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# **EXECUTIVE SUMMARY**

## **General Overview**

The Ghanaian economy has shown significant resilience over the first three quarters of 2005 in spite of record high crude oil prices on the international markets. At the end of September gross international reserves were enough to provide 3 months of import cover and expected to reach US\$2.0 billion (4 months) by the end of the year. Indicators of economic activity through to August suggest robust developments in output. The headline rate of inflation inched up in September after a five-month decline, notwithstanding this development, consumer price inflation is projected to stay within the targeted range for the year.

## **Fiscal Developments**

The developments in the budget for the first three quarters requires significant fiscal effort in the last quarter to achieve end year targets. The overall budget balance (narrow coverage) over the three quarters recorded a deficit of ₵456.9 billion compared with a surplus of ₵1,016.1 billion targeted by the end of the third quarter. Tax revenues were 5.5 per cent lower than targeted and domestic expenditures were 3.2 per cent higher than programmed. These require compensating measures to ensure that the budget is on track by the end of the year. Total domestic financing at the end of September was ₵980.2 billion, implying that a net repayment of almost ₵1,976.2.0 billion will have to be made in the fourth quarter if the net domestic financing of ₵996.0 billion is to be met.

## **Monetary Developments**

Monetary developments in the review period were broadly in line with the programme for the year. Growth in reserve money and broad money were within the end-year targets and significantly lower than growth in the previous year. Reserve money for example grew by 19.3 per cent compared to a growth of 37.4 per cent in the same period last year. Broad money supply (M2+) grew by 23.0 per cent year-on-year as against growth of 37.9 per cent last year. Credit to the private sector grew by 35.5 per cent against 33.1 per cent a year ago.

## **Stock Market Developments**

The stock market continued to remain bearish as investors looked to alternatives to shares. The GSE-All-Share Index fell by 28.2 per cent in the nine-month period to close at 4,878.3 points. Market capitalization at the end of the review period stood at ₵92,129.8 billion, a decrease of 5.6 per cent from ₵97,614.5 billion at the end of 2004 as share prices fell and Metaloplastica Ghana Limited was delisted from the Exchange.

## **Price Developments**

Domestic price developments suggest that the pass through of high international crude oil prices has been well contained. Headline inflation rose from 11.8 per cent at the end of 2004 to 16.7 per cent at the end of the first quarter and declined continuously to 14.7 per cent in August. Inflation inched up to 14.9 per cent in September 2005.

## **External Sector Developments**

The terms of trade were broadly against Ghana in the review period. While the price of cocoa averaged US\$1,554.7 per tonne, a drop of US\$46.8 per tonne, crude oil prices rose, averaging US\$63.55 per barrel compared with US\$41.3 per barrel in December 2004. The

current account of the balance of payments in the review period recorded a deficit of US\$272.3 million compared with a surplus of US\$22.0 million in the same period in 2004. Gross international reserves, however, remained high at US\$1,732.94 million, enough to cover 3.0 months of imports of goods and services.

### **External Debt**

Government debt servicing through Bank of Ghana (excluding obligations to the IMF) in September 2005 amounted to US\$19.15 million. Over the nine-month period, a total of US\$110.87 million was repaid. On cumulative basis, between January and September 2005 an amount of US\$126.85 million had been transferred into the HIPC relief account. Of this amount, US\$77.2 million (50.7%) was relief from Paris Club creditors and US\$74.3 million (48.8 %) from multilateral donors.

### **Outlook**

There has been significant macroeconomic stability over the three quarters of 2005 despite a significant deterioration in terms of trade and liberalization of domestic petroleum prices. This should provide a foundation for the accelerated growth strategy outlined in the GPRS II over the period 2006-2009.

## A. REAL SECTOR DEVELOPMENTS

### Review Of Indicators Of Economic Activity

#### Introduction

Developments in selected key indicators such as total tax collections by type, total social security contributions etc. provide strong bases for tracking growth in real sector activities.

Indicators of economic activities over the first seven months of 2005 suggest that real sector economic activities picked up in the period under review.

**Table 1: Selected Real Sector Indicators (in billion of Cedis unless otherwise stated)**

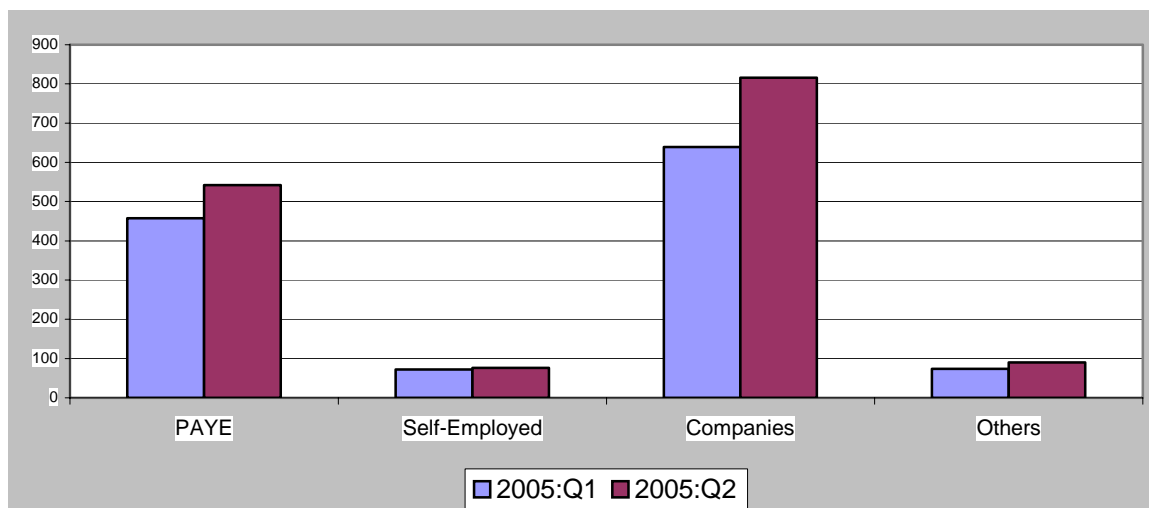
Income and Corporate Taxes	<i>Actual</i>			<i>Growth Rate 2005:Q1- Q2</i>	
	2005:Q1	2005:Q2	July	Nominal	Real
<b>(Billions of cedis)</b>					
PAYE	458.12	541.79	194.9	<b>18.3</b>	<b>13.73</b>
SELF-EMPLOYED	72.33	75.87	30.7	<b>4.9</b>	<b>0.86</b>
COMPANIES	638.97	815.85	131.0	<b>27.7</b>	<b>22.77</b>
OTHERS	73.172	90.08	63.8	<b>23.1</b>	<b>18.37</b>
Grand Total	1242.521	1523.59	420.4	<b>22.6</b>	<b>17.90</b>
<b>Social Security Contributions</b>					
Govt via A/C Gen	165.7	204.4	78.2	<b>23.3</b>	<b>18.61</b>
Govt Sub. Org	25.5	41.8	5.5	<b>64.4</b>	<b>57.61</b>
All Other Sources	249.5	279.3	102.5	<b>11.9</b>	<b>7.63</b>
Grand Total	440.7	510.6	183.4	<b>15.8</b>	<b>11.40</b>

