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SURVEY OF ECONOMIC AND SOCIAL CONDITIONS IN AFRICA, 1979-1980 - PART II

SECTION A

Ghana

GHANA

A. ECONOMIC AND SOCIAL DEVELOPMENTS, 1970s

1. Introduction

During the two-year period, 1979/80 the Ghanaian economy continued to suffer from stagnation. According to preliminary estimates given by the Central Bureau of Statistics (CBS), the Gross National Product (GNP) at 1975 prices grew by 3.5 per cent and 3.4 per cent in 1977 and 1978 respectively. Though figures for 1979 and 1980 are not available, the growth rate of GNP during the period may not exceed 3 per cent, which falls well below the 5 per cent target rate of growth forecast in the five-year development plan for the period 1975-1980. On the other hand, inflationary pressures continued to exert themselves in the economy. In 1978 and 1979, consumer prices rose by 73 per cent and 54 per cent respectively. Provisional figures available for the first half of 1980 show an inflation rate of 29 per cent.

The stagnation in GNP in the 1970s and the high rate of population increase caused a pronounced fall in per capita GNP from $\text{¢}624$ in 1975 to $\text{¢}510$ in 1978 (at 1975 prices). Furthermore, as a result of the very high rate of inflation, there has been a high shift in real income from salary and wage earning for the fixed income earners in general to the rest of the community. An onerous task in normalizing economic conditions lies in restoring the purchasing power of fixed income earners whose demands for large wage increases only increase inflation under the circumstances.

Money supply rose appreciably during the decade, owing mainly to financing of budgetary deficits by the Central Bank. However, during 1979 the money supply increased moderately by 13 per cent, compared with 72 per cent in 1978.

The position of the external sector improved considerably during the period. This was reflected in the current account position which showed a surplus of $\text{¢}499.3$ million in 1979 - the first time in the past 5 years that a surplus was registered in the external accounts. The surplus was used to build-up the country's external reserves and also pay off its outstanding private short-term trade credits. Thus, imported raw material inputs and essential spare parts persisted, which adversely affected domestic industrial production.

2. GDP by industrial origin

Final data on the country's GDP by industrial origin are available only for 1973 through 1976. Provisional estimates are also available for 1977 and 1978. According to the Central Bureau of Statistics data, the GDP registered a growth rate of about 6.9 per cent in 1974. However, during the next two subsequent years, the GDP swung into negative growth rates of 12.4 per cent and 3.5 per cent in 1975 and 1976 respectively. Nevertheless, during 1977 and 1978 the economy reversed the downturn to record growth rates of 3.5 and 3.4 per cent respectively. There are no published data on GNP for 1979 and 1980, but the indications are that the annual growth rate may not exceed 3 per cent.

3. Selected economic indicators

A breakdown of the country's GDP by industrial origin for the period 1973 through 1978 for which data are available, shows that there were declines in output of all the major sectors namely: agriculture, industry, transport, storage and communications, distribution and other services.

Ghana: Table 1. GDP by source, 1973-1978 (at 1975 prices) (€millions)

Sectors	1973	1974	1975	1976	1977 ^{a/}	1978 ^{a/}
Agriculture, Forestry and Fishing	2 820	3 145	2 518	2 477	2 476	2 786
Industrial Production	1 126	1 119	1 108	1 080	1 126	937
Transport, storage and communications	174	203	206	167	167	178
Distribution and other services	1 536	1 565	1 450	1 373	1 508	1 553
GDP at constant market prices	5 646	6 033	5 283	5 097	5 277	5 454

Source: Central Bureau of Statistics, Accra.

^{a/} Preliminary estimates by the Central Bureau of Statistics.

(a) Agriculture, forestry and fishing. Output of the Agriculture, forestry, and fishing sector has followed a down-turn since 1974 (see Table 1). In 1974 total output formed 52 per cent of GDP, but fell steadily by 20 per cent and 2 per cent in 1975 and 1976 respectively. A detailed analysis of the performance of the agricultural sector indicates that its poor performance after 1974 was accounted for mainly by declines in food and livestock production, which resulted from the drought weather conditions and lack of complementary inputs during 1975/1976. However, the projections for 1978 and 1979 indicate a slight improvement in agricultural production, resulting mainly from the increase in food production and livestock because of much improved weather conditions and slightly improved agricultural inputs. For instance, the production of cereals and staples such as maize and cassava are estimated to increase by 47 per cent and 1 per cent respectively during 1979 (see Table 2).

Ghana: Table 2. Commercial agricultural production, 1970 and 1975-1979

	1970	1975	1976	1977	1978 ^{a/}	1979 ^{a/}
Cocoa ('000 metric tons)	427	401	329	271	265	...
Maize ('000 metric tons)	474	338	286	340	408	599
Rice ('000 metric tons)	48	70	90	58	71	96
Millet ('000 " ")	139	120	144	133	132	129
Cassava ('000 " ")	2 350	2 360	1 818	2 332	2 392	2 406
Cattle ('000)	926	777	789	823	832	...
Chicken ('000)	10 200	3 785	3 797	4 580	6 083	...

