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ECONOMIC CONDITIONS IN GHANA IN 2008

INTRODUCTION

Ghana's economy has remained quite robust since 2005, notwithstanding the energy crises of 2006 and hikes in the prices of petroleum products. Real GDP growth increased from about 5.8 percent in 2005 to 6.2 percent in 2006 and available information (based on September 2007 data) projects real GDP growth at 6.3 percent.

But what do ordinary Ghanaians think about the economy and their living conditions? What do they have to say about government's economic reform policies? And what is their assessment of the performance of government in the overall management of the Ghanaian economy? A fourth round Afrobarometer survey conducted in March 2008 provides public opinion data to respond to some of these questions.

THE AFROBAROMETER

The Afrobarometer is a comparative series of public attitude surveys on democracy, governance, markets and living conditions. The survey is based on a randomly selected national probability sample of 1,200 respondents representing a cross-section of adult Ghanaians aged 18 years or older, which yields a margin of error of ± 2.5 at a 95 percent confidence level. All interviews are conducted face-to-face by trained fieldworkers in the language of the respondent's choice. Fieldwork for Round 4 of the Afrobarometer in Ghana was undertaken between March 4 and 27, 2008. Note that for purposes of cross-national comparison, the questions on the survey will be administered to random national samples in 19 other African countries before the end of 2008; comparative results will be presented in upcoming briefing and working papers from Afrobarometer Round 4.

SUMMARY OF RESULTS

- Ghanaians report general improvements in economic conditions and say that government economic performance has improved in many respects.
- In 2008, for the first time since Afrobarometer surveys have been conducted in Ghana, (in 1999, 2002, and 2005) more than 4 in 10 Ghanaians express satisfaction with the condition of the national economy and their personal living conditions.
- The experience of poverty (measured as shortages of basic human needs) has declined, especially with reference to improvements in reported popular access to medical care.
- However this good economic news is offset by growing income inequality between rural and urban areas and across Ghana's administrative regions.

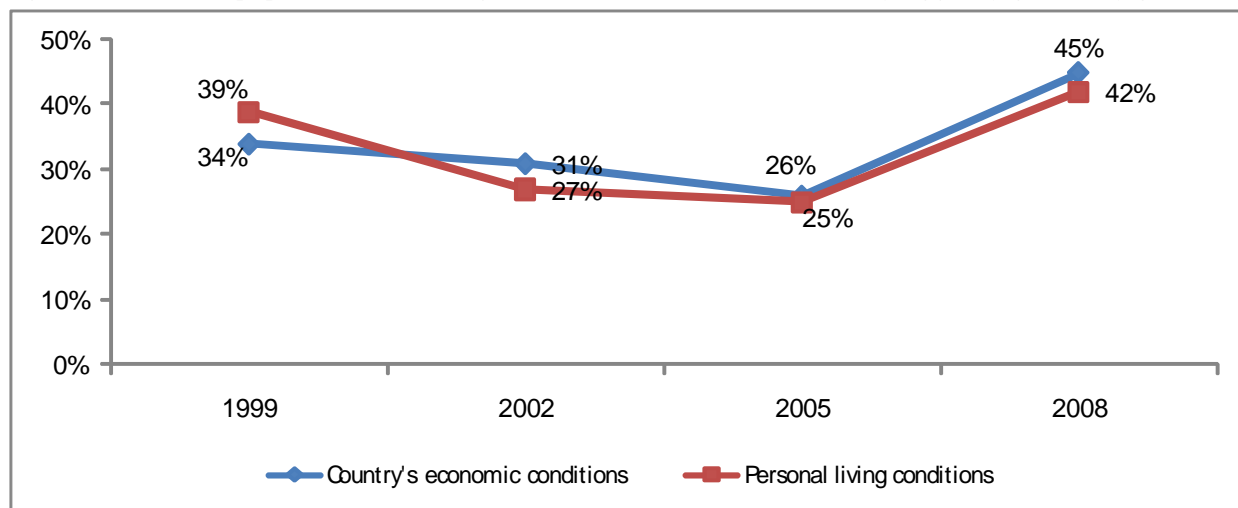
- Ghanaians also report declining popular patience with economic reforms, probably due to a rising cost of living and negative perceptions of government performance at controlling inflation. In 2008, fewer people say they are willing to accept the hardships associated with economic reforms than in 2002 and 2005.

