GHANA | MACROECONOMIC UPDATE | FISCAL POLICY | INSIGHTS

FUNDAMENTALS

GHANA 2026 MID-YEAR BUDGET REVIEW:

Fiscal consolidation is turning structural

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IN BRIEF

- **Structural fiscal reform takes hold: Strong 1H2026 performance reinforces confidence**. Ghana's 1H2026 fiscal results point to a durable shift from cyclical recovery to structural consolidation. Strong expenditure discipline, improving debt metrics and continued reform momentum kept fiscal targets on track, while strategic support for GOLDBOD and IMF-backed reforms strengthen the outlook for continued macroeconomic and exchange rate stability.

- **Revenue momentum builds as reforms begin to narrow the gap.** Revenue shortfalls persisted, but this time, marginally below target (-1.0% in 1H2026 vs -3.3% in 1H2025) as underlying trends improved. We observed strong outturns from mineral royalties and energy levies which reflected the impact of recent reforms and the GHS 1.0/litre levy introduced in mid-2025. Looking ahead, we expect the forthcoming VAT compliance measures to strengthen collections while ongoing custom reforms and resilient fuel demand support the near-term revenue outlook. We therefore raise our FY2026 revenue forecast by 2.2% to GHS 266.7bn (GOG target: GHS 268.1bn), anticipating continued momentum in 2H2026.

- **Spending discipline deepens while reforms deliver sustainable fiscal savings.** Expenditure controls are becoming firmly embedded in Ghana's fiscal framework, keeping spending nearly 20% below budget without compromising growth. We noticed that payroll reforms, lower debt servicing costs and tighter procurement controls generated meaningful savings, while priority infrastructure spending was largely preserved, reinforcing our confidence in Ghana's structural fiscal consolidation.

- **Stronger fiscal balances reinforce debt sustainability.** The fiscal balances outperformed expectations in 1H2026, with a robust primary surplus reducing borrowing needs and supporting lower domestic yields. Although we expect contractor payments to widen the deficit in 2H2026, the strong first half performance strengthens our confidence in achieving the FY2026 fiscal targets and reinforcing debt sustainability. We thus trim our forecast FY2026 overall budget deficit (cash) by 0.4% of GDP to 4.0% of GDP, aligning with the authorities' target.

Performance review and outlook

Fiscal anchors restore debt sustainability

Ghana's finance minister, Dr. Cassiel Ato Forson, delivered the country's fiscal results for 1H2026 to legislators last week, reporting strong performance on key macro-fiscal targets with optimism to stay the course in 2H2026. While the positive macroeconomic outturn for 1H2026 is well documented, the budget performance revealed sustained fiscal consolidation through compliance with the newly introduced fiscal and debt anchors. A review of the 1H2026 fiscal outturn has deepened our opinion that Ghana's fiscal consolidation is shifting from cyclical to structural with the imminent start of 36-month technical assistance from the IMF expected to sustain the reform drive.

Overall, revenue shortfalls persisted but with a modest deviation from target (-1.0%) while the authorities enforced expenditure control to keep total spending below the budget ceiling (-19.8%). Notably, we observed that all the spending lines came in below budget without arrears build-up. This shows strict expenditure rationalisation and underscores the authorities' commitment to fiscal discipline. The resultant balances showed better-than-expected outcomes on all fiscal targets for 1H2026, placing the authorities on track to achieve all the set targets for FY2026 with a possibility to outperform some metrics. On the strength of this fiscal performance, the authorities opted against requesting for a supplementary budget while retaining all macro-fiscal targets with strategic realignment of spendings within the existing framework.

We investigated the realignment and discovered a reduction in the CAPEX budget by GHS 5.0bn which was reallocated toward funding for the Ghana GOLDBOD as the Bank of Ghana ceased its prefinancing arrangement for the gold purchase programme. In our opinion, this strategic redistribution of government spending to accommodate financing for the Ghana GOLDBOD signals fiscal policy support for sustained FX stability in the near-to-medium term.

