

FUNDAMENTALS

GHANA'S FY2026 BUDGET:

**Designed for Continued
Stability and Reforms**

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IN BRIEF

- **Fiscal prudence turns constraints into credibility.** Ghana delivered a stronger-than-expected fiscal performance in 9M2025 as disciplined expenditure control more than offset a 4.7% revenue shortfall, driving a sizeable fiscal adjustment of 5.5% of GDP. The authorities suppressed spending by 13.8%, enabling the primary surplus (on commitment basis) to reach 1.6% of GDP, well above the 0.6% target, and reinforcing the credibility of the 2026 outlook.
- **Conservative macro targets with a promising undercurrent.** We view the 2026 budget as an effort to broaden ongoing reforms, sustain macroeconomic stability, and deepen post-IMF resilience. In our opinion, the 2026 real GDP growth target appears conservative given the recovery in household spending, planned infrastructure investment, and stronger agricultural activity. We expect inflation to remain anchored within the Bank of Ghana's target band, supporting a steady but cautious easing cycle through 2026.
- **Revenue switches with built-in compensation.** We estimate that removing the COVID levy will forgo a potential GHS 5.3bn in 2026 (FY2025: GHS 3.87bn), but this should immediately release equivalent spending power to households and firms, strengthening demand and supporting medium-term revenue through tax buoyancy. The gap will likely be offset by the full-year yield from the GHS 1.0/litre fuel levy, which we expect to generate roughly GHS 6.2bn, more than covering the loss and providing additional fiscal space to finance power-sector fuel purchases and advance the authorities' target on Energy Debt Recovery Levy.
- **Stronger ECG remittances to the Cash Waterfall Mechanism unlocks fiscal space.** The sharp 49.3% fall in expected energy sector shortfalls to GHS 15.2bn in 2026, driven by stronger ECG remittances under the Cash Waterfall Mechanism, creates fiscal room for capital spending, particularly the Government's GHS 15.3bn own contribution to the "Big Push" programme. The completion of IPPs' debt restructuring further reduces energy sector risk, with USD 1.1bn now spread over three years and USD 345.0mn (GHS 4.76bn) provided for 2026 after an initial USD 300.0mn payment in 2025. This significantly eases our concerns over energy-sector stability and future fiscal pressures.

The fiscal footprint of 2025

Fiscal discipline as the backbone of macro stability

The Ghanaian Finance Minister presented the country's budget statement and economic policy for the upcoming year 2026, delivering a better-than-expected fiscal performance in 9M2025 with a promising outlook for 2026.

Our assessment of the 9M2025 outturn revealed continued risk of revenue underperformance with a 4.7% (GHS 7.7bn) shortfall recorded against the period target. However, the authorities exhibited disciplined execution of spending plans by suppressing total expenditure (commitment basis) below budget by 13.8% (GHS 28.6bn). This supported a considerable fiscal adjustment, equivalent to 5.5% of GDP in 9M2025 and propelled the primary surplus to 1.6% of GDP, substantially outpacing the period target surplus of 0.6%.

We note that the authorities anticipate to sustain the disciplined fiscal stance to end-2025 as the budget signalled a 0.3pp of GDP upward revision to the FY2025 target primary surplus which is now pegged at 1.8% of GDP (vs 1.5% prior). For 2026, the broad policy framework suggest that fiscal discipline will continue in the year ahead as the authorities plan to raise total expenditure (commitment basis) by 20.1% y/y (+GHS 50.7bn). The spending growth is mostly matched with target revenue growth of 18.4% y/y (+GHS 41.6bn). The combined effect is a modest increase in the overall budget deficit (on commitment basis) to 2.2% of GDP while retaining the target non-interest budget balance at a surplus of 1.5% of GDP. In our view, the 2026 budget framework is designed to broaden the ongoing economic reforms, sustain the renewed macroeconomic stability, and deepen the post-IMF economic resilience.

On macroeconomic targets, we view the GDP growth forecast as conservative against the backdrop of the emerging stability-induced rebound in household consumption spending, planned infrastructure outlay (the "Big Push" and power sector projects), and agricultural sector investments. We expect inflation to stay largely anchored within the Central Bank's medium-term target band, allowing steady easing but appropriately tight monetary stance in 2026.