EVALUATION OF CURRENT ECONOMIC CONDITIONS

The Afrobarometer asks the opinions of respondents on the economic conditions of the country, their personal living conditions, as well as retrospective and prospective evaluation of those conditions.

For the first time in the history of the survey, close to half of Ghanaian adults assessed the general economic and their personal living conditions positively. More than 4 in 10 Ghanaians (45 percent) say that macro economic conditions are fairly good or very good. Another 42 percent express similar sentiments about their personal living conditions. The macro economy assessment represents a 19 percentage point increase over the 2005 score. That for personal living conditions is a 17 percentage point increase. These changes over time are both substantively and statistically significant.

Figure 1: Trends in popular evaluation of economic conditions (Percent saying fairly good/very good)



Source: Afrobarometer Survey (1999, 2002, 2005 and 2008)

However, there are substantial regional and other spatial variations in popular assessments of economic conditions. For example, a majority of respondents in the Upper West region express satisfaction with both macroeconomic conditions (58 percent) and personal living conditions (55 percent). A majority of respondents in Ashanti (57 percent), Upper East (54 percent) and Eastern regions (52 percent) also believe that macroeconomic conditions are fairly good or very good. But less than a quarter of respondents in the Volta region express satisfaction with macroeconomic conditions (18 percent) and their personal living conditions (23 percent).

Popular economic satisfaction is also higher in urban areas than in rural areas. For instance, whereas exactly half of urban residents express satisfaction with Ghana's macro economy, just 42 percent of rural residents hold the same view. Similarly, close to half of urban residents (47 percent) compared with 39 percent of rural residents are satisfied with their personal living conditions.

EVALUATIONS OF ECONOMIC CONDITIONS OVER TIME

Again, for the first time since Afrobarometer surveys began in 1999, a majority of Ghanaians say economic conditions in Ghana are better or much better (56 percent) than they were in the previous year. An equal proportion (57 percent) also believes that their personal living conditions are better or much better now than a year before. These figures represent significant increases over 2005 when only a little over quarter (27 percent) each of Ghanaians expressed similar sentiments. In other words, retrospective economic evaluations have changed by +29 and +30 percentage points respectively.

Table 1: Retrospective and prospective evaluations of economic conditions (Percent better/much better)

	Percent better/much better				Change
	1999	2002	2005	2008	(2005-2008)
Ghana's economic conditions compared to 12 months ago	-	36	27	56	+29
Personal living conditions compared to 12 months ago	39	35	27	57	+30
Ghana's future economic conditions	-	61	44	69	+25
Personal future living conditions	52	64	48	73	+25

Source: Afrobarometer Survey (1999, 2002, 2005 and 2008)

As in previous surveys, Ghanaians continue to be very optimistic about the future. Large majorities believe macroeconomic conditions in Ghana (69 percent) and their personal living conditions (73 percent) will be better or much better in the years ahead. These evaluations declined significantly between 2002 and 2005 but have increased significantly in 2008, by 25 percentage points. The observed surge in optimism could have been influenced partly, if not largely, by the recent discovery of oil in commercial quantities in Ghana. Indeed the President was visibly elated on national television when management of the oil prospecting company broke the news. Moreover, the government's communication machinery has continued to tout the prospects of this discovery for Ghana's growth and development.

On the other hand, a sense of relative economic deprivation appears to prevail among Ghanaians. Compared to others, close to one third of Ghanaians (30 percent) think that their living conditions are worse or much worse. Slightly larger proportion (39 percent) say their living conditions are relatively better while a quarter (25 percent) do not see any difference. Only 28 percent of residents of the Upper West region, the least among all ten regions, say their living conditions are better or much better than other Ghanaians. Thus even though, in public opinion, economic conditions are better now than before, a majority of people in this region think other Ghanaians are doing better. Similarly, less than a third of respondents in Northern (31 percent), Upper East (30 percent) and Volta (29 percent) regions think they are better off than other Ghanaians. This underscores a growing sense of inequality in some regions of Ghana, despite overall improvements in economic conditions.