Source: Ministry of Agriculture

^{a/} Projected.

The general trend of cocoa production has been on the decline for many years now. Production level declined drastically by 18.0 per cent in the 1976/77 crop season and further by 17.6 per cent in the subsequent year. In 1978/79 there was a further fall of 2.3 per cent. Thus, at 265,000 tonnes, cocoa production in 1978/79 registered the lowest level in recent years.

Because of the vital role of the cocoa industry to the economy, the Government, in a joint venture with the World Bank, undertook the rehabilitation of the cocoa farms by launching the Suhum Cocoa Rehabilitation Project and the Ashanti Cocoa Project. The Government also embarked upon a massive programme of cutting out and replanting over 4 million diseased cocoa trees in the Eastern Region.

In addition, the Government increased the producer price of cocoa in order to boost production and also reduce smuggling of cocoa to neighbouring countries. During the 1978/79 cocoa season, the producer price was doubled from ø40.00 per load of 30 kgs to ø80.00, and further increased to ø120 per load during the 1979/80 crop season.

The performance of the forestry, logging and fishing was also not impressive. The average growth rate of forestry and logging for the period of 1974-1978 was just over 1 per cent per annum. The stagnant growth in timber output is mainly due to shortages of spare parts and haulage facilities. Another disincentive to timber exports is an overvaluation of the national currency which has encouraged domestic sales of timber products rather than exporting the products. The fishing industry was plagued with numerous problems, such as, lack of outboard motors and spare parts to service the existing one, and inadequate supplies of basic inputs, like fishing nets and ropes. The domestic marine catch of fish, which had increased from 196,000 tonnes in 1976 to 226,000 tonnes in 1977, declined marginally to 222,000 in 1978. There was no appreciable change in the catch of fish from the Volta Lake, which averaged about 40,000 per annum during 1976 to 1978.

(b) Mining. The output of the mining sector exhibited an **overall** decline during the review period. Production of the mining sector whose output accounted for 2 per cent of GDP and contributed 12 per cent of total foreign exchange earning in 1976 declined considerably. The output of all the major minerals declined steeply during the period (see Table 3). Despite the devaluation of the Ghanaian currency in 1978 and high prevailing world market prices for gold and diamond which could boost production, in 1979 the output of gold and diamond fell by 10.7 per cent and 13.9 per cent respectively.

The poor performance of the mining sector can be attributed to problems like the existence of obsolete equipment, lack of spare parts, high and rising labour costs and inadequate rail and transportation facilities.

Ghana: Table 3. Mineral production, 1970 and 1975-1980

	1970	1975	1976	1977	1978	1979	1980 a/
Gold (000 f.o.t.)	703.8	544.0	527.4	502.0	407.1	363.5	342.6
Diamond (000 carats)	2 549.5	2 217	2 269	1 939	1 421	1 223	647
Manganese (000 long tons)	392	409	349	312	341	324	270
Bauxite (000 long tons)	336.6	320.9	259.7	275.4	329.9	213.7	220.0

Source: Ghana Chamber of Mines, Accra. Central Bureau of Statistics, Accra

a/ Estimates

(c) Manufacturing. The manufacturing sector has suffered very severe setback during the period under review. The trend of net output of the sector is indicated below by the index of gross value added at constant prices, with 1975 as base:

Ghana: Table 4. Index of gross value added by manufacturing

1975	-	100
1976	-	96
1977	-	93 (Provisional)
1978	-	74 (Provisional)

Source: Central Bureau of Statistics, Accra.

Provisional estimates indicate further that the manufacturing industries do not appear to have performed better in 1979, even when compared to the very low output level in 1978.

Owing to scarcity of foreign exchange, the manufacturing units could not obtain adequate quantities of essential raw material inputs, spare parts and capital equipment for replacement. As a result the utilisation of capacity averaged only around 60 per cent in 1978.

(d) Electricity, fuel and power. Over 99 per cent of the electricity output of the country is generated by hydro-electric power of the Volta River Authority (the operators of Akosombo dam). The total electricity production in the country increased by about 6 per cent in 1977 (see Table 5). The increase in production was entirely due to the Volta River Authority. However, owing to operational problems which developed during the second quarter of 1978 at Akosombo, there was a drastic fall in total production for the year which recorded a 15 per cent decrease, although in 1979 there was a marked improvement in total production which rose by about 24 per cent.

At present, Ghana supplies electricity to Togo and Benin. An agreement has recently been concluded to link Ghana's grid on the Western border to that of the Ivory Coast. Further, to meet the growing demand for electricity, the Government decided to have a second hydro-electric project at Kpong. The construction of the project will have a capacity of 151 megawatts compared with the installed capacity of 912 megawatts at Akosombo.