Petroleum and other tax revenue partly constrained by the stronger Cedi while non-tax revenue outperforms. Total revenue and grants came in at GHS 154.9bn in 9M2025, falling short of the authorities' target by GHS 7.7bn (4.7%) but exceeded our estimate by 2.9% and translated into a 22.8% y/y growth.

The revenue underperformance reflects a broad-based shortfall across tax revenue lines with direct taxes (-5.4%) and import duty (-11.9%) posting the widest negative deviation from target. We attribute the weaker-than-expected tax revenue outturn

partly to the sharp appreciation of the Ghanaian Cedi in 2025, which compressed the Cedi-equivalent of FX-linked revenues as well as lingering administrative issues at Ghana's ports. However, non-tax revenue (GHS 22.7bn) outperformed target by 13.0% in 9M2025 mainly helped by improved collections by Ministries, Departments and Agencies (MDAs). In our view, the Treasury's amendment of the Earmarked Funds Capping and Realignment Act in April 2025 provided significant incentive for MDAs to intensify revenue collection efforts as the amendment allows a higher retention of internally generated funds rather than transfers to the consolidated fund.

We expect a boost in tax revenue in 4Q2025 to partly close the gap observed in 9M2025 as year-end seasonality drives imports and consumer spending. In view of this, we expect total revenue to come in at GHS 225.9bn (16.0% of GDP), only slightly below the authorities downwardly revised target of GHS 226.5bn.

REVENUE PERFORMANCE VS TARGET IN 9M2025

	9M2025 Outturn	9M2025 Target	CHANGE
REVENUE (GHS bn)			
Direct Taxes	62.8	66.4	-5.4%
Taxes on Domestic Goods & Service o/w VAT	52.5	53.3	-1.5%
o/w COVID-Levy	30.0	30.9	-3.0%
Import Duty	2.0	2.8	-28.4%
Non-tax Revenue	16.9	19.2	-11.9%
ESLA Proceeds	22.7	20.1	13.0%
Grants	5.8	6.2	-5.8%
Social Contributions (SSNIT to NHIL)	1.0	1.9	-49.8%
Social Contributions (SSNIT to NHIL)	0.8	0.9	-11.0%
Tax Refunds (VAT Refunds)	-7.5	-5.3	42.2%

SOURCE: MINISTRY OF FINANCE, IC INSIGHTS

Savings from lower interest expense absorbed overrun in payroll and statutory payments. The Treasury deployed a firm and strategic spending plan in 9M2025, anchored in domestic yield compression and a strong Cedi appreciation which helped to cut debt service cost with the savings channelled to excess payroll and statutory payments.

The 9M2025 fiscal data revealed that the sharp fall in T-bill rates resulted in savings on domestic interest payments by GHS 8.8bn while the Cedi's appreciation suppressed external interest cost by GHS 1.3bn. Together, this resulted in a GHS 10.1bn cut in total interest payment to GHS 42.7bn, below the target by 19.2%.

We also observed that the payments for energy sector shortfall came in lower at GHS 15.1bn in 9M2025 (-GHS 2.7bn vs budget). We view the lower-than-budgeted energy sector payments as reflecting the increased revenue declared to the Cash Waterfall Mechanism by the Electricity Company of Ghana (ECG), which has reduced the payment shortfalls picked up by the Treasury.

We note the effect of expenditure rationalisation for CAPEX and goods & services whose outlay were also capped below budget.

Despite the strict curb in discretionary spending (on CAPEX and goods & services) and strategic savings on non-discretionary interest payment, we view the overruns in payrolls and statutory payments as underlying fiscal risk. We continue to flag the mounting pressure from labour unions as a medium-term risk to continued fiscal discipline, especially as we approach the 2028 elections.

