

Final report



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# Monthly summary of the economic situation in Ghana



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# **Monthly Summary of the Economic Situation in Ghana**

**January & February 2020**

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## Executive Summary

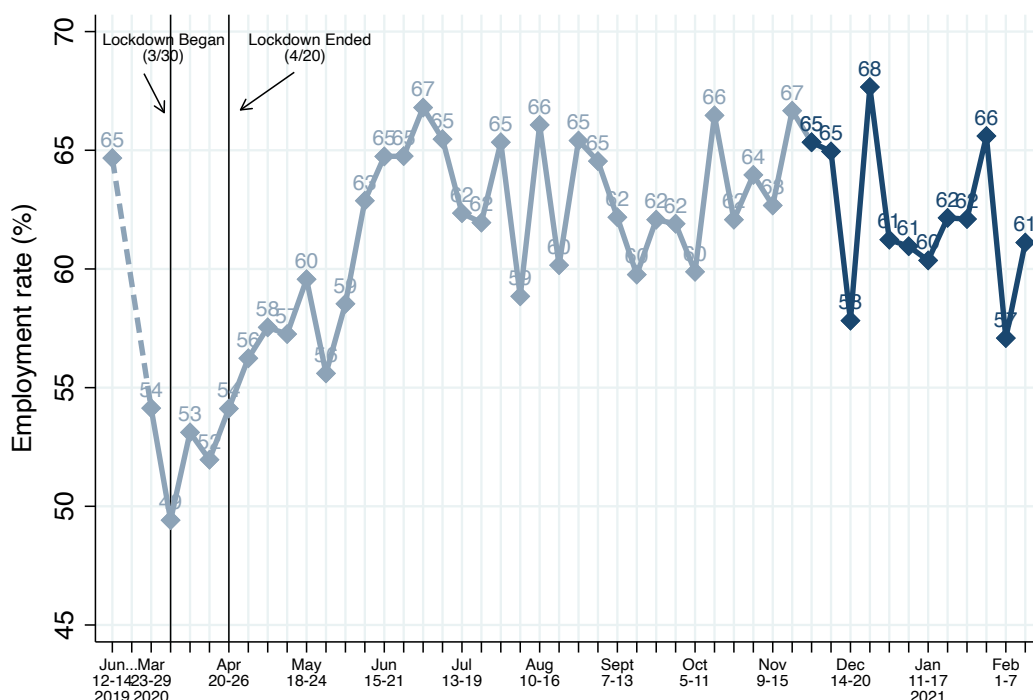
This document is the last in a series of monthly summaries of the economic situation in Ghana. This report primarily focuses on two main economic indicators: employment and electricity usage, drawn from weekly surveys of urban employment and monthly data on electricity distribution. Following up on the previous reports, this document reports updated trends in urban employment statistics up to February 2021 and electricity usage up to November 2020. In addition to the two indicators, this month's report contains a preliminary analysis of the electricity subsidy program, which was initiated in March 2020 and extended through the end of the year in July 2020.

Similar to the previous version of this report, no significant change is observed from the employment surveys, indicating that the urban labor market is continued to be stabilized since early July. The stable trend in the employment statistics is encouraging, given that Ghana recently experienced a spike in COVID cases. Trends in both residential and nonresidential electricity consumption also show that the economy was fast recovering since the end of the lockdown. Time series comparison of residential electricity consumption between lifeline and non-lifeline consumers shows that despite the partial termination of the electricity subsidy program in July, residential electricity consumption continued to rise towards the end of the year. However, these findings should be interpreted carefully, since more recent data and a thorough analysis are required to assess the effects of the electricity subsidy program.