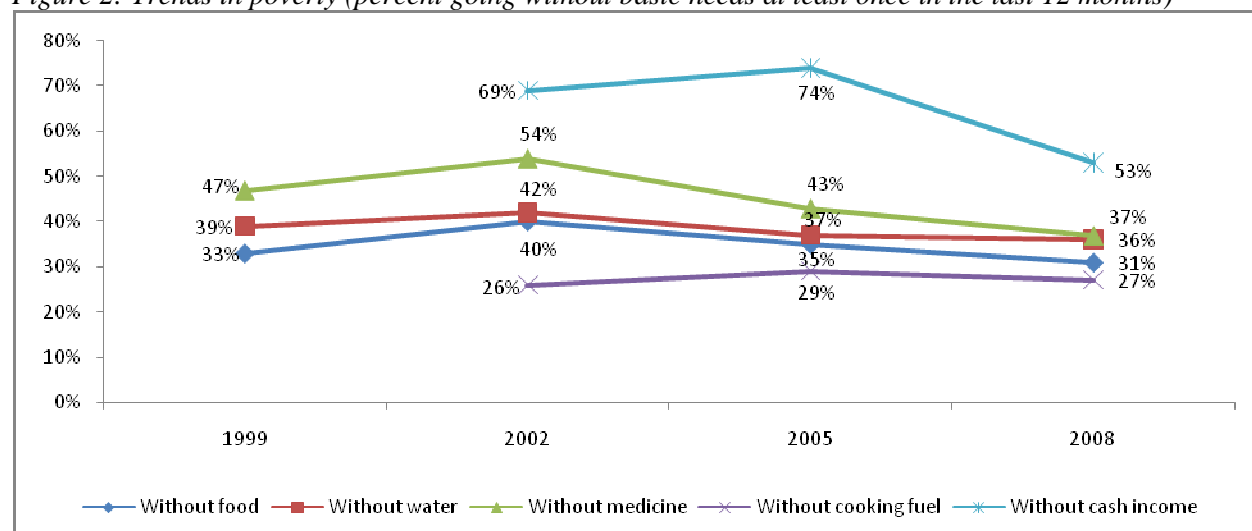
POVERTY

Experience of poverty has broadly declined since 2002. Take medical care for example. Whereas in 2002 more than half (54 percent) of Ghanaians reported having gone without this essential service at least once in the last 12 months, less than 4 in 10 Ghanaians (37 percent) report similarly in 2008. It appears that the introduction of the National Health Insurance Scheme has helped to expand access to medical care for Ghanaians. Similarly, the proportions of Ghanaians who reported having gone without food (40 percent), clean water (42 percent) and cash income (69 percent) in 2002 have declined to 31 percent, 36 percent and 53 percent respectively in 2008. However, it is important to note that a majority of Ghanaians continue to report shortages of cash income (53 percent).

These findings seem to confirm reported declining levels of poverty in Ghana from official sources. The most recent Ghana Living Standards Survey (GLSS, 2006) reported a decline in extreme poverty level from 37 percent in 1991 to 19 percent in 2006. It also lends credence to the report that the proportion of

Ghanaians considered as poor (i.e. poverty head count) declined from about 52 percent in 1991 to 29 percent in 2006.

Figure 2: Trends in poverty (percent going without basic needs at least once in the last 12 months)



Source: Afrobarometer Survey (1999, 2002, 2005 and 2008)

Experience of poverty is more pronounced in rural areas than in urban areas, especially when it comes to medical care and cash income. For the 2008 survey, 38 percent of rural dwellers compared with 25 percent of urban dwellers report having gone without medical care in the last 12 months. Similarly, whereas 56 percent of urban dwellers report a lack of cash income at least once in the last 12 months, some 69 percent of rural respondents report similarly. This is not surprising as it corresponds with recent GLSS data suggesting that poverty in Ghana has remained a disproportionately rural phenomenon up till now.

