

2010 Budget Promises More Spending

After a year of fiscal and monetary austerity, government is expected to begin 2010 on a higher-spending note as the Minister of Finance and Economic Planning presents the 2010 budget and economic policy statement of government to parliament this morning.

Government inherited a high fiscal deficit of 24.2 percent of gross domestic product (GDP) from 2008, and felt the need to bring it down drastically. The fiscal deficit provisional estimate shows the 2009 deficit is in the region of 10.5 percent of GDP.

Therefore in 2010, which also marks the beginning of implementing the new medium-term agenda (spanning 2010 to 2013), government is expected to lift most of the previous year's expenditure limits to engender more growth activity.

Anchored on industrialization to set the pace for the nation's dream of a middle income country by 2020, 2010 promises to mark the beginning of a more aggressive spending in the area of production infrastructure in, among others, energy, transport, water and communications.

As a basis for the industrialisation drive, it is expected that government will resuscitate more manufacturing activities as begun in 2009, modernise agriculture and the rural economy, and create employment through increased support for micro, small and medium enterprises.

While the government cannot achieve any of these without the necessary support of development resources, the 2010 budget also promises to further extend measures to tackle the parent bottlenecks facing resource mobilisation to support accelerated economic development.

While government is not expected to entirely sideline the stabilisation programme begun this year, the budget deficit is expected to decline more slowly in the coming years than the steep decline witnessed this year.

Analysts therefore predict that government's fiscal deficit target of 4.0 percent of GDP for the medium-term can only really be achieved in the last year of the next three years.

The Centre for Policy Analysis (CEPA) Executive Director, Joe Abbey, told B&FT he expects the 2010 budget to address the social costs brought about by the 2009 stabilisation agenda.

"The government must pay attention to unemployment and the high cost of doing business. Even though our assessment shows government will miss its 9.4 percent of GDP fiscal deficit target for 2009, we still think that the spending envelope was too tight," he said.

Even though at the presentation of the 2009 supplementary budget government revised the end-period inflation target from 12.5 percent to 14.5 percent, the fiscal deficit target was maintained at 9.4 percent of GDP. But now indications are that both targets will be missed.

CEPA projects government's total expenditures by the end of the year to be GH¢9,846.8 million (including repayment of external debt, outstanding commitments and clearance of arrears). This is expected to rise by at least 25 percent in the 2010 budget.

If government sources' estimate that 2009's economic growth could be in the region of 4.7 percent is anything to go by, then the economy should do better next year - at least 5.2 percent, according to analysts.

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