Ghana: Table 5. Electricity production

	1970	1975	1976	1977	1978	1979	1980 ^{a/}
Electricity production (in Kwh)	2 919	3 999	4 174	4 432	3 757	4 665	
Crude petroleum production (in tonnes)	...	...	...	...	...	...
Natural gas production (in m ³)	...	...	...	...	...	...
Imports - crude (thousand tonnes)	185.6	1 237.7	1 162.7	1 217.5	1 029.2	1 250.0	1 000.0
Imports-liquid fuels (thousand tonnes)	...	...	...	...	...	...
Exports-crude (thousand tonnes)	...	...	...	...	...	...
Export-liquid fuels (thousand tonnes)		460	309		317*		
Refinery production (thousand tonnes)	...	...	...	367	...	...
Coal production (thousand tonnes)	...	...	...	...	...	...

Source: Central Bureau of Statistics, Accra.

a/ Estimate.

Ghana is in the early stages of prospecting for off-shore oil. The first discovery of oil occurred in 1970, by Signal-Occidental-Amoco Consortium at a point eight miles off the coast of Saltpond.

During most part of 1970s exploration activities fell owing to shortage of drilling rigs on the world market. However, when exploration was reactivated later in 1977 and in 1978, another discovery was made by an American oil firm, Agric-Petco International. To date, Agric-Petco has drilled more than six wells which produce over 5,000 barrels a day of low sulphur content. Some other six foreign oil companies including Agric-Petco have currently taken concessions to explore oil in Ghana. They are Phillips, Petroleum Company, Texaco International, Offshore Hydrocarbon and J.J. Simmons Company.

Ghana's crude oil imports for 1979 amounted to 1,250,000 tonnes which formed over 25 per cent of the nation's total imports. At 1.25 million metric tons the nation's crude oil imports for 1979 showed an increase of 21 per cent over the level in 1978. However, owing to Government conservation measures enforced in 1980, the country's crude oil imports for the year are expected to decline to 1 million metric tons, indicating a fall of 20 per cent over the previous year's imports.

(e) Construction. The rate of growth in the construction sector slackened since 1974 on account of shortages of construction materials like cement, iron rods and bitumen. Furthermore, government investments in real terms declined during the review period, which partly explains the decline in the output of the construction sector.

Though building materials were scarce, a few public corporations like the Ghana Commercial Bank and the State Insurance Corporation made substantial investments in new office buildings. The accelerated pace of inflation in 1977-1979 created soaring demand for building materials for private residential constructions, but this tempo of construction activity was constrained by occasional shortages of building materials.

The building of highways and other roads, and road rehabilitation featured prominently in construction activities in the country.

(f) Transport services. The level of activity in transport sector including storage and communications has declined since 1976. In that year, for instance, the level of activity in the sector fell by over 18 per cent. The transportation system suffered mainly from shortages of spare parts and tyres for transport vehicles, inadequacy of construction materials needed for the proper maintenance of roads and sporadic shortages of petroleum.

The railway system also could not function well due to foreign exchange scarcities which adversely affected the replacement of rolling stock. Even the transportation of timber, cocoa, and foodstuffs had to be shifted from railway to road transportation which could not cope up with the situation, resulting in cocoa and foodstuffs getting lugged up in remote areas.

There are frequent dislocations of the communications system in the country, on account of lack of spare parts and capital equipment for replacing old stocks. The Pan African Satellite Telecommunication Project at Kuntunse near Nsamenang, when completed in 1981, is expected to improve considerably the country's external communications and television systems.

Ghana: Table 6. Selected transport indicators

	1970	1975	1976	1977	1978	1979	1980
<u>Ports</u>							
Freight loaded ('000 tonnes)	2 532.4	2 831.2	060.2	3 826.1			
Freight unloaded " "	2 975.5	2 293.9	2 087.7	1 970.4			
<u>Railways a/</u>							
Freight tonne/km (mn)	1.7	1.1	1.0	0.9			
<u>Roads</u>							
Commercial vehicles in use ('000)	...	29.4	23.9	30.2	33.3		
<u>Airports</u>							
Passengers handled ('000)	194.5	315.7	311.4	480.0			

Source: Ministry of Transport & Communication, Accra.

a/ Figures are for financial year ended 30 June.

(g) Tourism. The tourist industry in Ghana has a great deal of potential which is yet to be tapped by the State Tourist Corporation and the Ghana Tourist Board, the two State institutions vested with the responsibility of developing tourism in Ghana.

The tourist trade has been seriously affected by very high cost-of-living in the country, inadequate hotel and catering facilities. The excessive rate of inflation which affects adversely the purchasing power of tourist, was a factor which led to a drop in tourist activities by 22 per cent in 1978 to 46,300 tourists. Though tourism figures for 1979 are not yet available, the out-turn does not look any brighter.

