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POLICY BRIEF

Beyond Stabilisation: How the 2026 Budget Sets the Stage for Ghana's Next Growth Cycle

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EXECUTIVE SUMMARY

Ghana's 2026 Budget represents a turning point marking the transition from macroeconomic stabilisation to a more deliberate growth agenda. After years of fiscal stress, rising inflation, weak investor confidence, and external debt distress, the combination of disinflation, fiscal discipline, and progress under the IMF Extended Credit Facility has created a more stable foundation for policy direction.

The 2026 Budget shifts emphasis from crisis management toward productive investment, infrastructure delivery, and growth-enhancing reforms. The Big Push Infrastructure Agenda, expansion of irrigation and mechanisation, and the consolidation of stalled health and education projects all reflect a structural development approach. However, the budget still operates under tight IMF and debt constraints compensation spending, weak industrial output, and commodity dependence remain significant risks.

Overall, the budget provides a credible pathway toward a new growth cycle, conditioned on strong execution, disciplined borrowing, and effective project management.

OBJECTIVES AND GOALS

Goal 1

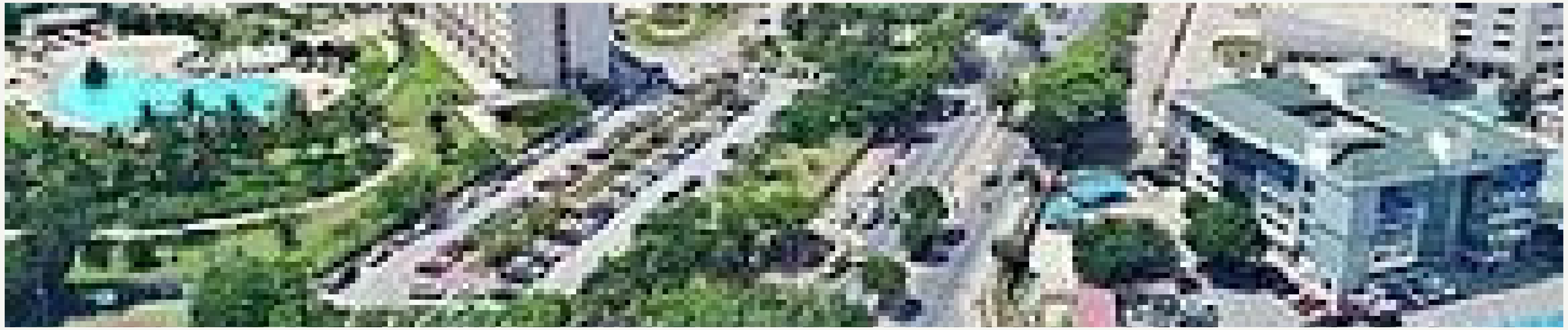
Evaluate Ghana’s macroeconomic stabilisation progress, focusing on inflation, policy rate changes, and exchange rate trends.

Goal 2

Analyse the country’s debt trajectory over the last decade and explain its impact on IMF assessments.

Goal 3

Assess how the Big Push Agenda, 24-Hour Economy, and capital allocations support Ghana’s next growth cycle.



INTRODUCTION

Ghana’s macroeconomic landscape over the past decade has been shaped by three major shifts: the expansionary budgets of 2017–2019, the twin crises of COVID-19 and debt distress from 2020–2022, and the IMF-driven stabilisation period beginning in 2023. The 2026 Budget is the first to leverage the gains of stabilisation to pursue a medium-term transformation strategy. That is, the 2026 Budget marks Ghana’s shift from short-term stabilisation measures toward a more deliberate medium-term growth and transformation strategy

This brief analyses how the 2026 Budget builds on recent improvements in inflation, fiscal discipline, and debt restructuring to set the stage for a new growth cycle.

TARGET AUDIENCE

Readers interested in macroeconomic analysis and public finance

Government agencies, economists, and think-tanks assessing fiscal policy.

Citizens and businesses seeking clarity on the budget's direction.

Target Audience #1

Students & Researchers

Target Audience #2

Policymakers & Analysts

Target Audience #3

General Public & Private Sector

ANALYSIS SECTION

MACROECONOMIC STABILISATION AND DISINFLATION

The most striking macroeconomic development underpinning the 2026 Budget is the rapid disinflation achieved over 2025. According to the budget, headline inflation fell from 23.8% in December 2024 to 8% in October 2025, returning Ghana to single-digit inflation for the first time in four year. Food inflation dropped significantly due to improved harvests, better transport efficiency, and lower energy costs. This disinflation was supported by tight fiscal management and monetary easing, with the Bank of Ghana cutting its benchmark monetary policy rate by 650 bps from 28% to 21.5% as liquidity conditions improved easing domestic financing costs and signalling confidence in the inflation path.

