

Govt predicts 7% year end inflation.

The rate at which prices of goods and services change in the country will slow down to about seven percent by December this year government projections have indicated.

According to the ministry of Finance and Economic Planning, the implementation of good policies, coupled with the prudent management of the economy by the government should lead to stability in the prices of goods and services.

The Finance Minister, Dr. Kwabena Duffuor, in a press release made available to the Daily Graphic explained that the continual decline in the rate of inflation was due to prudent management of the economy rather than the government withholding expenditure.

He said the government had since 2009 spent over and above the 2009 expenditure figures, with half year 2010 reaching 50 percent.

“The steady decline in the inflation rate is attributed principally to the prudent fiscal management by the current government, good agricultural policies (causing good food harvest), continued monetary restraint, and declining world oil prices,” the minister was quoted as saying in the statement.

The inflation rate for July 2010 dropped to a record 9.46 per cent from June figure of 9.52 per cent, in spite of the more than 50 per cent increase in government expenditure in 2010.

The minister said total government expenditure in the first half of 2008 was GH¢3.6 billion. The corresponding figure for 2010 was GH¢4.2 billion and for 2010 it was GH¢5.4 billion, representing an increase of 16.7 percent for 2010 over 2008 level.

The rate at which the general price of goods and services change reached 18.1 per cent in December 2007 as a result of demand pressure arising from government over spending way beyond what had been budgeted for, and the raising crude oil prices.

The figure reached 20.7 per cent in June 2009 in a change that was fuelled by the weakened domestic currency, which lost more than 30 per cent of its value against the dollar between June 2008 and July 2009.

It has, however, recorded a steady decline since June 2009, reaching 16 per cent in December 2009 and dropping to 9.5 per cent by June this year with expectations that the figure would reach seven per cent by December this year.

Dr Duffuor described as false suggestions by some people that the government was holding back payments to creditors which had caused inflation rate to decline.

The minister said total government expenditure for last year was even 11 per cent higher than the 2008 figures. The figure increased from GH¢8.2 billion to GH¢9.1 billion in 2009.

On capital expenditure, the government spent GH¢2.1 billion in 2009 as compared to GH¢1.9 billion in 2008. For half year comparisons, government capital spending in the first half of 2008 amounted to GH¢855.7 million, with a corresponding figure of GH¢1.0 billion in both last year and this year.

Dr Duffuor said “spending on goods and services totaled GH¢648 million in 2008 compared to GH¢621 million in 2009 and for the first half of this year a total of GH¢428 million has been spent on goods and services.”

The Media Liaison Officer of the Ministry of Finance and Economic Planning, Mr. Abdul Hakim Ahmed, later told the daily Graphic that the government had rather been ingenious in expenditure by frontloading some expenditure not only to alleviate the hardships in the economy but also to promote growth.

For example, Mr. Ahmed said, the government for the first time in the history of the country brought forward the disbursement of agriculture investment budget to fund agricultural activities, which usually ended by May-June every year.

It was, therefore, not surprising that food inflation had dropped from 15.4 per cent in June 2009 to 6.1 per cent in June this year, Mr. Ahmed stated, adding that over the same period the cedi had also contributed significantly in lowering inflation in the country.

“Arrears amounting to GH¢160 million owed to road contractors and dating back to 2008 were also paid en bloc in January this year,” he said and also indicated that the payment of total arrears for 2008 amounted to GH¢786 million of 2008 arrears since January 2009.

The government also paid Gh¢445 million out of the total GH¢848.4 million of the Tema Oil Refinery debt owed to Ghana Commercial Bank in April this year, while government debts of up to GH¢1.75 billion had been paid since January 2009.

“In all, the current government has spent GH¢2.98 billion since January 2009 to liquidate part of the huge debts left by the previous government. The Mills-led administration has also been current on transfers to statutory bodies such as the District Assemblies Common Fund (DACF), The Ghana Education Trust Fund (GETFund), and the National Health Insurance Levy (NHIS).

He stressed that budgeting was about making choices in the face of scarce resources and that the desire for accelerated growth should not blindfold the country into engaging in unfounded and wasteful expenditures that would create serious overheating on the economic landscape with disastrous consequences as happened in the country before 2009.

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