Data Source: SSNIT and Revenue Agency Board (Revised Data)

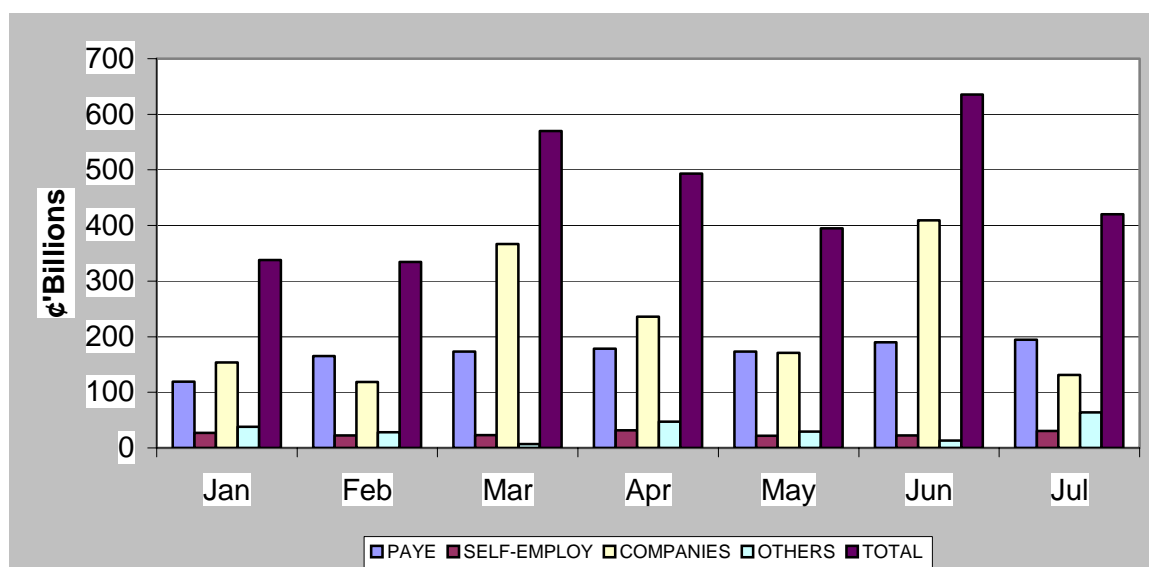
#### Income and Corporate Tax Collections by Type and Sector

The breakdown of revenue collections by type in the second quarter of 2005 indicates a modest increased in economic activity as compared with the first quarter of 2005. Total tax collections by Internal Revenue Service (IRS) increased significantly to ₵1,523.59 billion in the second quarter of 2005 compared with the first quarter position of ₵1,242.5 billion. This represents a 17.9 percent growth rate in real terms. The increase in total revenue in real terms was explained by a corresponding real increase in Pay-As You-Earn (P.A.Y.E) by 13.73 per cent, all companies by 22.7 per cent, other sources by 18.37 per cent and a marginal growth of 0.86 per cent from Self-Employed. (Table 1 and Charts 1&2). July data shows that tax collection from PAYE increased significantly.

**Chart 1: Quarterly Income and Corporate Tax Collections**



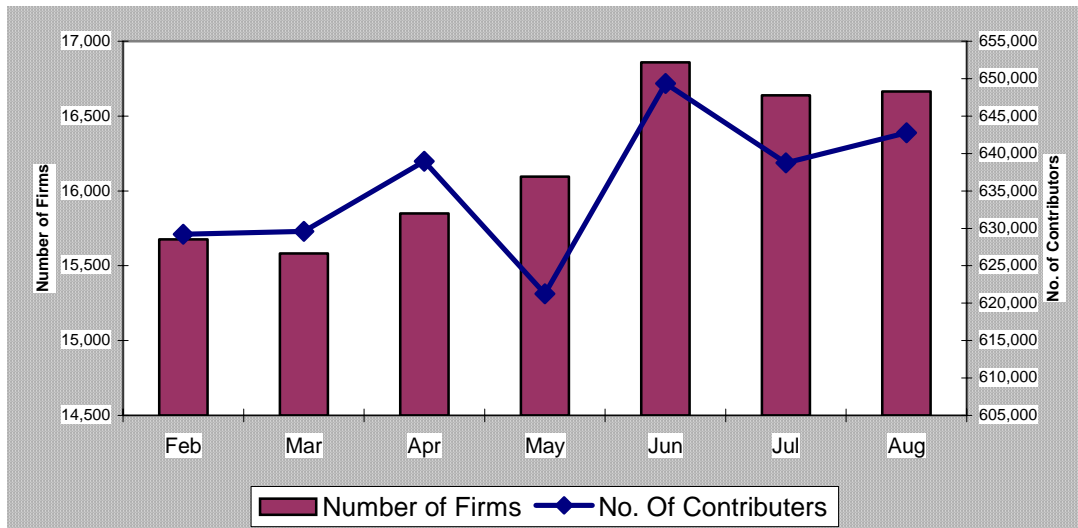
**Chart 2: Income and Corporate tax Collections : Jan-July 2005**