EXPENDITURE OUTTURN VS TARGET IN 9M2025

	9M2025 Outturn	9M2025 Target	CHANGE (%)
EXPENDITURE (GHS bn)			
Employee Compensation (Payroll)	58.1	57.5	1.0%
Interest Payment	42.7	52.9	-19.2%
Statutory Payments	42.6	39.3	8.5%
Goods & Services	3.8	5.1	-24.6%
Capital Expenditure	11.0	26.6	-58.6%
Energy Sector Payment Shortfalls	15.1	17.8	-15.1%
Arrears Payment	11.5	11.2	2.0%

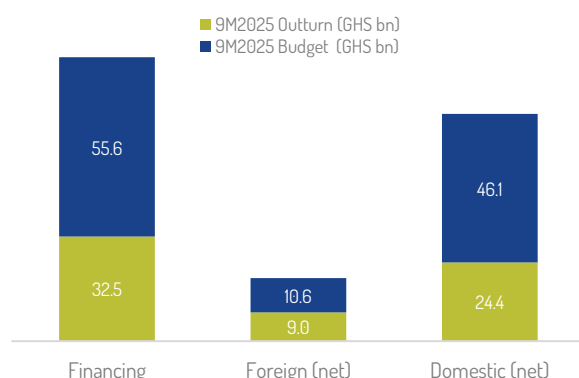
SOURCE: MINISTRY OF FINANCE, IC INSIGHTS

Financing the 9M2025 deficit

As a result of the disciplined execution of the tight fiscal plan in 9M2025, the overall budget deficit on cash basis (net financing requirement) turned out GHS 32.5bn (or 2.3% of GDP). This represents a 41.6% containment below budget, translating into a lower borrowing pressure and supporting the decline in T-bill rates.

The deficit was mostly financed from domestic sources (75%) with T-bills remaining the sole financing instrument in 9M2025 and commercial banks providing 52.4% of the net financing. Notably, we observed a GHS 1.4bn flow from the Bank of Ghana (BOG). Our investigations revealed that this flow is a drawdown on the Treasury's deposits at the BOG rather than a borrowing from the Central Bank, affirming the Treasury's commitment to zero-financing from the Bank of Ghana.

FINANCING MIX TARGET vs OUTTURN



SOURCE: MINISTRY OF FINANCE, IC INSIGHTS

The 2026 fiscal plan

Designed for continued stability and reforms

The 2026 fiscal framework signals the authorities' firm intent to consolidate the macroeconomic stability attained through the 2025 budget. We observed that for the second consecutive year, the Treasury has adopted broadly non-inflationary means for revenue mobilisation as the authorities will focus on expanding the tax base and enforcing compliance rather than introduce new tax handles. The Treasury expect these measures to grow total revenue by 18.4% y/y (real change: +10.4%)

On the spending side, the authorities plan to remain cautious on spending growth with two-third of the spending growth earmarked for CAPEX, a discretionary item, allowing flexibility to adjust spending to revenue performance. This measured uptick in expenditure against continued reforms in tax administration is forecast to sustain the commitment primary surplus at 1.5% of GDP in 2026.

Continued reforms and enforcement will lock-in the gains.

The authorities have completed the comprehensive review of Ghana's VAT system with implementation to start in the 2026 fiscal year while a review and reform of the Income Tax Act will begin in 2026 for implementation in 2027.

Reforms in customs operations and VAT structure will plug revenue leakages and broaden the tax base. As part of the VAT reforms, the Treasury announced the following changes:

- Abolish the 1.0% COVID-19 Health Recovery Levy
- Abolish the decoupling of the GETFUND levy and NHIL (total: 5.0%) from the VAT system
- Reduce the effective VAT rate from 21.9% to 20.0%
- Increase the VAT registration threshold from annual turnover of GHS 200,000 to GHS 750,000
- Abolish VAT on mineral exploration & reconnaissance
- Extend zero-rating of VAT on locally manufactured textiles to 2028
- Deployment of digital VAT solutions (incl. electronic monitoring of cross-border e-commerce, use of fiscal electronic devices, and VAT reward schemes to promote issuance of VAT receipts)

Based on our review of the COVID levy flows which is estimated at GHS 3.87bn for FY2025 and adjusted with the 2024 - 2025 average growth of 35.7%, we expect the Treasury to forgo up to GHS 5.3bn potential revenue due to the levy's removal in 2026. While this may pose an immediate opportunity cost to fiscal revenue in 2026, we equally opine that this immediately frees-up the same amount for private investment and consumption with a possibly greater multiplier effect on growth and aggregate income. Given an estimated tax buoyancy slightly over 1.0x unit, we expect this to translate into a corresponding growth in tax revenue in the medium-term.