# Recent Trends in Urban Labor Market Statistics

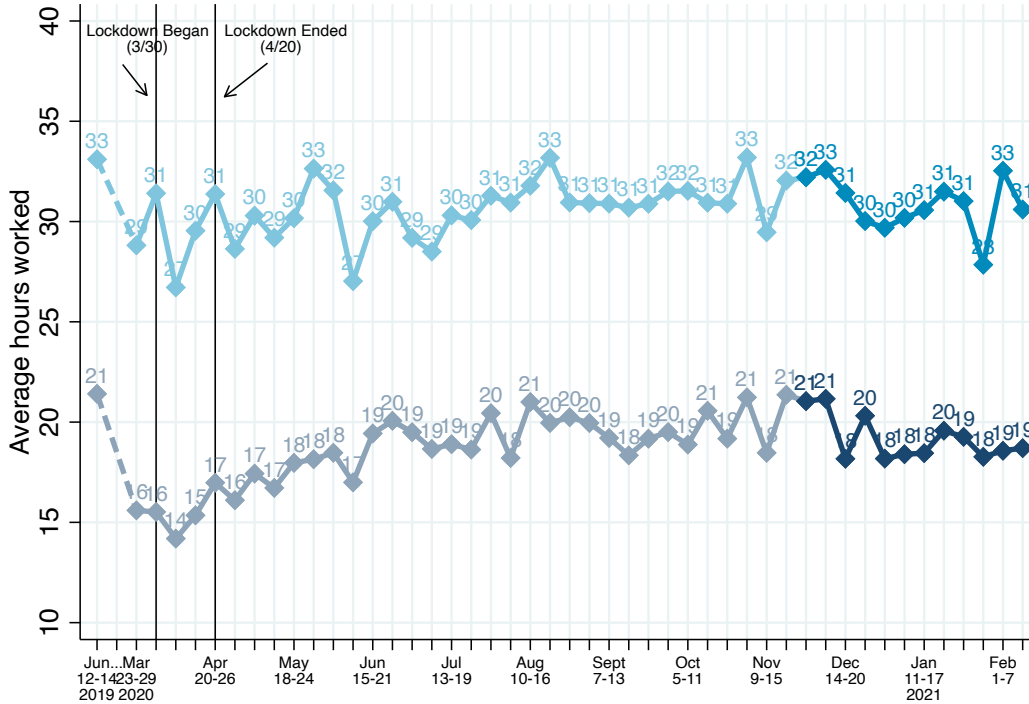
**Trends in Urban Labor Market Statistics** Results from weekly employment survey up to the first week of February indicate that the urban labor market situation in Ghana, proxied by employment rate and hours worked, is continuing to be stable. The average employment rate in Accra and Kumasi in this period is 62.3%, which is about 0.2 percentage point lower than the level observed in October. Average hours worked, measured per adult and per worker, are also staying at a level similar to September and October 2020.

Figure 1: Employment Rate in Accra and Kumasi



Source: Weekly online employment surveys covering 500 individuals per survey. The employment rate is the percentage of respondents reporting that they worked for pay or profit in the last 7 days.

Figure 2: Average Hours of Worked in Accra and Kumasi



Notes: The figure shows this year’s employment rate as a percent of last year’s employment rate. Last year’s employment rate is normalized to 100. The shaded region is the period during the lockdown in Ghana.