As was the trend in the past, most of the tourists who visited the country in 1978 were Africans. In that year Africans, including Ghanaians resident overseas, formed about 57 per cent of the total tourist traffic into the country. European nationals followed with 27 per cent; then American with 9 per cent; Asians with 5 per cent and nationals from Middle East countries with 2 per cent.

4. Expenditure and the GDP

Table 7 presents a breakdown of the country's GDP by expenditure in current market prices with provisional estimates for 1977 through 1980.

(a) Consumption: public and private

Table 7 indicates that total consumption expenditure as a percentage of GDP increased slightly during the period 1976 to 1980. Total consumption expenditure as a proportion of GDP rose from 92 per cent in 1976 to 94 per cent in 1980. This increase in the consumption component of the GDP over the review period was due mainly to rapid increases in prices of consumer goods, especially local foodstuffs.

A detailed breakdown of total consumption expenditures into public and private components shows that private consumption accounted for a greater percentage of the increase during the period. As a proportion of GDP, private consumption expenditures rose from 80 per cent in 1976 to an estimated 88 per cent in 1980. However, public consumption outlays as percentage of GDP, declined appreciably from 12 per cent in 1976 to 6 per cent in 1980.

(b) Capital formation

Generally the country's resources earmarked for domestic capital formation has been on the downturn in the past five years.

In 1976 the proportion of the resources devoted to investment formed 10 per cent of GDP, but in the following year, the ratio fell sharply to 6 per cent and declined steadily thereafter to a record low of 5 per cent in 1980.

Ghana: Table 7. Expenditure and the GDP, 1970 and 1976-1980 C'million

In current market prices	1970	1976	1977 ^{a/}	1978 ^{a/}	1979 ^{a/}	Fore- cast ^{b/} 1980
Total consumption	1 955	6 015	14 031	24 160	36 712	46 890
(i) Private consumption	1 665	5 216	12 622	22 136	33 918	43 727
(ii) Public consumption	290	799	1 409	2 024	2 794	3 163
Gross fixed capital formation	271	641	822	1 202	1 754	2 332
Changes in stocks	+48	-62	+18	+32	+54	+75
Exports less imports	-16	-68	-157	-327	+183	+404
Total GDP at market prices	2 259	6 526	14 712	25 067	38 703	49 701

Source: Central Bureau of Statistics, Accra.

^{a/} Preliminary estimates.

^{b/} Projected.

(c) Savings: domestic and foreign

The accelerated rate of inflation caused people to draw down their savings in order to maintain their original standard of living. As a result, the ratio of domestic saving to GDP fell drastically from 13 per cent in 1976 to 7 per cent in 1977 and further to 6 per cent in 1978. However, the savings ratio is estimated to rise to 11 and 14 per cent in 1979 and 1980 respectively, because the inflationary pressures are anticipated to be on the downturn during those two years. In both 1977 and 1978, domestic savings fell short of investment, thereby creating an investment gap which was filled through foreign capital inflows.

4. External Trade and balance of payments

(a) External Trade

Provisional estimates of Ghana's foreign trade for 1979 show that merchandise exports amounted to ₵2,931.7 million. Total imports for the same year amounted to ₵2,020.3 million. Consequently, there was a significant visible trade balance of ₵911.4 million, compared with only ₵149.9 million for 1978 (see Table 8).

(b) Balance of Payments

During 1979, owing to the good performance of the country's exports, the country's balance of payments position as reflected by the current account balance, recorded a surplus of ₵499.3 million.

A surplus position on the current account was last recorded in 1975. The large increase in export earnings of 1979 coupled with significant fall in imports and invisible payments resulted in the large current account surplus in 1979.

The surplus recorded on the current account was mainly used to pay off private short-term trade credits and strengthen the country's foreign reserves position. In 1979 net private short-term trade credits showed a deficit of ₵292.4 million. The central bank's international reserves position also improved by ₵255.1 million during the same period.

Ghana: Table 8. External trade and balance of payments 1970 and 1975 - 1979

In millions & Cedis a/

	1970	1975	1976	1977	1978	1979 ^{b/}
1. External trade						
Exports (goods)	1 406.1	2 202.6	2 142.4	2 446.3	2 460.2	2 931.7
Imports "	1 235.1	1 788.9	1 898.2	2 365.5	2 310.3	2 020.3
Trade balance	171.0	413.7	244.2	80.8	149.9	911.4
2. Balance of payments						
Goods and services (net)	-189.6	17.5	-167.9	380.2	-511.2	298.8
Private transfers "	-33.0	66.7	-11.7	-16.7	-14.0	-6.3
Government transfers "	27.5	55.7	85.4	177.6	205.2	206.8
Capital (net)	239.6	159.0	277.3	222.6	687.3	-98.7
Reserves and related items	-67.7	-239.6	233.6	-40.7	-175.2	-292.6
Errors and omissions	23.2	-59.3	-179.6	37.4	-192.1	-108.0

Source: Bank of Ghana

a/ In 1978 post devaluation cedis (i.e. US\$1 = ₤2.75)

b/ Provisional estimates.