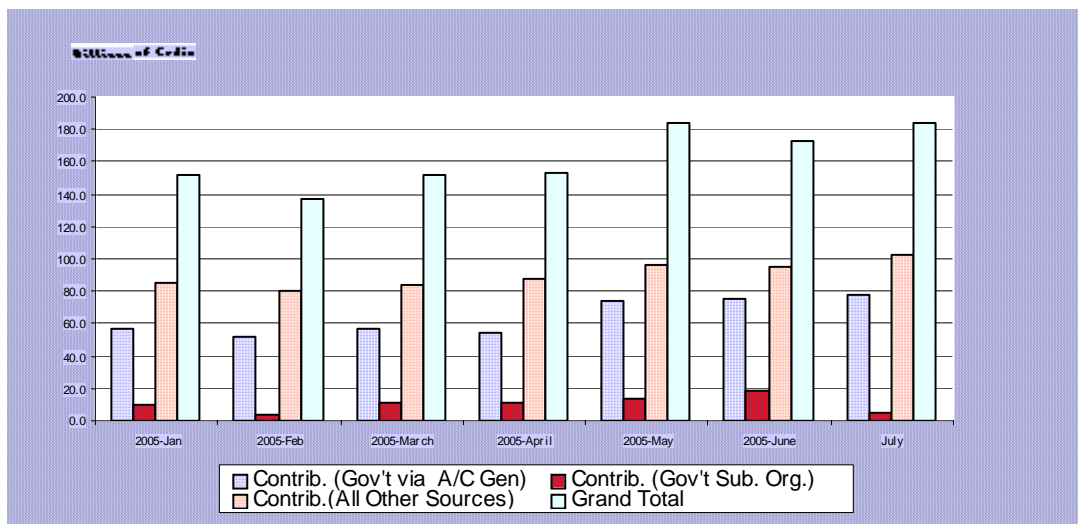
### Social Security Contribution

Social security contributions recorded a 5.6 per cent growth after adjusting for price changes in the early part of the third quarter of 2005 as indicated by July data compared with the June 2005 figure. Contributions from government employees through the Accountant General's Department increased from C165.7 billion in the first quarter of 2005 to C204.4 billion in the second quarter of 2005 (representing 14.8 per cent growth points in real terms). Contributions from all other sources recorded growth rates of 8.2 per cent and contributions from employees of subvented organization nose-dived by 69.7 per cent in July 2005 compared with the June position. Workers contribution to SSNIT in the early part of the third quarter of 2005 was moderated by the reduction in contribution from companies due to some companies defaulting in payments. However, the moderate growth achieved in employees' contributions to SSNIT in the early part of third quarter of 2005 again suggests that real sector economic activities improved slightly.

**Chart 3: Number of Firms and Employees Contributing to SSNIT**



**Chart 4: Breakdown in Workers Contribution to SSNIT January to July, 2005**



## Transport Sector

Efficient and reliable means of transport for both passengers and cargo is key to the growth of the economy.

Increased road transport activities could serve as a potential source of employment for the citizenry while at the same time providing additional source of income to the government in the form of taxes. It is against this backdrop that the road transport sector is being tracked as one of the indicators of real sector activities.

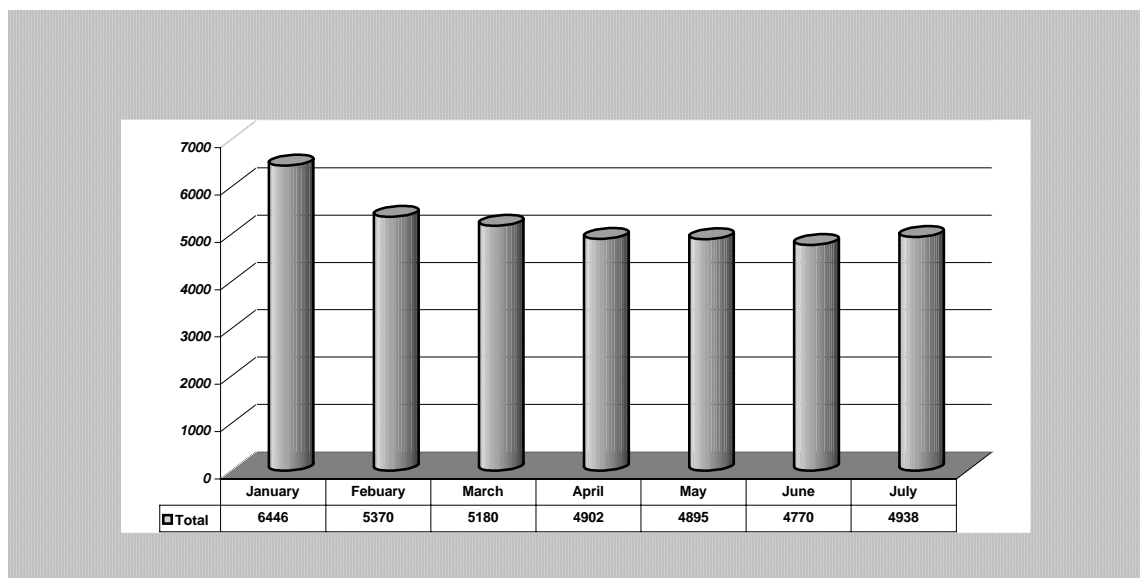
In July 2005, The Driver and Vehicle Licensing Authority (DVLA) registered a total of 4,938 new motor vehicles compared with 4,770 new motor vehicle registrations in June 2005 (representing about 3.5 per cent growth rate). The total number of motor vehicles registered in the period under review consists of 1,182 motorcycles, 1,909 private motor vehicles, 1,189 commercial vehicles, 318 buses and coaches, 169 rigid cargo trucks, 125 articulator trucks, 24 agricultural equipments and 16 Combined Harvesters. The number of new motor vehicles registered indicates increased means of transportation for both private and economic purposes and also increased revenue generation to government in the form of payment of registration fees by owners of these motor vehicles.

**Table 2: Types and Number of New Motor Vehicle Registrations**

	Jan	Feb	March	April	May	June	July
Motor Cycle	1246	1163	1176	1207	1515	1315	1182
Private Motor Vehicles	2732	1825	1591	1471	1611	1419	1909
Commercial Motor Vehicles (Upto 2000 cubic Capacity)	955	615	701	513	596	515	514
Motor Vehicles (above 2000 cubic capacity)	636	737	785	753	464	700	675
Buses and Coaches of all kinds	414	541	476	449	324	441	318
Rigid Cargo Trucks (up to 16 tons)	220	240	201	227	175	160	127
Rigid Cargo Trucks from 16-22 tons	43	47	42	33	27	35	21
Rigid Cargo Trucks above 22 tons	59	38	49	59	35	40	21
Articulator Trucks (up to 24 tons)	56	36	56	35	56	52	49
Articulator Trucks (24-32 tons)	47	30	25	67	39	31	28
Articulator Trucks (above 32 tons)	15	47	41	46	11	19	46
Agricultural Equipments	8	23	15	24	5	31	10
Combine Harvesters	8	12	11	12	13	9	14
Construction Equipment	4	11	4	5	6	0	16
Mining Equipment	0	0	3	0	0	0	0
Part.ID.Mark	3	5	4	1	18	3	8
<b>Total</b>	<b>6446</b>	<b>5370</b>	<b>5180</b>	<b>4902</b>	<b>4895</b>	<b>4770</b>	<b>4938</b>