Our belief that Ghana's fiscal consolidation is shifting from a cyclical recovery to a structural staying power is supported by the combination of (i) sustained primary surpluses since 2025, (ii) the effective operationalisation of sinking fund to mitigate the refinancing risk related to the lumpy 2027 and 2028 DDEP bond maturities, (iii) improved debt metrics and (iv) the IMF's upgrade of Ghana's debt rating from "unsustainable" in 2023 to "sustainable" in 2025 and further to "sustainable with room to absorb shocks" in 2026.

The authorities emphasized that this recovery was achieved on the back of three Key Transformational Policy Reforms (KTPs):

- Fiscal correction
- Modernising Ghana's tax regime, and
- Complementary fiscal policy for inflation targeting and exchange rate stability.

Fiscal correction underpinned by reforms to public financial management. The authorities identified the need to take control of public finances by introducing new spending discipline to place public debt on a sustainable path. This was achieved through the introduction of Commitment Authorisation in the public procurement process, establishing the value for money office, and recalibrating the IMF programme to shift from a revenue-led to expenditure-led consolidation. The need for Commitment Authorisation which covered spending Ministries, Departments and Agencies (MDAs) in 2025 was also extended to include State-Owned Enterprises (SOEs), helping to limit the risk of contingent liabilities.

The authorities also amended the Public Financial Management (PFM) Act to introduce a fiscal rule requiring a minimum annual primary surplus (commitment basis) at 1.5% of GDP and a target debt-to-GDP ceiling of 45.0% by 2034. In our opinion, this represents the clearest indication of shifting from fiscal recovery to institutionalising fiscal and debt sustainability.

This shift to expenditure-led fiscal consolidation backed by PFM reforms resulted in resetting public expenditure to the 2023 level in the 2025 budget with the firm commitment delivering a better-than-expected performance. We noticed continuation of this positive momentum in 1H2026 with the primary balance (on commitment) posting a surplus of 0.9% of GDP (vs 1.5% target for FY2026). We believe this affords the authorities with fiscal space to absorb extra spending in late-2026 without eroding the fiscal gains. We expect the imminent start of 36-month IMF-supported Policy Coordination Instrument (PCI) to ensure continued enforcement of the fiscal rule and PFM reforms while safeguarding the recently achieved debt sustainability.

Modernisation of Ghana's tax regime focused on efficient administration and stronger compliance to offset the drag from removing some tax handles. The authorities identified the need for customs reforms with the introduction of Artificial Intelligence (AI) and other digital technologies to strengthen compliance, reduce leakages and improve revenue mobilisation. The Minister noted that the AI-powered customs reform (such as introduction of the Publican AI in mid-March 2026) has delivered approximately 15.0% increase in monthly customs revenue. We believe this helped to enforce compliance, reduce customs under-declaration and leakages, and limit the perennial shortfall in revenue (vs target) to 1.0% in 1H2026 compared to the 3.3% shortfall in like period of 2025.

Despite abolishing some tax handles and reforming the VAT into a lower rate of 20.0%, non-oil tax revenue (excluding tax refunds) matched the 1H2026 target at 6.4% of GDP and represented a 0.3% of GDP growth compared to 1H2025. In addition to the customs reforms, we attribute the improved revenue performance to the introduction of sliding-scale royalty regime for miners and reduction of the tax refund account by 2.0pp to 4.0% of total revenue. We believe these reforms will provide a structural tailwind for Ghana's revenue outlook and anchor fiscal sustainability.

The GOLDBOD model provides a structural fiscal support for exchange rate stability and inflation management. We view this fiscal decision as arguably the most impactful fiscal support for the Bank of Ghana's core mandate of price stability while the targeted investment into production of price-sensitive food crops has helped to curb food price pressure. The authorities estimated additional USD 15.0bn FX inflows in 2025 attributable to the GOLDBOD intervention by redirecting previously smuggled small scale gold exports through official channels, supporting reserve build-up and FX market intermediation.