Additionally, we expect the revenue gap to be closed by the full year collection from the GHS 1.0/litre fuel levy imposed in July 2025. Based on our estimated FY2025 fuel consumption volume of 5.7 billion litres (petrol & diesel), adjusted upward with an average annual growth of 9.2%, we expect fuel levy to yield an extra revenue of GHS 6.2bn in 2026. This will close the gap from the COVID levy removal with almost GHS 1.0bn extra to fund the Treasury's financing of liquid fuel purchases for power generation and support the authorities' target of GHS 11.9bn from the Energy Debt Recovery Levy.

From the perspective of compliance and price effect, we laud the decision to abolish the decoupling of the levies as we expect this to remove distortions in the VAT credit chain and make the levies input tax deductible. In our view, the simplified VAT system with active enforcement will incentivise compliance, thereby narrowing the VAT gap. We also expect the abolishing of the decoupling to remove the levies from the base that is used for charging the standard VAT rate. This will help to reduce the cascading effect on price build-up for goods & services and contain inflation risk in the year ahead.

However, we remain conservative about the deployment of fiscal electronic devices as the measure has been a perennial policy proposal with minimal traction on implementation.

GOVERNMENT REVENUE TARGETS (FY2026 vs FY2025)

	FY2026 Target	FY2025 Estimate	CHANGE
REVENUE (GHS bn)			
TOTAL REVENUE & GRANT	268.1	226.5	+18.4%
Direct Taxes	115.4	93.7	23.2%
Taxes on Domestic Goods & Services	86.4	75.2	14.9%
o/w VAT	53.5	43.5	22.9%
Import Duty	31.1	25.3	23.1%
Non-tax Revenue	26.7	26.6	0.6%
ESLA Proceeds	12.9	9.6	35.2%
Grants	3.1	2.7	14.6%
Social Contributions (SSNIT to NHIL)	1.4	1.1	30.2%
Tax Refunds (VAT Refunds)	-9.0	-7.6	18.8%

SOURCE: MINISTRY OF FINANCE, IC INSIGHTS

The authorities also target a reform to customs operations using AI-driven measures to match imports with fiscal revenue. The Treasury's analysis of Import Declaration Forms (IDFs) from April 2020 to August 2025 revealed that USD 83.0bn transaction were proceeds through the Integrated Customs Management System (ICUMS). However, USD 31.0bn of these transfers were not linked to goods imported. This suggests significant revenue leakage at the ports, which could be plugged with reforms. Nevertheless, we are less bullish about immediate results although we believe a successful outcome will substantially support fiscal revenue outturn.

In view of the proposed reforms to Ghana's VAT structure, the authorities expect to reduce the cost of doing business by 5.0% and support total revenue for FY2026 to GHS 268.1bn, or 16.8% of GDP (IC Insights: GHS 261.0bn | 16.4% of GDP).

Estimated spending growth strategically allocated to allow flexibility and alignment with revenue performance despite slightly exceeding target revenue growth. We note that the authorities have programmed a spending growth of GHS 50.7bn (on commitment basis), exceeding the target revenue growth by GHS 9.1bn (or 0.6% of GDP). However, our estimate show that 66.4% of the extra spending is allocated to CAPEX, mainly under the government's multi-year infrastructure investment drive ("The Big Push"). We observed that all the GHS 7.3bn Annual Budget Funding Amount (ABFA) from the oil revenue have been earmarked for the Big Push (as previously telegraphed in the 2025 budget) together with mineral royalties of GHS 7.4bn and a GOG contribution of GHS 15.3bn.

However, we foresee downside risk to the performance of the ABFA, mainly due to the seemingly bullish benchmark crude oil price expectation of USD 76.2pb (vs current: USD 64.4pb | year-start: USD 75.9pb | YTD Average: USD 69.0pb). We also perceive downside risk from a lower-than-expected FX rate. The FY2026 budget appears based on average USD/GHS rate of 13.8/USD. However, we are not fully convinced that the authorities would allow a sharp increase in the FX rate above 14.0/USD due to its inflation and interest rate considerations.