6. Development aid and external debt

New loan commitments by donor countries rose by \$49.3 million (or 5 per cent) from \$974.9 million in 1978 to \$1,024.2 million in 1979. Provisional estimates for 1980 indicate total committed foreign aid of \$1,146.8 million for the year. In 1979 disbursements of aid increased by \$100.6 million or 18 per cent from \$560.0 million in 1978 to \$660.6 million.

By June 1979 Ghana's external debts totalled \$1,338.0 million, compared with \$1,163.7 million in June 1978. Provisional estimates for June 1980 give the figure of \$1,357.0 as Ghana's total indebtedness. A breakdown of the total external debt indicates that short-term debt at the end of June 1980 was \$358.4 million of which the most important component was arrears of current payment (forming about 62 per cent). Medium-term debt as at the end of June 1980 amounted to \$336.3 million as compared to \$357.8 million in June 1979. Most of this debt was the pre-1966 suppliers credit which was rescheduled under the Rome Agreement in 1974. As of June 1980, estimated debt under long-term contracts was \$662.3 million, compared with \$551.9 million in June 1979.

7. Government revenue and expenditure

The Government's budgetary situation in the past 5 years has been characterised by a rapid expansion in expenditures vis-à-vis slow growth in revenues. This disproportionate rise in expenditures in relation to revenues resulted in government running large budget deficits financed mainly by the banking system in general, and the Central Bank in particular. However, the 1978/79 budget was meant to be the beginning of the implementation of a stabilization programme which was aimed at raising Government revenues through increased tax effort and curbing government expenditures as much as possible.

In addition to the policy to curtail expenditures, the principal objective of the 1979/80 budget was to start paving the way for the resumption of economic growth through the control and reduction of recurrent expenditure.

Ghana: Table 9. Ghana Government revenue and expenditure 1970 and 1975 - 1980
(in millions of cedis)

	1970/71	1975/76	1976/77	1977/78	1978/79	1979/80 ^{a/}
Current revenue	402.7	814.9	1 074.6	1 365.0	2 525.4	3 843.7
Current expenditure	378.2	1 015.9	1 308.0	2 800.0	1 729.6	3 856.4
Capital receipts	92.9	-	-	-	-	-
Capital expenditure	108.4	422.7	751.5	663.0	795.8	1 015.0
Over-all balance	+8.9	-623.7	-984.9	-2 098.0	-1 864.8	-1 027.7
Financed by Internal Borrowing	-	797.3	944.2	1 915.9	1 864.8	926.8
Financed by External Borrowing	-	1.8	12.7	-	-	100.0

Source: Bank of Ghana.

^{a/} Provisional Estimates.

In the 1979/80 budget, which was presented to Parliament on December 20, 1979, revenue was estimated at ₵3,843.8 million and total expenditure at ₵4,871.4 million leaving a deficit of ₵1,027.7 million. About ₵926.8 million (or 90.2 per cent) of the total deficit was expected to be financed from domestic sources while ₵100 million (or 9.8 per cent) was to come from external sources. From domestic sources Government hoped to raise ₵513 million from the Banking system of which the Central Bank was to contribute ₵357 million, the Commercial Banks ₵150 million, and the Secondary Banks, ₵5 million.

It is further anticipated that the contribution of the non-bank public sector would amount to ₵310 million. It was hoped that this mode of financing, with a reduction in the recourse to the Banking system would help lessen the expansion of the Money Supply and the consequent high rate of inflation.

8. Money and Banking

There were no signs of significant improvement in the economy during the 1979/80 financial year. Inflation continued to be a dominant concern, although the rate fell from 73 per cent in the previous year to about 33 per cent, due probably to rigid enforcement of price controls by the government.

Persistent expansion in money supply continued to be a major contributory factor underlying the high rate of inflation in the country. The increase in the money supply was attributable largely to bank credit to the public sector. This expansion in money in the face of excess demand for food and essential goods contributed significantly to the high inflationary spiral in the economy. The inflationary pressures were also intensified by progressive increases in the nominal national income through rapid increases in wages and salaries, and other cash benefits, as well as sharp increases in the producer prices of certain key agricultural produce.

Table 9 indicates that money supply rose by ₵1,282.0 million or 32.5 per cent in 1979/80 financial year, compared with an increase of ₵922.1 million or 30.5 per cent in 1978/79. Net credit to government increased by ₵804.8 million or 19.3 per cent compared with an increase of ₵710.0 million or 20.6 per cent in the previous financial year.