We believe Ghana has unlocked a credible source of FX inflows which is transforming the economy from external debt-funded FX reserves to natural resource-funded buffer, easing the need for a near-term return to Eurobond issuance. Unsurprisingly, the authorities emphasized their lack of appetite for an immediate return to the international capital market as external buffers appear resilient with credible funding source.

Following the Bank of Ghana's revelation that it has discontinued prefinancing GOLDBOD's purchases on 01 July 2026, we noticed a GHS 5.0bn fiscal allocation for the GOLDBOD in 2H2026. In our estimation, this allocation can support the purchase of about 3.0 tons of gold while the GOLDBOD may require additional market-based financing to scale-up its gold trading operations. That said, we view this fiscal intervention as a strong complement to the Bank of Ghana's exchange rate and inflation management which will anchor medium-term macro stability, subject to continued fiscal discipline.

REVENUE AND EXPENDITURE ANALYSIS

Revenue underperformance continued but visible signs of improvement are emerging. Total revenue and grants for 1H2026 beat our estimate by 12.0% to come in at GHS 124.78bn (7.8% of GDP) but slightly below the target by 1.0% (or 0.1% of GDP). Notwithstanding a 20.3% year-on-year increase, non-tax revenue (GHS 12.27bn) fell short of target by GHS 2.63bn (or 0.16% of GDP), mirroring the year ago underperformance. The shortfall reflects lower-than-expected revenue from the Government's Carried & Participating Interest in crude oil liftings and below-target collections by Ministries, Departments and Agencies during the period.

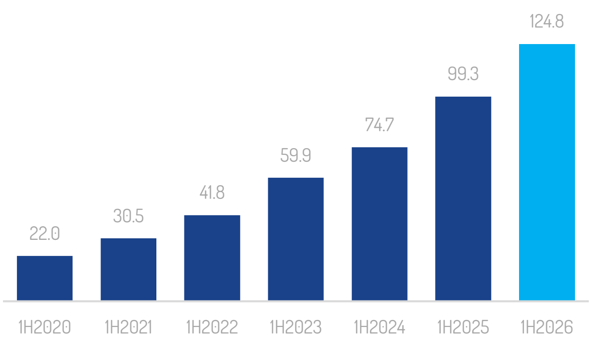
We however observed positive developments directly related to the Treasury's revenue enhancing measures. The introduction of a sliding-scale royalty regime appears to be delivering revenue yield amid the elevated gold prices as mineral royalties raked in GHS 5.49bn (+36.6% vs target) with positive prospects for 2H2026 as we envisage gold prices mostly above USD 4,000/oz.

We also noticed strong outperformance in energy sector levies, which mobilised GHS 7.07bn to exceed target by a robust 90.7% in 1H2026 and represented 59.3% of the FY2026 target. We attribute the strong outperformance to a 36.8% year-on-year increase in fuel consumption to 3.3 billion litres in 1H2026, which likely exceeded the authorities' demand forecast. We expect fuel demand to remain strong in 2H2026 on the back of improving economic activity, sustaining the strong levies collection. In our FY2026 budget analysis published on 17 November 2025, we projected the FY2026 fuel consumption at 6.2 billion litres. At this pace, we are confident that this forecast will be realised with a potential for slight outperformance, if fuel price hikes are capped. This bodes well for the energy sector levies collection.

In the outlook, the authorities indicated that piloting of the Fiscal Electronic Devices (FEDs) has commenced with expectation of a full rollout in the near-term (having embedded incentives to ensure compliance). The full rollout is aimed at reducing the VAT gap which the authorities estimate at 60% of potential collection as it has been identified that some businesses charge VAT without remitting to the revenue authorities while others avoid charging the VAT to undercut the competition.