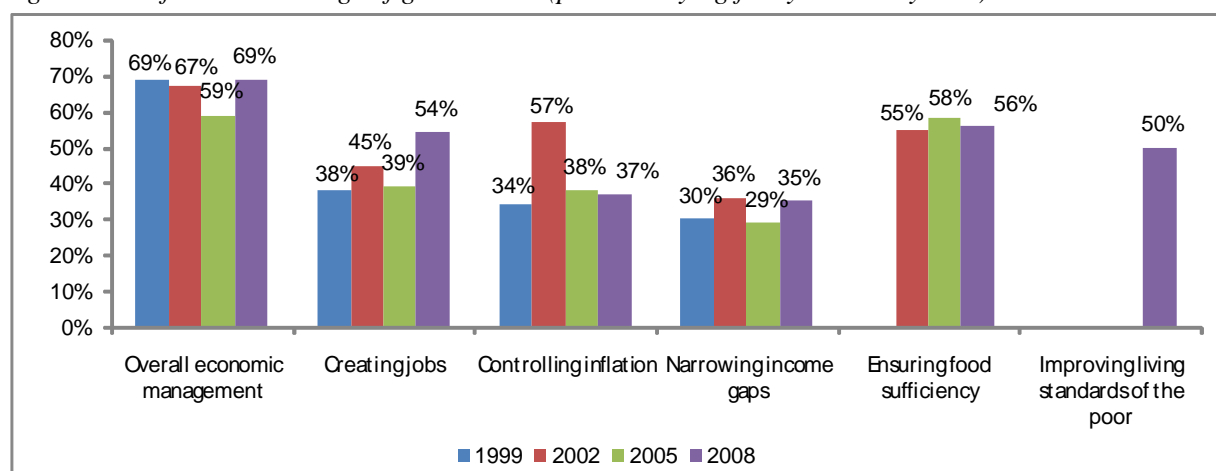
GOVERNMENT'S PERFORMANCE AT ECONOMIC MANAGEMENT

We now turn to government's performance at economic management. In all four rounds of the survey, most Ghanaians rate the government's performance at economic management "fairly well" or "very well." Nearly 7 in 10 (69 percent) currently hold this view. Moreover, and for the first time, a majority of Ghanaians (54 percent) say government is doing well at job creation. The hike in appraisal of government's performance at job creation might have been influenced by the introduction of the National Youth Employment Programme in 2006 to provide jobs and job training for young people. It is worth mentioning that, in prioritising the development agenda of Ghana, unemployment is ranked highest; some 25 percent of Ghanaians say it is the most important problem facing the country today.

On the other hand, the government is consistently perceived by most Ghanaians to be performing badly or very badly in narrowing income gaps in the country. Currently, more than 6 in 10 (61 percent) of Ghanaians think government is doing badly in narrowing income gaps.

Controlling inflation is another area in which many Ghanaians continue to express dissatisfaction with government's performance. Popular dissatisfaction with government performance at keeping prices down has risen from a minority 38 percent in 2002 to a majority 62 percent in 2008.

Figure 3: Performance ratings of government (percent saying fairly well /very well)



Source: Afrobarometer Survey (1999, 2002, 2005 and 2008)

Popular evaluations of government performance at ensuring that everyone has enough to eat have remained relatively stable since 1999. Currently, more than half (56 percent) of all adult Ghanaians, as in previous rounds, think government is doing well in ensuring food sufficiency.

Assessment of government's efforts at improving the living standards of the poor was asked for the first time in the 2008 survey. Exactly half (50 percent) of Ghanaians think government is doing fairly well or very well in addressing the needs of the poor. It is worth noting that in February 2008 government introduced a Livelihood Empowerment against Poverty (LEAP) programme under which cash of between 8 and 15 Ghana Cedis will be transferred to poor households to help alleviate extreme poverty. Disbursement under this programme commenced in March 2008, the period of the fieldwork of this study.

OPINIONS ON ECONOMIC REFORMS

Despite the generally positive economic outlook among Ghanaians, many people now say that the costs of reforming the economy are too high and that government should abandon the current economic reform policies. More than a third (34 percent) of Ghanaians, representing a doubling (an 18 -point increase) over 2002, holds this view. In fact, less than 6 in 10 Ghanaians (59 percent) are willing to accept economic hardships now in order to ensure a better future. This figure compares unfavourably with 65 percent in 2005 and 72 percent in 2002. While a majority accept the need for continued sacrifice, it appears that many Ghanaians are running out of patience with the implementation of policies whose benefits are taking too long to materialise.