Credit to public institutions and the private sector constituted the other major factors which exerted expansionary influences on the money supply. During the 1979/80 financial year, claims on official entities and the private sector went up by 56 per cent and 13.4 per cent respectively.

Ghana: Table 10. Monetary survey, 1970 and 1975 - 1980 ₵'Million

	End 1970	End 1975	End 1976	End 1977	End 1978	End 1979	End 1980 May
Net foreign assets	-20.2	146.6	33.3	59.4	284.9	312.9	405.5
Net claims on government	291.2	924.5	1 573.8	2 779.1	4 527.8	4 902.8	4 964.2
Claims on official entities	115.4	295.3	393.1	422.8	1 112.6	1 634.1	1 863.4
Money	305.9	999.5	1 428.8	2 384.5	4 108.8	4 642.2	5 223.1
Quasi-money	121.2	377.5	474.0	651.2	1 005.0	1 262.3	1 513.7
Other items (net)	151.7	217.4	408.6	610.3	1 137.8	1 165.9	899.1

Source: IMF's IFS Vol. XXXIII, 1980; Bank of Ghana.

By the end of the 1979/80 financial year, 12 banks were still operating in Ghana. The total number of their branches, however, increased from 15 to 237. In the 1978/79 financial year 10 more branches of commercial banks were opened. The total number of branches of the major banks was 184 at the end of the year, showing an increase of 4 branches during the year. The number of branches of the secondary banks rose from 11 to 53 at the end of the period. Banking operations continued to be concentrated in the Greater Accra, Ashanti, Eastern and Western Regions where most of the bank branches are sited.

9. Wages and prices

The minimum wage rate was fixed at ₵4 a day in July 1977 and remained the same in 1978 and 1979. However, when the new government took over power in September 1979, employees both in the public and private sectors set in motion active negotiations for revising the minimum wage (₵4 per day) and the general wage structure. The recent inflationary pressures have so reduced the purchasing power of salary and wage earners that it has become impossible to make adequate upward adjustment in wages without sparking off another inflationary spiral.

Because of the erosion of the real earnings of the employed personnel, many qualified and experienced people have migrated to seek employment in neighbouring countries mainly Nigeria, Ivory Coast and Liberia. This brain drain involves particularly doctors, engineers, university lecturers, teachers and artisans.

During 1979 the rate of inflation eased slightly as the National Consumer Price Index (1977=100) rose by an annual average of 54 per cent compared with 73 per cent in 1978 see Table 11. At the same time wholesale prices went up by 66 per cent, compared with 47 per cent in 1978. The high consumer and wholesale prices were mainly due to sporadic shortages of goods and services arising from the low domestic production and the excess liquidity in the economy.

Ghana: Table 11. Prices

	1970	1975	1976	1977	1978	1979	1980
A. <u>Consumer prices index number</u>							
National Index (Ave.1977=100)	13.6	29.6	46.2	100.0	173.1	267.3	
B. <u>Wholesale Prices Index Number</u>							
National Index (Ave.1977=100)	19.4	43.9	59.2	100.00	147.4	244.6	
C. <u>Prices of Major Items in</u>							
<u>Export Trade</u>							
1.							
2.							
3.							
4.							
D. <u>Producer Prices (Agric./Ton)</u>							
1. Cocoa Cedis/Ton	267.0	533.3	600.0	933.3	2 666.6	4 000.0	
2. Coffee "	373.3	634.7	634.7	1 166.7	1 500.0	1 500.0	
3. Sheanuts "	50.0	168.0	196.0	196.0	196.0	1 000.0a/	

Source: Central Bureau of Statistics, Accra. Ministry of Cocoa Affairs, Accra.

a/In to September.

10. Employment and unemployment

Reliable data on employment and unemployment in Ghana are lacking. Published data on employment by the Central Bureau of Statistics (CBS) are available up to 1976 only. According to the data persons employed in the organised sector of the economy fell from 455.8 thousand in 1974 to 434.5 thousand in 1975; in the subsequent year, there was a marginal increase from the low level of 1975.

Ghana: Table 12. Recorded employment (year-end data) (Thousand)

	1973 ^{a/}	1974 ^{a/}	1975	1976
Public sector	302.1	331.3	324.5	339.2
Private sector	112.3	124.5	110.0	106.2
T o t a l	414.5	455.8	434.5	445.7

Source: Ghana Economic Survey, 1975-1976.

a/ Revised.

Data on registered unemployment compiled by the National Employment Service Centres although underestimates the actual situation can give a rough indication of the trend in the level of unemployment in the country. According to the data from the Ministry of Labour, the number of people registered as unemployed was 33,055 in June 1978, compared with 30,648 in June 1977, indicating an increase of 8 per cent in the unemployment rate.

