

## FINANCIAL CRISIS AND ITS EFFECTS ON THE NATIONAL ECONOMY (GHANA)

Enoch Okomfo Okonah (student Author)

*Girne American University, department Economics*

North Cyprus

[yodae1982@yahoo.com](mailto:yodae1982@yahoo.com)

### Abstract

The current financial challenges following closely a recovery from global financial crunch in 2007 and 2008. Ghana impressive gains in 2009 through to 2011 was remarkable and enviable by the international community. However this considerable growth did not last for long when the country plunged into another financial crisis between 2012 and 2015. It was expectant that Ghana would run into financial crises due to huge public expenditure in the run up to the 2012 general election which saw the country's budget deficit soaring prodigiously to 12.1% of GDP in 2012. Moreover the country's public debt rose to 48.9% of GDP in 2012, the monetary policy rate also saw astronomical rise from 19% to 21% in 2012 an indication that government borrowed to finance the fiscal slippage and inflation galloping from a single digit of 8.6 in 2011 to 13.2 in 2012. Average lending rate on interbank market rose from 21% to a whopping 27% in 2012. The development that crippled and deprived the private sector of the needed fund to drive growth. This was clearly shown in GDP and GDP growth trend. The sharp slump in the GDP growth rate from 15% in 2011 to 8.6% in 2012 and further plummeted to 4% in 2015 were enough evidence that the country is battling with crises. The decline in oil price when Ghana had become oil producer have had its fair share of the crises compactment. Ghana being a part of the global market have not been spared of the impact of the oil price regime facing the global oil market. In whole, the country's fiscal and macroeconomic outlook have deteriorated significantly calling for austerity measures to save the country from total collapse and restore confidence. Among the policy intervention embarked on by the government was a bail-out from the International Monetary Fund (IMF) in later part of 2014. The study analysed the features and extent of the effect of the crises, policy implication and responses. Ghana just like any other developing country, against these development would be more gallible as its inflation, fiscal and macroeconomic outlook deteriorate. The crises is likely to compound already volatile situation if not tammed raptly to avoid total erosion of gains made in the past.

**Keyword:** GDP, Inflation, Policy Rate, oil price, Fiscal Deficit, macronomic outlook