

## FUNDAMENTALS

# GHANA'S REAL GDP GROWTH FOR 3Q2022:

## PRICE SHOCKS SOFTEN GROWTH



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## IN BRIEF

- Real GDP growth expectedly weakened in 3Q2022, belatedly reflecting the impact of the price pressures experienced at the producer and consumer levels in 2022.
- Overall real GDP growth decelerated to 2.9% y/y in 3Q2022 from 6.5% in the same period 2021 while non-oil real GDP growth also nosedived to 3.6% from 8.2% in 3Q2021.
- The Cedi's slump in 2022 propelled both producer and consumer price inflation rates to multi-year highs, weighing on business and consumer confidence and dragging down economic activity.
- The latest growth rate translates into an average real GDP growth of 3.5% in 9M2022 with potential for an annual growth rate of between 3.0% - 3.5% at FY2022. In the year ahead, we reiterate our FY2023 growth forecast of 2.7% (GOG: 2.8%) as the lagged effect of price pressures, higher taxes, and monetary squeeze provide a headwind to growth.

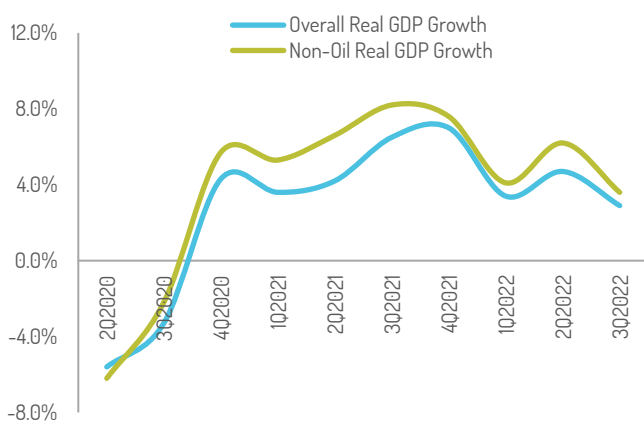
## Real sector begins to feel the price shocks

Ghana's real GDP growth expectedly weakened in 3Q2022, belatedly reflecting the impact of the price pressures experienced at the producer and consumer levels in 2022.

Overall real GDP growth decelerated to 2.9% y/y in 3Q2022 from 6.5% in the same period 2021 and 4.7% y/y in 2Q2022. Excluding the oil & gas sector, non-oil real GDP grew by 3.6% y/y, moderating from the 8.2% outturn in the same period 2021.

On a quarter-on-quarter basis, overall real GDP grew by 0.7% in 3Q2022 compared to the 1.0% q/q growth in 2Q2022. We reckon the quarter-on-quarter slowdown captures the direct impact of this year's price pressure on real sector activity.

### QUARTERLY REAL GDP GROWTH (YEAR-ON-YEAR)

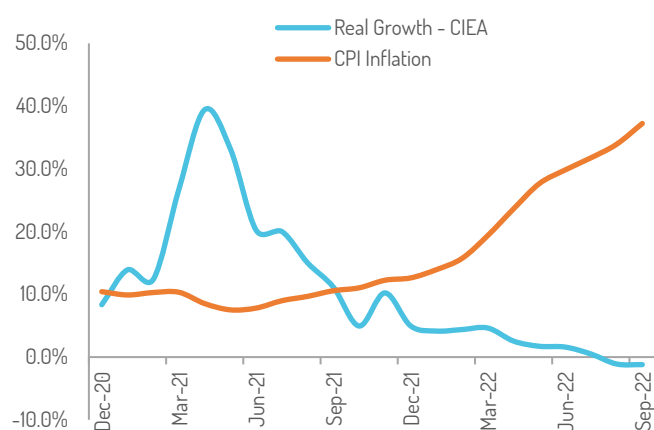


SOURCE: GHANA STATISTICAL SERVICE

At the sectoral level, the agricultural sector led the park with a growth rate of 4.6% y/y on the back of growth in the fishing and crops sub-sectors. The services sector expanded by 3.9% while the industry sector growth plummeted to 0.9% y/y (vs 4.0% y/y in 2Q2022).

The uninspiring growth in the industry sector was occasioned by a 7.4% contraction in the manufacturing sub-sector, which partly offset the 14.9% expansion in the mining and quarrying sub-sector. We believe the impressive growth in the mining and quarrying sector was underpinned by the 150bps reduction in the withholding tax on gold export to 1.5% in 2022. Given its high exposure to exchange rate shocks, the manufacturing sector's contraction was occasioned by the 40.0% depreciation of the GHS in the 9M2022.

## REAL SECTOR DEVELOPMENT AMIDST PRICE PRESSURES



SOURCES: BANK OF GHANA, GHANA STATISTICAL SERVICE

## Economic activity suffers the knock-on effect of the relentless price pressures in 2022

The sharp depreciation of the Ghanaian Cedi in 2022 propelled producer price inflation to 78.1% y/y in November 2022 with industry (94.3%) and construction (26.6%) recording the steepest surge in production cost. Consumer price inflation also surged to 50.3% y/y in November 2022 from 12.6% in December 2021. Consequently, economic activity slowed sharply in 9M2022, reflected in a 1.2% contraction in the Bank of Ghana's real composite index of economic activity (CIEA) in September 2022 as business confidence index weakened to 72.6pts in October 2022 (vs 98.4pts at FY2021).

Unsurprisingly, we observed year-on-year contractions in the manufacturing (-7.4%) and construction (-7.0%) sectors in 3Q2023 with a bearish outlook in the months ahead.

## We maintain our bearish outlook on growth for FY2023

The latest growth rate translates into an average real GDP growth of 3.5% in 9M2022 with a potential for an annual growth rate of between 3.0% - 3.5% in FY2022. In view of this, we maintain our FY2022 growth forecast of 3.4% (GOG: 3.5%).

In the year ahead, we expect the 2022 price shocks to linger as the strong appreciation of the GHS in 4Q2022 deepens the FX uncertainty heading into 1Q2023. Furthermore, we view the tax measures in the 2023 budget as downside risk to production and consumption activity in the coming year amidst a potential squeeze in GHS liquidity. Consequently, we reiterate our FY2023 growth forecast of 2.7% (GOG: 2.8%).



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