In view of this and our expectation for strong 4Q2026 collection (due to seasonal push), we raise our FY2026 revenue forecast by GHS 5.7bn (or 2.2%) to GHS 266.7bn (vs GOG target: GHS 268.09bn).

1HY REVENUE PERFORMANCE (2020 – 2026)

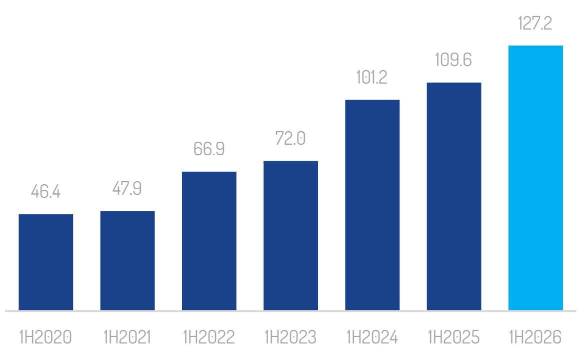


SOURCE: MINISTRY OF FINANCE, IC INSIGHTS

Ongoing reforms anchor cost-savings to limit expenditure below budget. The expenditure outturn for 1H2026 emphasized the authorities' ongoing implementation of controls as the main anchor for fiscal sustainability. Our analysis of the expenditure dynamics suggests that the spending curbs were more likely the outcome of ongoing reforms in the public payroll, enforcement of Commitment Authorisation in public procurement, yield curve control to curb debt service cost and enforcement of energy sector reforms to limit sector shortfalls and fiscal obligations.

In our observation, this expenditure curbs have not been at the expense of economic growth as 1Q2026 real GDP growth came in strong at 6.4% year-on-year (vs 6.2% in 1Q2025). We view the spending controls as waste-reducing, efficiency-supporting, and anchoring medium-term fiscal and debt sustainability.

1HY EXPENDITURE PERFORMANCE (2020 – 2026)



SOURCE: MINISTRY OF FINANCE, IC INSIGHTS

Total expenditures came in at GHS 127.2bn, suppressed below the budget ceiling by 19.8% and reflecting lower spending outcomes across all expenditure categories. We noticed a 5.5% underspending on the payroll budget as compensation of employees in 1H2026 was GHS 42.9bn with wages & salaries at GHS 38.5bn (-5.4% vs target). The Minister attributed this lower-than-budgeted spending to improved payroll controls and the elimination of ghost names and unauthorised allowances that inflated the wage bill in the past years. This suggests tightening grip on the payroll systems and moderately eases our concerns around the payroll which we expressed in our 1H2025 budget analysis a year ago.

We also noticed fiscal benefit from the sharp decline in domestic yields in 1Q2026 and the continued yield curve control to keep a lid on debt service cost. Total interest payment in 1H2026 was GHS 21.5bn, representing an under-spending of GHS 6.9bn (or 0.4% of GDP). We note that nearly 60.0% of the interest savings was from domestic interest obligation, and this suggests that the Treasury will keep a firm grip on the yield curve in 2H2026 to sustain this gain in support of debt sustainability.

As expected, the capital expenditure (CAPEX) budget took the deepest cut with the GHS 22.2bn spending implying a GHS 14.4bn cut that was evenly distributed across both foreign-financed and domestic CAPEX. Nevertheless, the Government's flagship infrastructure programme ("The Big Push") received 92.7% of its budget for 1H2026. We believe the under-funding for "the big push" was due to a 30.0% shortfall in the earmarked oil-revenue rather than a discretionary cut in funding. But this sends a positive signal to us: The Treasury is rationalising its expenditure rather than yielding to spending pressure.