Source: DVLA

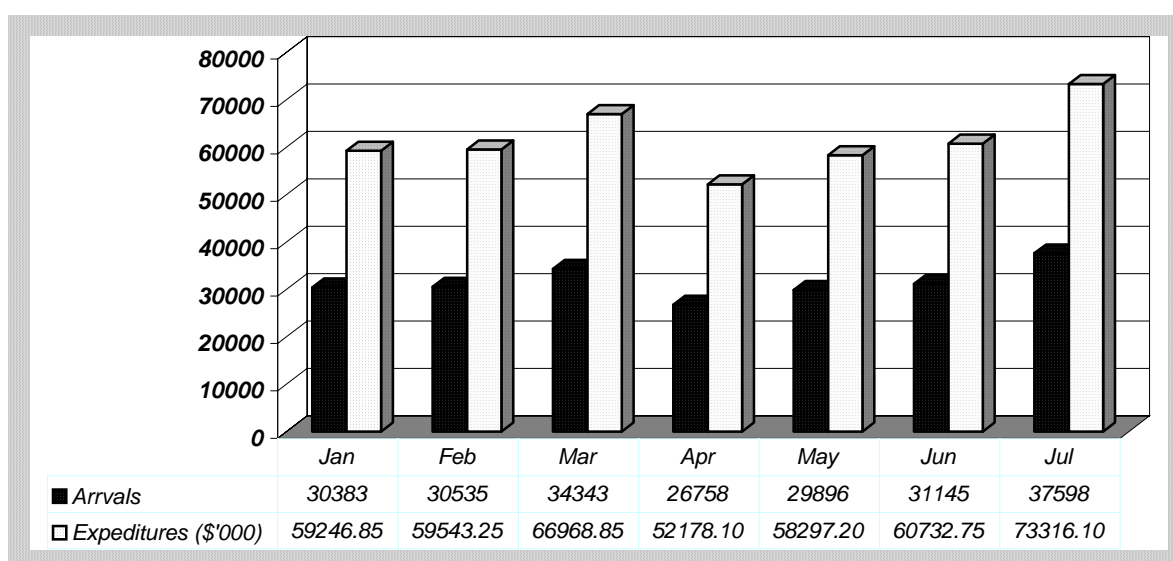
**Chart 5: Total Number of New Vehicle Registration by DVLA (Jan – July 05)**



### Tourist Arrivals

The tourism sector recorded an impressive performance during the first half of 2005 and continued during the early part of the third quarter. A total number of 37,598 international tourists visited the country in July compared with 31,145 tourist arrivals in June, representing about 20.7 per cent growth in tourist arrivals through the main point of entry into the country. The robust growth could be attributed to the increased promotion of domestic and conference tourism, improved security especially around the airport environment and areas visited by tourists. The increased presence of several international airlines at the country's airport and improvement in the airport infrastructure also played significant role in attracting tourist into the country.

**Chart 6: International Tourist Arrivals and Expenditures**



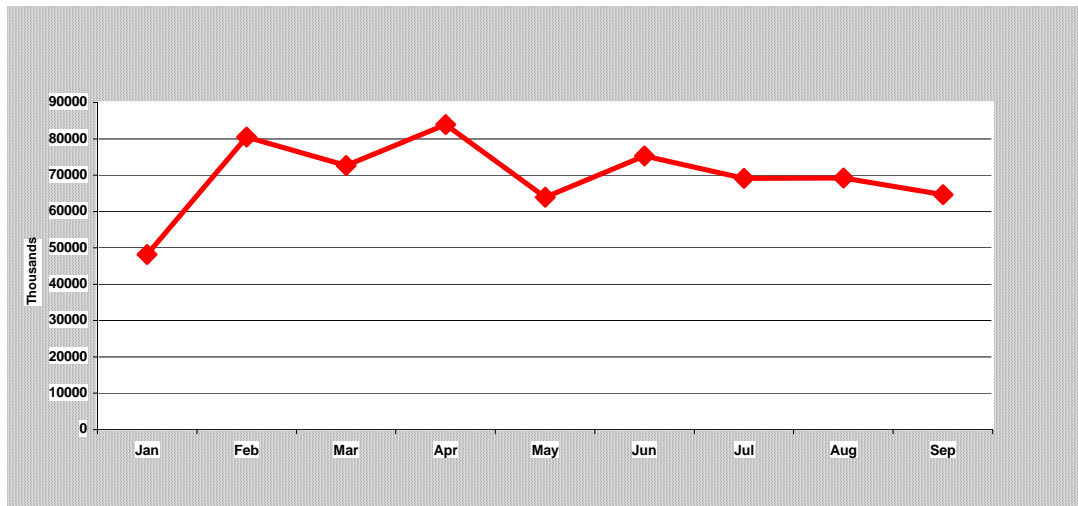
Source: Ghana Tourist Board

## Construction Sub-sector

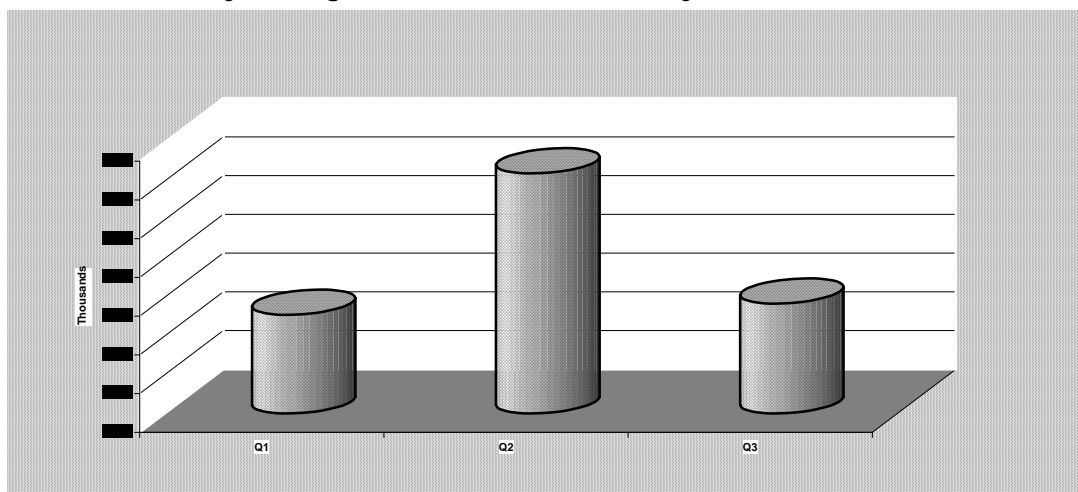
A key raw material for the construction industry is cement and is normally demand driven. Essentially, increased production and supply of cement into the market is a key indicator of activities in the construction industry.