Despite our revenue concerns, we believe the newly established Commitment Authorisation System under the 2025 amended Public Procurement Act (currently being implemented) provides a strong assurance of expenditure rationalisation in 2026.

GOVERNMENT EXPENDITURE ESTIMATES (FY2026 vs FY2025)

	FY2026 Target	FY2025 Estimate	CHANGE
EXPENDITURE (GHS bn)			
TOTAL EXPENDITURE (Commitment)	302.5	251.7	20.1%
Employee Compensation (Payroll)	90.8	80.7	12.5%
Interest Payment	57.7	51.0	13.0%
Statutory Payments	63.6	50.7	25.3%
Goods & Services	13.2	6.0	118.4%
Capital Expenditure	57.5	23.9	141.1%
Energy Sector Payment Shortfalls	15.2	30.0	-49.3%
Arrears Payment	29.8	14.5	106.2%

SOURCE: MINISTRY OF FINANCE, IC INSIGHTS

Expected reduction in energy sector shortfalls leaves scope for CAPEX funding. We note a sizable decline in the expected cost of energy sector shortfalls to be borne by the Treasury in 2026 to GHS 15.2bn (-49.3% y/y). We believe this is due to the higher revenue declared by ECG under the Cash Waterfall

Mechanism since the start of 2025. This is projected to cut the Treasury's energy sector commitment by GHS 14.8bn y/y, supporting the GOG's contribution of GHS 15.3bn under the "Big Push" programme for 2026.

On the energy sector debt, the completion of the protracted negotiations with the Independent Power Producers (IPPs) to restructure the USD 1.4bn legacy debt significantly eases our concerns about energy sector stability and fiscal risk. Having paid USD 300.0mn of the legacy debt in 2025, the remaining USD 1.1bn has been restructured for payment over the next 3-years with USD 345.0mn (or GHS 4.76bn) allocated in the budget for payment in 2026.

Overall, we view the 2026 budget as a signal of the Treasury's continued commitment to fiscal discipline, consolidating macro stability, and locking the gains from 2025 via broader reforms. In view of this, we forecast commitment spending at GHS 301.5bn against GOG budget of GHS 302.5bn with expectation that the authorities will align spending with revenue performance. Our forecast translates into an overall budget deficit (commitment basis) for FY2026 at GHS 40.5bn (or 2.5% of GDP) against the Treasury's target of GHS 34.4bn (or 2.2% of GDP).

Financing the FY2026 fiscal gap

Our review of the medium-term financing plan for 2026 – 2029 indicates that the Treasury does not programme a return to the international capital market over the medium-term. Additionally, the authorities do not intend to renew the ongoing Extended Credit Facility (ECF) arrangement with the IMF after a successful completion in 2026.

This implies that the authorities will seek to sail on the strength of the policy credibility and reform anchors secured under the 3-year IMF programme. The financing options will mostly rely on domestic debt issuances and project loans from bilateral and multilateral institutions.

In FY2026, we note the Treasury intends to significantly rely on the domestic market with a target net domestic borrowing of GHS 71.97bn, higher than the overall cash deficit of GHS 64.2bn (4.0% of GDP). This implies that the authorities would seek to reduce net external debt position by GHS 6.6bn (or 0.4% of GDP), reducing the FX vulnerability of the public debt stock and maintaining the favourable outlook for debt sustainability.

We expect the Treasury's return to domestic bond issuances, likely in 1Q2026, to focus on modest targets and selective allotments to commence 2027 and 2028 DDEP bond maturity smoothening. The issuance options will include:

- bond buybacks (involves market-wide operations)
- bond exchanges, and
- targeted cash operations (smaller, tactical, specific)

MACRO-FISCAL TARGETS BY THE GOVERNMENT

	FY2026 Target	Latest Available
Macroeconomic and Fiscal Targets		
Overall Real GDP Growth	≥4.8%	6.3%
Non-Oil Real GDP Growth	≥4.9%	7.8%
End-Year Headline Inflation (± 2.0%)	8.0%	8.0%
Overall Budget Deficit (% of GDP) – Cash	4.0%	2.3%
Primary Balance (% of GDP) – Commit	+1.5%	+1.6%
Gross International Reserves (Months of import)	≥3.0	4.8

SOURCE: MINISTRY OF FINANCE



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