Exchange rate pressures have also significantly moderated, supported by strengthened reserves and progress on external debt restructuring. These conditions enhance predictability for private-sector planning and lay the groundwork for a more growth-oriented fiscal strategy.

DEBT DYNAMICS (2014–2025)

Ghana's debt trajectory over the past decade explains the macroeconomic constraints shaping the 2026 Budget. Debt rose from moderate levels in 2014 to unsustainable thresholds by 2022, driven by energy sector liabilities, high interest costs, revenue shortfalls, cedi depreciation, and COVID-related spending. This culminated in external debt distress and the Domestic Debt Exchange Programme (DDEP).

Since 2023, Ghana has recorded primary surpluses, reduced interest costs, and secured significant restructuring agreements. These improvements led the IMF, in its Second Review, to commend Ghana for meeting targets and maintaining fiscal discipline. The 2026 Budget continues this path, maintaining tight deficit targets while cautiously expanding capital spending.

GROWTH AND SECTORAL PERFORMANCE

Real GDP expanded by 6.3 percent in the first half of 2025, supported primarily by non-oil growth of 7.8 percent. The services sector grew by 8.8 percent, led by ICT, finance, and education. Agriculture benefitted from irrigation expansion, fertiliser distribution, and improved rural infrastructure.

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However, industrial performance remains weak due to energy constraints, limited manufacturing competitiveness, and declining oil output. The Big Push Agenda is intended to address some of these structural bottlenecks, but execution risks remain substantial.

FISCAL PERFORMANCE AND REVENUE TRENDS

Fiscal consolidation has been strong, with total expenditure in Q1–Q3 2025 falling 15 percent below target. Non-tax revenue and internally generated funds over-performed by 38.5 percent, driven by higher dividends and improved compliance. However, upstream oil receipts fell 52.2 percent below target, reinforcing Ghana’s vulnerability to commodity cycles.

Compensation of employees remains the largest recurrent expenditure item, limiting fiscal space for capital investment unless revenue mobilisation continues to improve.

Interest payments, though lower post-DDEP, still consume a significant share of revenue.

TRANSFORMATION AGENDA: BIG PUSH & 24-HOUR ECONOMY

The 2026 Budget places major emphasis on the Big Push Infrastructure Agenda a coordinated programme targeting roads, bridges, energy systems, water supply, and digital infrastructure. Key priorities include the completion of stalled projects, expansion of health facilities under Agenda 111, and major dualisation projects such as the Accra–Kumasi and Eastern Corridor roads.

The 24-Hour Economy initiative seeks to stimulate productivity and employment through extended operating hours in manufacturing, logistics, security, health, and tourism. If implemented effectively, it could increase labour utilisation and improve competitiveness.

A DECADE OF BUDGET COMPARISONS

Over the past ten years, Ghana's budgets have evolved significantly:

- 2016–2019: Expansionary budgets with large flagship programmes.
- 2020–2022: Crisis budgets focused on pandemic response and rising debt.
- 2023–2025: IMF-driven stabilisation and consolidation.
- 2026: The first hybrid budget combining stabilisation with a multi- sector growth agenda.

This shift positions the 2026 Budget as a turning point, similar in ambition to 2017 but grounded in stronger macroeconomic discipline.

RISKS AND IMPLEMENTATION CHALLENGES

- Continued dependence on volatile commodities (gold, cocoa, oil).
- High compensation spending limiting capital investment
- Delays and coordination gaps in project execution
- Revenue risks if tax and compliance reforms slow
- Vulnerability to external shocks (energy prices, global tightening)

Effective implementation and disciplined fiscal management will determine the success of the transformation agenda.

KEY TAKEAWAYS

- The 2026 Budget marks a shift from stabilisation to a structured growth and transformation agenda
- Inflation has returned to single digits, supported by tighter fiscal management and monetary easing.
- Debt restructuring and improved primary balances have strengthened fiscal sustainability.
- Non-oil GDP growth (7.8%) demonstrates broad-based economic recovery, led by services and agriculture
- The Big Push and 24-Hour Economy initiatives signal renewed focus on infrastructure, productivity, and employment.
- Persistent risks—commodity dependence, revenue volatility, and execution constraints—could affect outcomes.
- The budget's success depends on disciplined fiscal management and strong implementation capacity across government institutions.