The production of cement has some elements of seasonal characteristics. Total production of cement at the beginning of the year was 48,164 tons, rose significantly to 80,452 tons in February before slowing down to 72,675 tons in March 2005. The fall in March could be explained by fuel price increase in February and the onset of the rainy season, which normally slows down construction activities. On quarterly basis, the production of cement increased from 67,097 tons in the first quarter of 2005 to 74,392 tons in the second quarter indicating about 10.9 per cent growth rate. In the third quarter of 2005, a total of 67,676 tons of cement were produced, indicating about 9 per cent dip in production due probably to the effects of the rains. (See chart 7).

**Chart7: Production of Cement (tons) by GHACEM**



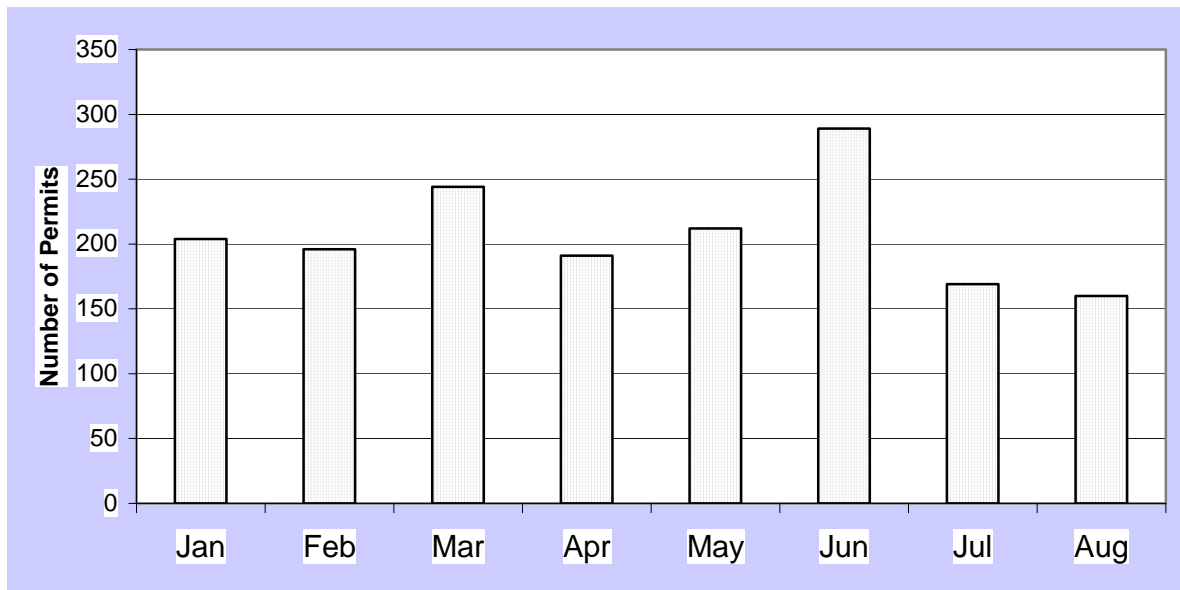
**Chart 8: Quarterly Average Production of Cement by GHACEM**



Another variable that could be used to track activities in the construction sub-sector is the number of building permits granted by building supervisory bodies/authorities in the

country. In the third quarter of 2005, a total of about 160 permits were granted to commercial, industrial and private developers by the various authorities.

**Chart 9: Total Building Permits Granted by Amasaman DA, TDC, and AMA (Jan – Aug 2005)**

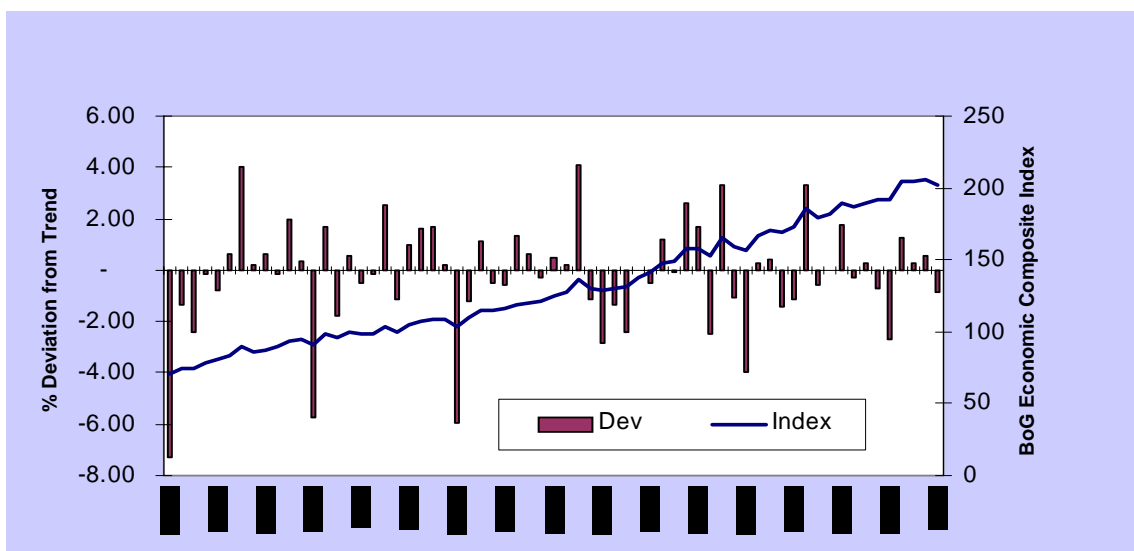


**Bank of Ghana Composite Index**

The Bank of Ghana’s Composite Index of Economic Activity(CIEA), which measures real sector activities including output of selected key enterprises, industrial electricity consumption, domestic VAT, port activity, imports, exports and employment contributions, indicates that real economic activities picked up in the early part of the third quarter of 2005.

