CERPA CENTRE FOR ECONOMIC RESEARCH AND POLICY ANALYSIS

GHANA'S PUBLIC DEBT RISING DESPITE MACROECONOMIC STABILIZATION

Insights from Recent Fiscal Trends under the IMF Program

POLICY BRIEF

Executive Summary

Ghana has recorded significant macroeconomic improvements under its IMF-supported program, including exchange rate appreciation, declining inflation, and improved external balances. Yet, public debt after falling sharply in early 2025 has begun to rise again, increasing from 43.7% of GDP in May 2025 to 48.9 % by September 2025. This policy brief examines why public debt is rising despite stabilizing macroeconomic indicators and discusses the implications for fiscal sustainability.

Our analysis shows that the recent increase in debt reflects structural fiscal dynamics rather than macroeconomic slippage. Persistent expenditure–revenue gaps, continued reliance on domestic financing, high interest costs, and stock–flow adjustments are central drivers. While the IMF program has stabilized the economy, sustaining debt reduction will require deeper fiscal reforms beyond short-term stabilization.

1. Recent Fiscal and Debt Developments

Table 1 summarizes recent trends in key fiscal indicators and public debt as a share of GDP.

Key observations include:

• Revenue performance has improved, with total revenue and grants rising steadily to 11.1 percent of GDP by September 2025.
• Expenditure remains structurally higher, reaching 12.6 percent of GDP, resulting in continued fiscal gaps.
• Net domestic financing remains positive, averaging about 1–2 percent of GDP, signaling ongoing borrowing needs.
• Public debt declined sharply following the Domestic Debt Exchange Program (DDEP) and exchange rate appreciation but has since edged upward.
These trends suggest that while macroeconomic stabilization has been achieved, fiscal consolidation remains incomplete.

2. Explaining the Debt Increase

The divergence between macroeconomic gains and rising debt can be attributed to four interrelated factors:

a. Incomplete/Weak Fiscal Adjustment

Although the primary balance has improved from a deficit of 2.8% of GDP in September 2024 to a surplus of 0.7% of GDP in September 2025 on a cash basis, exceeding the 2025 target of -1.0% of GDP, the improvement remains insufficiently large or sustained to place debt firmly on a downward trajectory. Interest payments and legacy obligations continue to weigh heavily on fiscal balances.

b. Structural Revenue Constraints/Weaknesses

Revenue gains reflect improved administration rather than fundamental tax base expansion. High informality, exemptions, and challenges limit the pace at which revenue can rise relative to expenditure.

c. High Domestic Interest Burden

The post-DDEP environment is characterized by elevated domestic interest rates. This raises debt servicing costs and worsens the interest-growth differential, even as inflation declines.

d. Stock-Flow Adjustments

Debt dynamics are also shaped by non-deficit factors, including arrears clearance, financial sector legacy costs, and valuation effects on portions of external debt not fully restructured.

3. Implications for the IMF Program and Fiscal Sustainability

The IMF program targets sustained primary surpluses and a reduction in public debt to below 55 percent of GDP over the medium term. The recent uptick in debt does not signal program derailment, but it underscores implementation risks.

Without stronger structural reforms, debt reduction may stall once temporary stabilization gains such as exchange rate effects and restructuring relief are exhausted. This could expose Ghana to renewed debt vulnerabilities, particularly in the event of growth or financing shocks.

4. Policy Considerations

From a policy perspective, our analysis points to four priority areas:

1. Shift from Stabilization to Structural Consolidation

Fiscal policy must transition from short-term stabilization to durable consolidation anchored in institutional reforms.

2. Accelerate Revenue Mobilization Reforms

Expanding the tax base, rationalizing exemptions, and strengthening digital tax systems are critical to sustaining fiscal adjustment.

3. Contain Expenditure Rigidities

Stronger commitment controls, better targeting of capital spending, and reforms to statutory and interest expenditures are essential.

4. Reduce Dependence on Domestic Financing

As program credibility improves, Ghana should gradually rebalance toward concessional external financing and lengthen domestic debt maturities.

5. Conclusion

Ghana's recent debt increase should be understood as a structural fiscal challenge rather than a reversal of macroeconomic gains. The IMF program has succeeded in restoring stability, but debt sustainability will depend on deeper reforms that align revenue growth, expenditure discipline, and financing strategies. For policymakers, the key challenge is to consolidate recent gains while building fiscal institutions capable of sustaining debt reduction over the medium to long term

Appendix – Trends in Fiscal Values (% of GDP)

Period	Total Revenue & Grants	Total Expenditure	Net Domestic Financing	Total Public Debt
Sep 24	10.7	14.6	3.8	68.9
Oct 24	12.3	15.6	4.1	65.2
Dec 24	15.9	16.6	3.5	61.8
Jan 25	0.9	1.7	0.7	53.7
Feb 25	2.0	3.5	1.5	54.9
Mar 25	3.1	4.2	1.1	55.0
Apr 25	4.4	5.4	1.0	52.2
May 25	5.7	6.8	1.3	43.7
Jun 25	7.1	8.4	1.5	43.8
Jul 25	8.4	9.5	1.1	44.9
Aug 25	9.7	11.2	1.7	46.8
Sep 25	11.1	12.6	1.7	48.9

Source: Compiled by CERPA based on Data from the BOG's Summary of Macroeconomic and Financial Data.

About CERPA

The Centre for Economic Research and Policy Analysis (CERPA) is a think tank dedicated to providing independent, data-driven economic research and policy recommendations to foster sustainable

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