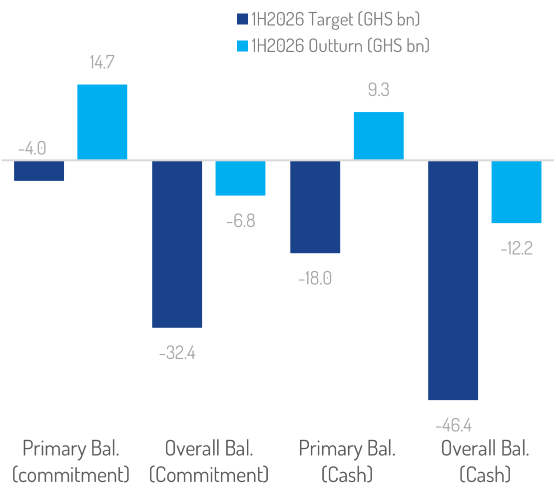
DEFICIT ANALYSIS

Balancing the budget on a stronger footing and anchoring debt sustainability. The fiscal balance delivered a stronger-than-expected outturn both on cash and commitment bases in 1H2026 with positive outlook for 2H2026.

The primary balance (on commitment basis) – which is the fiscal anchor – turned out a surprisingly strong surplus of GHS 14.7bn, equivalent to 0.9% of GDP compared to a target deficit of 0.2% of GDP. This ultimately translated into the lower borrowing requirement in 1H2026 and fortified the Treasury's capacity to compress domestic yields in containment of its debt service cost. At this rate, we believe the authorities are firmly on track to achieve the target primary surplus of 1.5% with scope for a slight outperformance by FY2026. However, the scope for outperformance could significantly narrow if contractors begin to raise certificates for work done as the Treasury indicated that part of the CAPEX under-spending was because contractors were yet to raise certificates for payment although funds exist for payment. We also note that arrears payment was 61.8% below budget in 1H2026 and higher payments in 2H2026 will cut the scope for outperformance but leave the balance in line with target.

The overall fiscal balance also showed a similar performance (both on cash and commitment bases). On cash basis, the overall balance was a deficit of GHS 12.2bn (or 0.8% of GDP vs target deficit of 2.9%) with net arrears' payment equivalent to 0.3% of GDP and no arrears accumulated for the period. While we expect the deficit to widen in 2H2026, especially due to the upcoming contractor payments, our confidence in the credibility of the 2026 fiscal framework has been revived by the 1H2026 outturn. We thus trim our FY2026 forecast overall deficit (cash) by 0.4% of GDP to align with the Treasury's FY2026 target of 4.0% of GDP.

FISCAL BALANCES IN 1H2026 (TARGET vs OUTTURN) - % OF GDP



SOURCE: MINISTRY OF FINANCE, IC INSIGHTS

Summarized fiscal table in 1H2026

GHS Billion	FY2026 BUDGET	1H2026 TARGET	IH2026 OUTTURN	1H2026 DEVIATION
Total Revenue & Grants	**268.10**	**126.1**	**124.8**	**-1.0%**
Tax revenue	223.9	105.3	103.8	-1.4%
Non-Tax Rev.	26.7	14.9	12.3	-17.4%
Other revenue (ESLA)	12.9	4.2	7.7	83.3%
Tax Refund	9.0	4.1	1.6	-61.0%
Grants	3.1	1.1	1.1	0.0%

SOURCE: MINISTRY OF FINANCE, IC INSIGHTS

GHS Billion	FY2026 BUDGET	1H2026 BUDGET	1H2026 OUTTURN	1H2026 DEVIATION
Total Expenditure	**302.5**	**158.6**	**127.2**	**-19.8%**
Employee Comp,	90.8	45.4	42.9	-5.5%
Interest Payment	57.7	28.4	21.5	-24.4%
Statutory Payment	63.6	31.1	26.2	-15.7%
Goods & Services	13.2	6.6	6.3	-3.6%
Capital Expenditure	57.5	36.6	22.2	-39.3%
Arrears Payment	29.8	14.0	5.3	-62.1%

SOURCE: MINISTRY OF FINANCE, IC INSIGHTS

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