The quarter-on-quarter Bank of Ghana Economic Composite Index growth rate shows that the Ghanaian economy picked up slightly in the second quarter of 2005 and has been trending upwards. This indicates that with the implementation of timely policies by both monetary and fiscal authorities even in the face of high crude oil prices, the Ghanaian economy still remains stable and resilient.

**Chart 10: Bank of Ghana Composite Index of Economic Activity**



## B. FISCAL DEVELOPMENTS

The overall budget balance for the first eight months of the year was a deficit of 2.28 per cent of GDP which was significantly higher than the deficit of 0.28 per cent of GDP in the same period of 2004. The composition of government expenditures however shifted in favour of capital expenditures at 6.75 per cent compared to 6.0 per cent in 2004. External support for the budget picked up as grants reached 4.29 per cent of GDP at the end of August.

Table 3: Fiscal Indicators (Billion of Cedis)

	2004	2004	2004	2005	2005	2005
	Q1 & Q2	Jan- Aug	Q1 & Q2	Jul-05	Aug-05	Jan-Aug
<i>Dom. Primary Bal</i>	472.53	610.09	1092.91	-217.77	101.3	976.44
<i>% of GDP</i>	0.66	0.82	1.25	-0.24	0.11	1.08
<i>Overall Bal</i>	-133.47	-208.05	-1882.62	-239.21	61.0	-2,060.83
<i>% of GDP</i>	-0.19	-0.28	-2.15	-0.27	0.07	-2.28
<i>Recc Exp</i>	6,735.20	9,473.84	7,376.17	1,612.53	1,521.40	10,510.10
<i>% of GDP</i>	9.34	12.75	8.41	1.81	1.68	11.61
<i>Capital Exp</i>	3,091.95	4522.67	4,884.94	3,78.92	842.1	6,105.96
<i>% of GDP</i>	4.29	6.09	5.57	0.43	0.93	6.75
<i>Grants</i>	2,162.25	3120.72	2,587.40	526.68	769	3,883.08
<i>% of GDP</i>	3.0	4.2	2.95	0.59	0.85	4.29
<i>Revenue &amp; Grants</i>	10,481.75	14,580.25	12,598.44	2,255.06	2,665.20	17,518.69
<i>% of GDP</i>	14.53	19.62	14.37	2.53	2.94	16.35
<i>Tax</i>	7,782.80	10,608.44	9,160.47	1,627.31	1,688.00	12,475.77
<i>% of GDP</i>	10.79	14.28	10.45	1.83	1.86	13.78
<i>Stock of Debt</i>	13,544.48	13,404.39	14,764.20	14,523.02	14,590.00	14,590.00
<i>% of GDP</i>	18.78	18.04	16.84	16.3	16.12	16.12
<b>GDP</b>	72,131.46	74,299.49	87,690.25	89,096.88	90,520.69	90,520.69

### Receipts

Total budgetary receipts for the month of September 2005 was ₵1,995.1 billion, which was 27.4 per cent below the estimate. This was on account of tax revenue of ₵1,559.0 billion and Non- tax receipts of ₵271.0 billion and National Health Insurance Levy (NHIL) of ₵165.1 billion which were 18.3 per cent, 59.4 per cent and 4.8 per cent respectively below their estimates. With the exception of HIPC assistance whose outturn for the month exceeded the estimate, all other tax revenue and Non Tax receipts lines fell short of their estimates.

Total receipts for the third quarter amounted to ₵6,728.1 billion, 2.29 per higher than the outturn for the corresponding period of 2004, but below the third quarter estimate by 4.51 per cent.

**Table 4: Receipts: January – September 2005 (Billion of Cedis)**

CATEGORY	2004	2004	2004	2004	2005	2005	2005	2005
	SEPT	SEPT	JAN - SEPT	JAN - SEPT	SEPT	SEPT	JAN - SEPT	JAN - SEPT
	OUTTURN	ESTIMATES	OUTTURN	ESTIMATES	OUTTURN	ESTIMATES	OUTTURN	ESTIMATES
<b>RECEIPTS</b>	<b>2,504.70</b>	<b>1,816.00</b>	<b>16,312.40</b>	<b>14,848.80</b>	<b>1,995.10</b>	<b>2,748.50</b>	<b>18,488.30</b>	<b>19,361.30</b>
<b>Tax Revenue</b>	<b>1,470.20</b>	<b>1,400.60</b>	<b>12,059.30</b>	<b>10,646.90</b>	<b>1,559.00</b>	<b>1,908.40</b>	<b>13,974.30</b>	<b>14,765.50</b>
CEPS	723.9	674.6	6,542.40	5,347.80	876	1,039.10	7,541.90	8,277.50
IRS	368.70	448.30	3479.40	3255.70	451.70	550.2	4,266.30	4,030.30
VAT	143.80	166.10	1428.40	1446.80	154.40	224.6	1,863.20	1,952.30
Cocoa Duty	233.90	111.60	609.10	596.60	77.00	94.5	302.9	505.5
<b>Non-Tax Receipts</b>	<b>1,002.10</b>	<b>216.7</b>	<b>3,210.50</b>	<b>2,852.50</b>	<b>271</b>	<b>666.7</b>	<b>3,643.60</b>	<b>3,647.30</b>
Non-Tax Revenue	211.20	103.10	825.60	691.30	60.50	115.90	511.90	1172.40
Grants	22.00	0.00	998.70	1139.30	18.10	357.00	1009.00	1313.30
HIPC Assistance	35.20	79.50	1163.40	715.90	192.40	96.70	1350.30	870.60
Divestiture	0.00	34.00	0.00	306.00	0.00	97.00	3.00	291.00
Others	733.80	0.00	222.90	0.00	0.00	0.00	769.40	0.00
<b>Other Revenue Measures</b>	<b>32.40</b>	<b>198.80</b>	<b>1042.60</b>	<b>1349.50</b>	<b>165.10</b>	<b>173.40</b>	<b>870.40</b>	<b>948.50</b>
National Health Insurance Levy	32.40	62.30	144.60	174.70	165.10	173.40	870.40	948.50
Petroleum Recovery Levy	0	104.5	898.0	969.8				
National Reconstruction Levy	0	24.0		132.3				
Timber Licence	0	8.1		72.7				
<b>Domestic Revenue</b>	<b>2,447.60</b>	<b>1,702.50</b>	<b>14,150.30</b>	<b>12,687.60</b>	<b>1,784.60</b>	<b>2,197.70</b>	<b>16,126.00</b>	<b>16,886.50</b>

For the first three quarters of 2005, CEPS collections amounted to ₵7,541.9 billion comprising Import duties and VAT of ₵4,784.6 billion, Petroleum taxes of ₵2,742.1 billion and levy on lumber of ₵15.2 billion. In addition, CEPS collected NHIL totalling ₵511.2 billion.