11. Other social sector

(a) Education

The Government accords education high priority in its annual expenditures which is reflected by the devotion of about 22 per cent of total government expenditures to education alone. As a result of expansion in educational facilities, there have been increases in enrolment at all levels of institutions of learning as depicted in Table 13.

In 1978/79 academic year enrolment in primary, secondary and higher institutions of learning (which mean the three Universities in Ghana) rose by 4 per cent, 5 per cent and 4 per cent respectively. However, in 1979/80, enrolment in the higher institutions of learning declined marginally by 1 per cent, and there is a downward trend in view of the steady brain drain in the country.

(b) Health and nutrition

There has been no significant improvement in health facilities in the country during the past few years. No new hospitals, clinics or health posts have been built in the

country since 1975, the number remaining the same at about 215. However, Table 12 indicates that the number of doctors turned out mainly through the Medical School in the country followed an upward trend since 1975. The number of registered nurses also increased significantly between 1975 and 1977, but the growth in registered nurses showed a downward trend since 1978.

Ghana: Table 13. Social indicators, 1970 and 1975 - 1980

	1970	1975	1976	1977	1978	1979	1980
Population (000)	8 559.3	9 630.9	9 868.2	10 105.0	10 347.6	10 596.0	...
<u>Education</u>							
Primary enrolment (000)	947.5	1 051.0	1 157.3	1 213.3	1 246.5	1 295.5	...
Secondary enrolment (000)	52.8	74.8	81.3	87.3	94.9	99.6	...
Higher enrolment (000)	4.7	6.4	7.1	7.8	8.1	8.4	8.3
<u>Health</u>							
Doctors (000)	0.67	0.94	1.0	1.1	1.3	1.5	1.5
Registered nurses (000)	6.7	5.7	12.4	12.5	9.3	9.2	9.2
Clinics, etc. in rural areas	...	...	...	...	...	180.0	180.0
Wage employment	...	...	...	...	...

Source: Ghana, 1970 population census;
Ministry of Education, Accra;
Ministry of Health, Accra

Figures are for academic years ended 31 August.

Figures from 1975 to 1979 are estimates using 2.4 per cent growth rate.

Despite the high turnout of doctors from the Medical school, the mass exodus of doctors to the rest of the world, deprived most hospitals and clinics of doctors to man them. In addition, the existing health centres have been plagued by sporadic shortages of drugs and equipment due to the issue of inadequate import licences for such facilities.

B. MAJOR PROBLEMS

One of the major problems of the economy has been the deterioration of the performance of the agricultural sector, due to unfavourable weather conditions; labour shortages caused by the apparent drift from farms to other trading ventures; transport bottlenecks, hindering both the delivery of needed imports and outputs; poor management of resources and also the administration of price controls. Domestic production of staples such as maize,

guinea corn, millet, rice, cassava and plantain did not show much improvement over the previous year's output nor was there any significant change in the population of domestic livestock during the review period, or the level of domestic fish catch. The shortfall in domestic agricultural production continued to be met through imports.

The poor performance of the economy was not restricted to the agricultural sector alone. Industrial production was adversely affected by shortages of imported inputs and spare parts. There was a further deterioration in the output of the mines due partly to the frequent industrial action of its employees and partly due to lack of spares and other inputs.

Labour relations worsened in 1979/80. The deteriorating situation was due to persistent claims by labour as a result of falling real wage rates and the refusal of many employers to accept any wage claims by employees in the face of increasing production costs.

Persistent deficiency in aggregate supply vis-à-vis excess demand for goods and services (due to excess liquidity in the economy) was reflected in an upward trend in prices. The National Consumer Price Index (Average 1977 = 100) for the period July 1979 to June 1980, rose by 23.6 per cent from an average of 241.3 for the same period of the previous year to an average of 298.3, mostly because of the rise in food prices. Continuous expansion in money supply continued to be a major contributory factor underlying the high rate of inflation in the country.

Although a current account surplus was recorded in 1979 for the first time in four years, this was mainly due to the low rate of utilization of import licenses issued during the year. The balance of payments continued to be vulnerable to fluctuations in world prices of cocoa and minerals such as gold, diamond, etc.

C. INTERNAL DEVELOPMENT POLICIES

The period under review witnessed the formulation of policy measures aimed at stabilizing domestic prices and laying the foundation for future economic growth.

In order to slow down the rate of monetary growth in 1979/80 the Bank of Ghana maintained the restrictive monetary measures introduced in the previous year. In this regard, both the Bank rate and the minimum savings deposit rate were maintained at 13.5 per cent and 12.5 per cent respectively. In addition, the ceiling of commercial bank lending rates remained unchanged at 18.5 per cent. The reserve requirements of the commercial banks were reviewed to enable them hold more government paper in order to shift a larger share of the deficit financing from the central bank to the commercial banks.

