

## **Ghana's economic indicators contentious**

Research works by the IMF and other reputable institutions suggest that Ghana's GDP could be larger by about 30% than estimates for the past three years.

Stephen Bailey-Smith, Head of Standard Bank's CEEMEA Research is the latest to question the size of the Ghanaian economy when he reviewed the country's economic performance at a recent seminar on currency and interest rate dynamics in Accra.

Dr. Addison, Head of Research at the Bank of Ghana, observes that whilst this is a cause for concern, the bureau mandated to measure performance of such economic indicators in the country, the Ghana Statistical Service (GSS) is the only office that can advise on what the true size of the economy is.

On the implication of a probable under-estimation of GDP, Dr. Addison told this reporter that it would have major implications for assessing all the other major indicators, including Per Capita GDP of the country, Deficit/GDP ratio, Revenue/GDP ratio, Debt/GDP ratio, and many others, "for which reason it needs to be properly established".

Magnus Ebo Duncan, Head of Economic Statistics at GSS, told the Financial Intelligence that his outfit was aware of the issue and is taking steps to address it.

According to him, rumpus over the real size of Ghana's economy will be over next year, with the GSS set to employ a new base year for GDP estimates.

Beginning January 2009, GDP will be estimated with 2006 as the reference year, and in line with the latest Ghana Living Standards Survey conducted in 2006, he reveals.

Suggesting reasons for the possible under-estimation of the GDP size, Mr Duncan explained that for some constraints the GSS still computed GDP based on 1993 prices.

"What pertained on the country's economic landscape in 1993 has since changed greatly, " he said, adding that expansion in some economic sectors and activities since 1993 have meant limited coverage for current estimates.

"The telecommunications sector for instance has seen much expansion. Activities such as government's re-afforestation project are new areas that require coverage, "Mr Duncan said.

The GSS, according to him will utilize the new base period in providing estimates for 2007 and 2008 also. A change in the base year will alter individual sectoral estimates under agriculture, industry and services for these years.

Constrating what pertains in advanced economies, he said GDP is easily aggregated from current prices without necessarily referencing from a base year as they record very low rates of inflation, quipping that "we are not here yet."

Another challenge the GSS faced, he said, has been the difficulty with obtaining data in “our part of the world”.

Ghana’s economy is mostly agrarian, with agriculture accounting for more than one-third of the GDP and employing more than one-half of GDP and employing more than one-half of the workforce, but gathering data for this sector has been very challenging. The large informal sector also includes a wide SME segment whose activities are difficult to account for.

Mr. Duncan however gave the assurance that the Ghana Statistical Service had painstakingly worked to ensure that it churned out quality and reliable data over the years.

Beginning next year, the GSS plans to release quarterly GDP estimates to assist policy makers and other users of economic data in their analyses.

The institution also plans to calculate GDP through the expenditure approach in addition to the current product approach employed.

The revised real GDP estimate (GDP at constant 1993 prices) for 2008 was Gh¢ 795.1 million, a 7.3% increase over the final GDP estimates for 2007 (Gh¢ 741.2 million).

Nominal GDP (GDP at current prices) for 2008 was Gh¢ 17,617.67 million, and the corresponding figure for 2007 was Gh¢14,045.8 million.

Ghana’s per capita GDP for 2008 accordingly stood at Gh¢ 753.49, up from Gh¢ 614.68 in 2007.

Ghana’s real GDP growth rate which averaged 5.5% between 2000 to 2008, is one of the most impressive on the continent and the country remains on the path of steady growth.

**Source:** Financial Intelligence, Monday December 21, 2009, Pages 1 & 3.