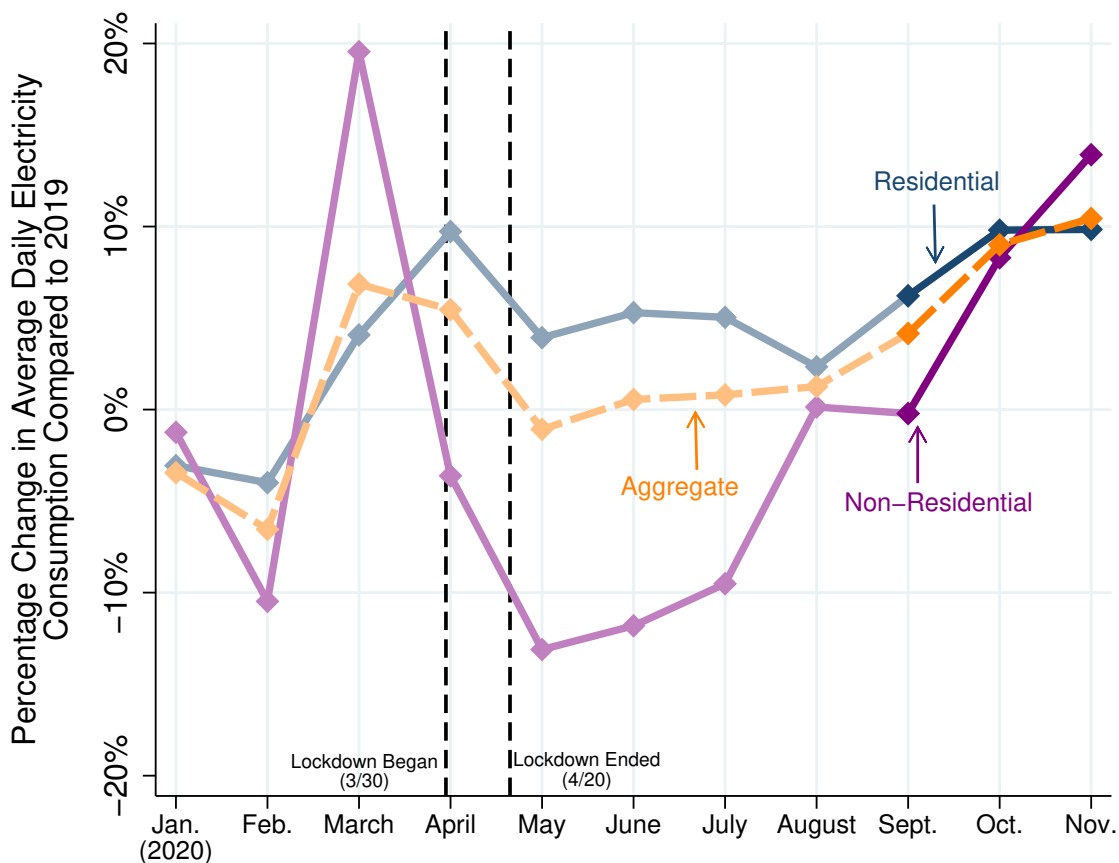
**Patterns in Urban Labor Market Statistics**

- Since July, employment rate is appeared to be recovered to the pre-COVID level and stabilized there. Average employment rate from November 2020 to the first week of February 2021 is 62.3%, which is 0.2 percentage point higher than the level observed in September and October 2020.
- Both measures of hours worked (per worker and per adult) continued to stay at the level similar to September and October 2020.

## Recent Trends in Electricity Consumption

Both residential and non-residential electricity consumptions showed a steady increase since September to November 2020. In September 2020, residential electricity consumption surpassed the previous year counterpart by 6.2 percent while non-residential electricity consumption went down marginally by 0.2 percent. The trend is observed in the entire nation, regardless of whether the region was under the lockdown in April or not. The overall electricity consumption in November 2020 is up by 10.4 percent compared to November 2019, as a result of the upward trends observed in both components.