Direct taxes collected by IRS was ₵4,266.3 billion while Domestic VAT collections amounted to ₵1,863.2 billion. With exception of IRS, which exceeded its estimates by 5.86 per cent, CEPS, VAT and Cocoa duty fell short of their targets by 8.3 per cent, 4.6 per cent and 40 per cent respectively.

With respect to Non-tax receipts, receipts from programmed grants of ₵1,009.0 billion, non-tax revenue of ₵511.9 billion and Divestiture receipts of ₵3 billion were 23.17 per cent, 56.3 per cent and 99.0 per cent below their respective estimates. This shortfall was however moderated by receipts from HIPC Assistance of ₵1,350.3 billion which exceeded its estimate by 55.1 per cent.

## Payments

Total payments made in September 2005 amounted to ₵2,600.7 billion. This exceeded the estimates by 11.6 per cent mainly an account of higher non-statutory payments. The Statutory payments, however, fell short of their estimates by 22.7 per cent.

**Table 5: Payments: January – September 2005 (Billion of Cedis)**

CATEGORY	2004	2004	2004	2004	2005	2005	2005	2005
	SEPT	SEPT	JAN - SEPT	JAN - SEPT	SEPT	SEPT	JAN - SEPT	JAN - SEPT
	OUTTURN	ESTIMATES	OUTTURN	ESTIMATES	OUTTURN	ESTIMATES	OUTTURN	ESTIMATES
PAYMENTS	1,990.50	1,661.70	15,963.50	14,615.00	2,600.70	2,329.50	18,945.20	18,345.30
Statutory Payments	1,093.70	1,141.20	9,434.60	9,616.90	1,253.70	1,622.00	10,787.70	10,496.30
Interest domestic	157.40	131.80	1460.80	1,770.60	164.10	196.20	1697.60	1,975.70
Interest external	88.40	43.80	580.80	716.10	106.00	46.10	647.30	754.00
DACF	0.00	197.70	398.40	573.50	0.00	259.00	462.70	760.80
GET Fund	0.00	71.10	519.30	586.20	0.00	96.10	561.80	803.30
Wages & Salaries, Pensions	846.60	582.80	5627.20	4,966.90	983.70	885.20	6654.70	5076.20
Social Security Payments	0	40.3	397.0	358.2	0	51.4	288.8	443.4
Road Fund	0	62.1	402.7	546.7	0	71.9	423.7	559.3
VAT Refund	1.4	11.6	48.4	98.8	0	16.1	51.0	123.6
Non Statutory	896.8	520.5	6,528.90	4,998.10	1,347.00	707.5	8,157.50	7,848.90
Road Arrears	0	3.7	71.4	30	0	8.3	22.6	75.0
Non-Road Arrears	0	10.6	98.0	95.2	0	84.8	696.1	763.0
HIPC Financed Expenditure	166.6	98.8	1,122.10	669.9	277.4	143.9	1,435.90	969.2
MDA Drawings	364.1	0	2,869.90	0	541.9	0	2,983.50	0
Petroleum Expenditure	354.8	0	1,506.80	0	0	0	0	0
Other Payment	11.4	407.4	860.7	4,202.90	527.7	470.5	3,019.40	6,041.70
Domestic Expenditure	1,743.40	1,460.20	13,704.10	11,904.30	2,330.70	1,978.00	15,830.60	14,654.00

Payments for the first three quarters of the year amounted to ₵18,932.6 billion, exceeding the estimates for the period under review and the corresponding period in 2004 by 3.20 per cent and 18.60 per cent respectively. The payments were made up of ₵10,787.7 billion (56.94%) statutory and ₵8,175.5 billion (43.06%) Non-Statutory and were 14.3 per cent and 24.8 per cent higher than the figures for the corresponding period in 2004.

With the exception of Wages, Salaries and Pensions which were ₵1,578.5 billion (31.1%) above estimates, all the remaining statutory payment lines were below their estimates. On the non-statutory front, excess HIPC financed expenditures (48.2 %) over the estimates of ₵4466.7 billion (48.15%) was the major source of excess non-statutory expenditure for the nine-month period.

The major statutory payments were wages, salaries and pensions of ₵6,654.7 billion, Interest Domestic of ₵1,697.6 billion, Interest External of ₵647.3 billion and GET Fund of ₵561.8 billion. The non-statutory payments comprised HIPC financed expenditures of ₵1,435.9 billion, MDA drawings of ₵2,983.5 billion, Arrears of ₵718.7 billion and other payments of ₵3,019.4 billion.

## Financing

For the first nine months of 2005, fiscal transactions resulted in a narrow budget deficit of ₵456.9 billion. This deficit together with foreign repayments of ₵358.0 billion and ₵165.3 billion loss arising from the revaluation of matured inflation indexed bonds resulted in a Net Domestic Financing of ₵980.2 billion compared to the programmed Net Domestic repayment of ₵1,373.8 billion.