Moreover, a majority (54 percent) continue to hold the view that government's economic policies have hurt most people. However, it is worth noting that this represents a significant decline from the 67 percent recorded in 2005 and it is also the lowest score on this item since 1999. For the first time, more than 4 in 10 Ghanaians (41 percent) – compared with a little over a quarter (26 percent) in 2005 – believe that the government's economic policies have helped most people.

Table 2: Satisfaction with economic reforms (percent agree/agree very strongly)

	Percent agree/agree very strongly				Change (2005-2008)
	1999	2002	2005	2008	
Costs too high/abandon current economic policies	62	16	31	34	+3
Accept hardships now for a better future	38	72	65	59	-6
Government's economic policies have helped most people	26	28	26	41	+15
Government's policies have hurt most people	57	60	67	54	-13

Source: Afrobarometer Survey (1999, 2002, 2005 and 2008)

Negative popular sentiments about economic reform in Ghana are probably a reflection of the unpopularity of policies introduced in recent years, notably petroleum deregulation (since 2005). This policy may be an economically rational means to redress inefficiencies in the sector, but it has become increasingly disliked among sections of the Ghanaian society. Deregulation and associated price increases were at the centre of nationwide protests against economic hardships in December 2007 by the political pressure group known as the Committee for Joint Action (CJA). Recently, the Ghana Trades Union Congress (GTUC) also expressed concern about taxes on petroleum products and called for their removal. Similarly, the Government's decision to contract a foreign company - Aqua Vitens Rand Ltd - to operate the Ghana Water Company has been blamed (rightly or wrongly) for the recent severe water shortages in many parts of the country, especially in urban areas. These protests have been accompanied by calls for the cancellation of the contract and reversion of the management of the Ghana Water Company to local people.

BUT WHY ARE GHANAIS EVINCING LESS PATIENCE WITH ECONOMIC REFORMS?

By way of conclusion, three possible reasons are proposed for lowered levels of popular patience with economic reforms in Ghana. These are:

- Poor living conditions
- The perceived negative impact of government's economic policies, and
- The government's poor performance in dealing with inflation.

Each of these explanations will be discussed in turn. First, among Ghanaians who think that the government should abandon its economic reform policies, more than half describe their present living conditions as bad (57 percent). A far smaller proportion who describe their living conditions as good (just 33 percent) go so far as to call for an end to the reform program.

Second, people who believe that the government's economic policies have hurt most Ghanaians (62 percent) are likely to advocate an end to reform. By contrast, people who perceive beneficial impacts from government policies are far less likely to demand changes to the official policy package for managing the economy (35 percent).

Finally, fully 70 percent of those who think the government has failed to ensure stable prices also say that they want to terminate the economic reform program. Yet only 27 percent of those who applaud the government's performance at inflation control feel the same way.

Table 3

	Abandon policy
Present living conditions bad	57
Present living conditions good	33
Difference	+24
Economic policies hurt most people	62
Economic policies helped most people	35
Difference	+27
Govt. performed badly at reducing inflation	70
Govt. performed well at reducing inflation	27
Difference	+43

The large gaps between the reform preferences of these various groups – ranging from 24 percentage points to 43 percentage points – suggests that all three of these factors play a role in explaining lowered levels of economic patience in Ghana. These gaps in preferences are not only wide but also statistically significant (not shown). Comparing rival explanations, however, we infer that perceptions of runaway prices has been most damaging to popular support for economic reform. To be sure, poor living

conditions and perceptions of unequal impact have undermined the construction of a constituency for market reforms. But, from a public opinion perspective, rising prices – notably for cooking fuel such as liquefied natural gas, but also including other consumer goods – are the most serious threat to continued popular support for economic reform policies in Ghana.

This Briefing Paper was prepared by CDD-Ghana (<http://www.cddghana.org/>).

The Afrobarometer, a cross-national survey research project, is conducted collaboratively by social scientists from 20 African countries. Coordination is provided by the Center for Democratic Development (CDD-Ghana), the Institute for Democracy in South Africa (IDASA), and the Institute for Research in Empirical Political Economy (IREEP, Benin). Several donors support the Afrobarometer's research, capacity building and outreach activities, including the Swedish International Development Cooperation Agency, the Department for International Development (UK), the Royal Danish Ministry of Foreign Affairs, and the U.S. Agency for International Development. For more information, see: [**www.afrobarometer.org**](http://www.afrobarometer.org)