A number of measures were undertaken to improve the export performance of the country and strengthen its balance of payments position during 1979/80. In this connection the producer price of cocoa was increased from ₵ 80 to ₵ 120 per load of 30 kilos on July 19, 1979 whilst subsidies on items like spraying machines and insecticides supplied to farmers were removed.

During the review period the government appointed a committee to identify the factors which had contributed to the declining trend of gold production in the country's mines. The committee was also to examine records of abandoned gold mines for possible re-opening and development. These developments form part of the measures that are being taken by the government to encourage the gold mining industry to increase production in order to take advantage of the current high world price of gold.

The Central Bank's credit guidelines to the export trade sector were generous. Credits in respect of export trade were allowed to increase from 50 per cent to 100 per cent of their levels for the end of June 1979. Furthermore, export duty on lumber, curls and logs was abolished while the export bonus of 10 per cent on non-traditional exports was retained as an additional incentive for exports. Adequate foreign exchange was made available for imports inputs to rehabilitate existing facilities and to facilitate increased production for exports.

To reduce the deficit in the services account, the following measures were retained in 1979/80: (1) 15 per cent tax on the purchase of airline tickets; (2) 30 per cent tax on travel allowance; (3) the cedi voucher scheme and the requirement that importers must arrange insurance on imports in local currency and with local insurance companies; (4) the cancellation in August 1979 of the basic foreign exchange allocation for tourist travel.

The principal objective of the government budget for 1979/80 fiscal year was to start paving the way for the resumption of economic growth through the control and reduction of recurrent expenditure. To achieve this objective the Government contemplates establishing Budget/Planning Units in each Ministry to promote the exercising of the proposed controls and to reduce its deficit financing from the banking system. This will in turn help allocate resources to the productive sectors of the economy and lower the high rate of inflation.

D. Prospects for 1980 and 1981

The general outlook of the Ghanaian economy in 1980/81 is still gloomy: persistent disequilibrium in the balance of payments owing to high prices for imported goods especially for oil vis-à-vis stagnation in prices of major export commodities in world markets due to recession in the economies of the industrial countries and renewed inflationary pressures because of excess aggregate demand for goods and services in the face of slightly improved domestic aggregate supply following the substantial increases in minimum wages.

However, domestic agricultural output is expected to improve moderately due to improved rainfall in the second half of 1980 coupled with intensified efforts to improve irrigation facilities at Veve, Tono and Bontanga to irrigate a total of 2,500 hectares for food production. Furthermore, efforts were made during 1980 to supply farmers with farming inputs such as machetes, hoes, seeds, fertilizers, insecticides, chain saws, etc., to help step up food production in order to reduce food deficits in the country.

Attempts are also being made to raise livestock production and step up fishing output in order to alleviate shortfalls in the nation's supply of meat, fish, eggs, etc.,

The performance of the industrial sector is expected to improve as a result of an improved imports programme which seeks to make available more inputs and machinery to the industrial sector during 1980/81.

The ever increasing oil prices and their distabilizing effects on Ghana's external payments position have given cause for intensified search for oil in Ghana. For that reason, the Government has granted oil exploration concessions to a number of oil companies. In addition, the Government is expected to continue to create more favourable investment climate in the country to encourage multi-national corporations to make their capital and expertise available to help Ghana tap her enormous gold and bauxite deposits.

E. Economic Co-operation

During the period under review Ghana participated in a number of discussions aimed at fostering regional co-operation. For example, Ghana held discussions with Togo, Benin and the Ivory Coast on the joint implementation of the Oppon Mansi Iron and Steel Project. Similar moves were made in connection with a fertilizer plant and the exploitation of the vast phosphate deposits in Togo.

Ghana took part in the Geneva negotiations that reached an agreement in July 1980, to establish a Common Fund whose aims include among other things, the stabilization of export earnings of developing countries. Ghana hopes to seek an early ratification of the Articles of Agreement dealing with the Common Fund of UECTAD's Integrated Programme for commodities, which may be operational in the second half of 1981.

The Cocoa Producers' Alliance of which Ghana is a member, reached a formal accord on a new International Cocoa Agreement in November 1980. The Agreement which requires the participation of 80 per cent of producers before it can become effective, will be available for signing in New York until 1 January 1981, with a period of grace lasting until 2 April 1981. It is pertinent to note that the Ivory Coast and the United States, who are a major producer and consumer respectively are opposed to the agreement. The previous International Cocoa Agreement expired in March 1980.

Finally, Ghana and the other member states who form the 16-nation Economic Community of West African States (ECOWAS) continued to take steps that would promote intra-ECOWAS trade in the subregion. One of the major obstacles to economic integration in the subregion is the poor communications system. During the review period, the Heads of State of the community agreed to a telecommunication project which seeks to establish telephone networks that will interconnect all the capital cities of the community. At the same Summit which took place in Lome in May 1980, the Heads of State of the community adopted a trade liberalization programme which seeks to remove all tariff barriers on industrial products within the community by mid-1989.