Figure 3: Year-to-Year Change in Monthly Electricity Consumption in Ghana, 2020

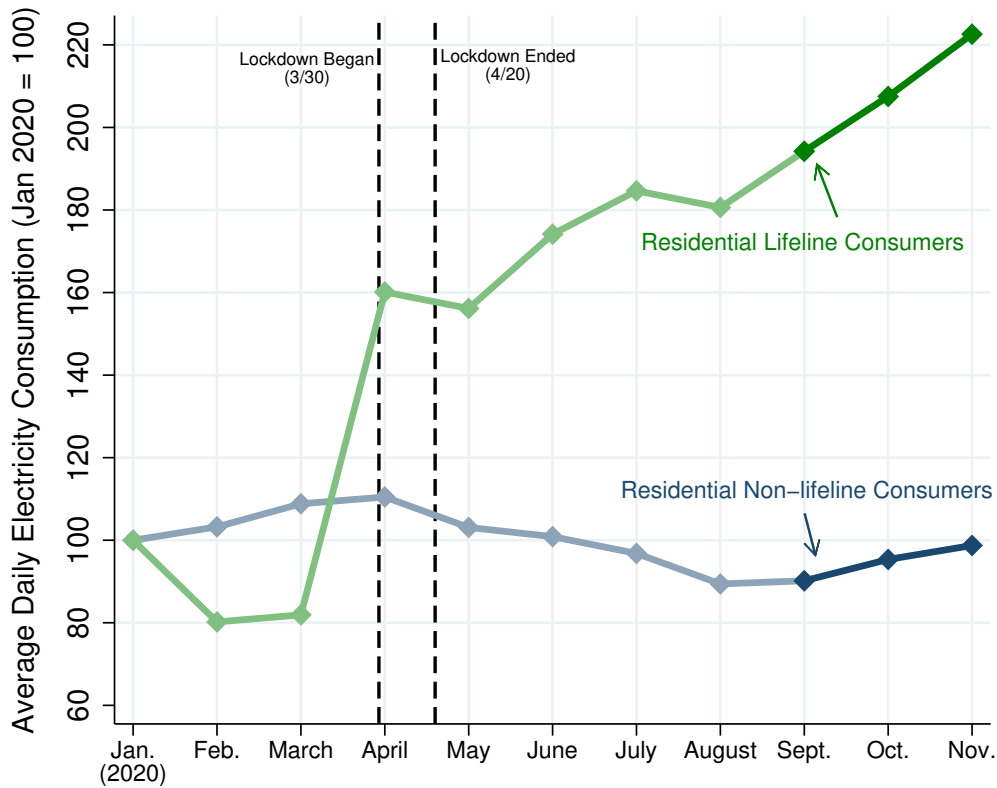


Notes: Electricity usage include both pre- and post-paid consumption. The data was sourced from the Electricity Company of Ghana.

Providing electricity with a cheaper price was one of the major policy responses that the Government had undertaken. In early April 2020, the Government announced an electricity subsidy program, providing free electricity for three months to “lifeline consumers”, who consumed less than 50 kWh in the month of March. Households that consumed more than the lifeline amount were promised a 50% reduction in the cost of electricity over the same time period. On July 23rd, an extension of the electricity relief program was announced under the government’s Ghana Coronavirus Alleviation & Revitalisation of Enterprises Support (CARES) Obaatanpa Programme. The extended program was to retain free electricity for all lifeline consumers for the rest of the year, but removed the 50% absorption of electricity fee for the non-lifeline consumers.

Since the electricity data used in this analysis encompass both pre- and post-paid consumers, we conducted additional analysis to see the efficacy of the subsidy program in bolstering electricity consumption. While the subsidy program was expected to raise the electricity consumption among the lifeline consumers, excluding the non-lifeline consumers from July, which account for 71% of the sample, could have off-setted the desired policy impact.

Figure 4: Average Daily Electricity Consumption by Residential Lifeline and Non-Lifeline Consumers, January - November 2020.



Notes: Electricity usage include both pre- and post-paid consumption. The data was sourced from the Electricity Company of Ghana.

Figure 4 shows the time series of residential electricity consumption, separately for lifeline and non-lifeline consumers. Lifeline consumers are defined as those who consumed zero to 50 kWh of electricity in March 2020. Two findings are worthwhile to mention. First, the time series pattern highlights profound impact of the initial electricity subsidy program on the residential electricity consumption of lifeline consumers. After the initial announcement of the program in March, residential electricity consumption from the lifeline consumers nearly doubled in April, and stayed at the higher level for a prolonged period of time. Consumption from non-lifeline consumers, on the other hand, are not observed to be affected by the policy as dramatically. Second, the patterns after July indicates the there could have been a negative impact of the termination of the subsidy program for the non-lifeline consumers, but in a small magnitude. While the electricity consumption from lifeline consumers continued to be above January 2020 after July 2020,



those from the non-lifeline consumers decreased to below the January 2020 level in August 2020 and slowly recovered.

### **Patterns in Residential and Non-residential Electricity Consumption**

- In November 2020, both residential and nonresidential electricity consumption are observed to be higher than the same month in 2019 level. Compared to the same months in 2019, residential electricity consumption in November is 9.8% higher.
- Compared to the same months in 2019, nonresidential electricity consumption in September was higher by 13.9%.
- The increase in the residential electricity consumption is largely driven by the steady increase in electricity consumption from lifeline consumers, who account for 29% of the sample. On the other hand, as the 50% electricity subsidy disappears after July, non-lifeline consumers are observed to have reduced their electricity consumption by a moderate amount.

The International Growth Centre (IGC) aims to promote sustainable growth in developing countries by providing demand-led policy advice based on frontier research.

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