops	3,793.7	3,742.6	4,064.5	4,479.0	4,703.0
of which Cocoa	537.2	493.2	509.1	535.0	535.0
Livestock	437.1	457.8	481.1	502.0	526.0
Forestry and Logging	736.0	705.9	682.4	687.0	757.0
Fishing	448.3	415.8	488.0	460.0	467.0
INDUSTRY	**3,704.3**	**3,929.6**	**4,521.9**	**4,725.0**	**4,988.0**
Mining and Quarrying	497.4	531.6	544.4	581.0	626.0
Manufacturing	1,823.5	1,801.3	1,868.0	1,844.0	1,984.0
Electricity	142.7	118.2	141.1	152.0	170.0
Water and Sewerage	224.4	227.0	228.9	246.0	259.0
Construction	1,016.3	1,251.6	1,739.5	1,902.0	1,949.0
SERVICES	**8,690.4**	**9,358.3**	**10,106.0**	**10,667.0**	**11,714.0**
Trade; Repair of Vehicles, Household Goods	1,140.7	1,202.6	1,316.9	1,388.0	1,573.0
Hotels and Restaurants	894.1	916.6	999.8	962.0	988.0
Transport and Storage	2,357.2	2,573.4	2,671.9	2,790.0	3,014.0
Information and Communication	483.0	502.8	600.9	624.0	777.0
Banking and Insurance	472.9	559.8	620.1	678.0	791.0
Real Estate Services	391.4	400.8	410.4	420.0	430.0
Business and Other Services	522.5	542.7	532.8	525.0	646.0
Public Administration & Defence: Social Security	862.1	959.6	1,081.8	1,208.0	1,249.0
Education	655.0	720.5	814.3	915.0	963.0
Health and Social Work	249.8	259.3	270.8	312.0	347.0
Other Community, Social & Personal Service Activities	661.6	720.3	786.3	845.0	936.0
Gross Domestic Product at Basic Prices	**17,809.7**	**18,609.9**	**20,343.9**	**21,521.0**	**23,155.0**
Net Indirect Taxes	895.4	1,303.4	1,248.3	934.0	1,032.0
EQUALS : G.D.P. in Purchasers' Values	**18,705.1**	**19,913.4**	**21,592.2**	**22,454.0**	**24,187.0**

*Provisional

Source: Taken from Bank of Ghana Statistical Bulletin (June 2011)

Annex II: Ease of Doing Business



Source: Taken from (Ackah et al. 2009)

Annex III: Cumulative Value of Registered FDI Projects Classified by Country and Economic Activity, Sept 1994-Dec 2009, (values in US$ Million)

Country	*FDI Total*	*Agric*	*Building/ Const.*	*Export Trade*	*General Trade*	*Liaison*	*Manufact.*	*Service*	*Tourism*
Britain	4833.00	6.35	77.46	2.48	12.13	0.00	4662.79	66.01	5.78
USA	2461.98	48.65	27.98	0.59	3.18	2.48	2225.17	138.50	15.42
United Arab Emirates	2059.37	0.00	2057.30	0.00	1.00	0.12	0.00	0.95	0.00
Nigeria	1174.09	0.03	15.71	0.14	796.30	0.01	7.82	350.86	3.22
Malaysia	289.22	0.00	0.30	0.00	0.62	0.08	4.61	283.61	0.00
China	254.71	4.89	7.33	0.94	53.56	0.05	164.82	16.63	6.49
South Africa	150.24	92.00	2.08	0.00	9.12	0.00	3.03	42.52	1.50
India	144.43	47.01	7.43	9.22	34.97	0.00	28.92	15.99	0.90
Malaysia/Ghana	118.00	0.00	0.00	0.00	0.00	0.00	0.00	118.00	0.00
Italy	115.19	0.09	37.25	1.28	1.81	0.00	71.57	0.86	2.34
Switzerland	102.28	46.19	1.25	4.18	3.43	0.70	26.02	16.32	4.19
Lebanon	94.70	0.81	10.32	0.33	47.82	0.00	26.26	3.19	5.97
British Virgin Islands	93.64	1.91	5.55	0.00	4.83	0.00	8.80	28.24	44.31
France	78.76	50.42	0.91	0.59	1.21	6.88	10.42	7.02	1.33
Ireland	70.49	0.00	0.14	0.00	0.00	0.00	0.00	70.17	0.19
Mauritius	63.06	0.00	0.00	0.00	11.91	0.00	1.90	49.25	0.00
Netherlands	61.74	8.73	9.30	3.84	4.31	0.00	6.83	25.83	2.90
Korea	56.45	14.14	6.92	0.03	3.43	0.00	8.74	21.94	1.25
Singapore	48.65	0.30	0.00	2.18	1.21	0.00	43.38	1.51	0.08
Denmark	42.18	23.07	1.09	0.08	0.51	0.00	11.17	6.20	0.08
Others	826.77	38.48	164.73	11.18	112.69	0.49	237.29	222.72	39.18
Total	13138.95	383.05	2433.03	37.05	1104.05	10.81	7549.52	1486.32	135.11
% of Total		**2.92**	**18.52**	**0.28**	**8.40**	**0.08**	**57.46**	**11.31**	**1.03**

Source: Taken from (World Bank 2011)

Annex IV: Expected employment creation by FDI projects

	Cummulative Jan 2001 - Dec 2009			*2009*		*2008*		*2007*	
SECTOR	*TOTAL*	*Ghana*	*Foreign*	*Ghana*	*Foreign*	*Ghana*	*Foreign*	*Ghana*	*Foreign*
Manufacturing	16,104	14,869	1,235	3,496	242	3,125	399	8,248	594
Service	8,172	6,971	1,201	2,142	336	2,948	642	1,881	223
Building & Const	12,577	11,410	1,167	2,175	205	7,679	430	1,556	532
Agriculture	191,434	191,171	263	11,518	64	178,881	132	772	67
Tourism	2,525	1,915	610	656	435	390	91	869	84
General Trade	6,018	5,297	721	980	203	2,594	313	1,723	205
Export Trade	931	833	98	83	12	329	56	421	30
TOTAL	237,761	232,466	5,295	21,050	1,497	195,946	2,063	15,470	1,735
% of Total	100.00	97.77	2.23	93.36	6.64	98.96	1.04	89.92	10.08

Source: Taken from (World Bank 2011)