**Table 6: Financing: January – September 2005 (Billion of Cedis)**

CATEGORY	2004	2004	2004	2004	2005	2005	2005	2005
	SEPT N	SEPT ESTIMATES	JAN - SEPT OUTTURN	JAN - SEPT S	SEPT N	SEPT S	JAN - OUTTURN	JAN - SEPT S
<b>RECEIPTS</b>	2,504.7	1,816.0	16,312.4	14,848.8	1,995.1	2,748.5	18,488.3	19,361.3
<b>PAYMENTS</b>	1,990.5	1,661.7	15,963.5	14,615.0	2,600.7	2,329.5	18,945.2	18,345.3
<b>BALANCE</b>	514.3	154.4	348.9	233.8	-605.6	419	-456.9	1,016.1
<b>FINANCING</b>	-514.3	-154.4	-348.9	-233.8	605.6	-419	456.9	-1,016.1
<b>DOMESTIC NET</b>	<b>-313.3</b>	<b>-265.9</b>	<b>105</b>	<b>-968.1</b>	<b>-361.6</b>	<b>-669.2</b>	<b>980.2</b>	<b>-1,373.8</b>
Banking	-360.1		364.3		204.0	-334.6	1,832.60	-686.9
Bank of Ghana	-511.7		-763.2		123.0	0	-35.7	0
Deposit Money Banks	151.5		1,127.5		80.9	-334.6	1,868.30	-686.9
Non-Bank	46.8		-259.2		-565.5	-334.6	-852.4	-686.9
<b>FOREIGN NET</b>	<b>-85.1</b>	<b>93.1</b>	<b>-337.3</b>	<b>573</b>	<b>967.2</b>	<b>245.4</b>	<b>-358</b>	<b>494</b>
Loan Disbursement	0	0	778.2	925.4	1,178.6	204.6	1,178.6	1,248.7
Exceptional Financing	0	187.7	0	1,688.90	0.0	129.9	0.0	1,169.4
Loan Repayment	-85.1	-94.5	-1,115.50	-2,041.30	-211.4	-89.1	-1,536.6	-1,924.1
From GGILBs	-115.9	18.4	-115.9	161.3	0	4.8	-165.3	-136.2
<b>GDP AT CURRENT PRICES</b>	<b>77,850.0</b>	<b>77,850.0</b>	<b>77,850.0</b>	<b>77,850.0</b>	<b>96,319.0</b>	<b>96,319.0</b>	<b>96,319.0</b>	<b>96,319.0</b>
<b>BALANCE</b>	<b>704.2</b>	<b>242.3</b>	<b>446.2</b>	<b>783.3</b>	<b>-546</b>	<b>219.7</b>	<b>295.4</b>	<b>2,232.4</b>
<b>(In Percent of GDP)</b>	<b>0.9</b>	<b>0.31</b>	<b>0.57</b>	<b>1.01</b>	<b>-0.57</b>	<b>0.23</b>	<b>0.31</b>	<b>2.32</b>
<b>Net Domestic Financing</b>	<b>-313.3</b>	<b>-265.9</b>	<b>105.0</b>	<b>-968.1</b>	<b>-361.6</b>	<b>-669.2</b>	<b>980.2</b>	<b>-1,373.8</b>

### Composition of Domestic Debt

At the end of the third quarter of 2005, the total stock of domestic debt was ₵18,583.3 billion (19.3% of end year GDP), ₵1,686.1 billion (10%) higher than the stock at end-December 2004. The increase in the domestic debt stock was the result of ₵1,163.1 billion borrowing to finance the budget and ₵523. 0 billion revaluation losses converted into Bonds.

Short-term instruments decreased by ₵1,005.6 billion while the medium-term and long-term stocks registered increases of ₵2,168.7 billion and ₵523 billion respectively.

**Table 7: Structure of Domestic Debt as at September 2005 (Billion of Cedis)**

CATEGORY	Dec-04	Mar-05	Jun-05	Sep-05	SEPT 05 & DEC 04	As a % of Total
					ABS. CHANGE	
<b>A. SHORT TERM</b>						
91-Day Treasury Bill	3,382.40	3,739.50	4,249.30	2,388.20	-994.2	12.9
182-Day Treasury Bill	2,691.40	2,381.40	2,176.70	2,279.70	-411.6	12.3
1-Year Treasury Note	1,029.80	692	859.3	1,430.00	400.2	7.7
<b>SUB-TOTAL (A)</b>	<b>7,103.60</b>	<b>6,812.90</b>	<b>7,285.20</b>	<b>6,098.00</b>	<b>-1,005.60</b>	<b>32.8</b>
<b>B. MEDIUM-TERM</b>						
2-Year Treasury Note	0	0	0	0	0	0
2-Year Floating Treasury Note	1,599.40	2,134.60	2,481.50	2,623.10	1,023.70	14.1
2-Year Fixed Treasury Note	332.9	696.1	1,211.80	1,844.10	1,511.20	9.9
3-Year GOVT. GGILBS	506.8	225	225	225	-281.7	1.2
3-Year Floating Treasury Note	113.1	134.2	134.2	134.2	21	0.7
3-Year Fixed Treasury Note	156.9	156.9	158.6	158.9	2	0.9
GOG Petroleum Finance Bonds	800.2	800.2	800.2	800.2	0	4.3
TOR Bonds	1,855.00	1,855.00	1,855.00	1,747.50	-107.6	9.4
<b>SUB-TOTAL (C)</b>	<b>5,364.30</b>	<b>6,002.10</b>	<b>6,866.40</b>	<b>7,533.00</b>	<b>2,168.70</b>	<b>40.5</b>
<b>C. LONG-TERM</b>						
Long Term Govt. Stocks	590.7	590.7	590.7	0	-590.7	0
Revaluation Stock	3,816.80	3,816.80	3,816.80	4,930.50	1,113.70	26.5
Other Government Stocks	21.8	21.8	21.8	21.8	0	0.1
<b>SUB-TOTAL (C)</b>	<b>4,429.30</b>	<b>4,429.30</b>	<b>4,429.30</b>	<b>4,952.30</b>	<b>523</b>	<b>26.6</b>
<b>TOTAL (A+B+C)</b>	<b>16,897.20</b>	<b>17,244.30</b>	<b>18,581.00</b>	<b>18,583.30</b>	<b>1,686.10</b>	<b>100.0</b>

### Holdings of Domestic Debt

Bank of Ghana's holdings of domestic debt as at the end of September 2005 stood at ₵6,748.3 billion (36.3%) while the Deposit Money Banks (DMB's) held ₵8,535.9 billion (45.9%), SSNIT ₵582.6 billion (3.1%) and 'other' holders ₵2,716.6 billion (14.6%). This may be compared with respective holdings of 32.6 per cent, 46.0 per cent, 3.3 per cent and 18.0 per cent held in the previous month.

**Table 8: Holders of Domestic Debt as September at 2005 (Billion of Cedis)**

CATEGORY	Dec-04	%	Mar-05	%	Jun-05	%	Sep-05	%
	C'M		C'M		C'M		C'M	
<b>BANK OF GHANA</b>	5,957.4	35.3	5,857.2	34.0	5,969.9	32.1	6,748.3	36.3
<b>DEPOSIT MONEY BANKS</b>	6,727.2	39.8	7,166.6	41.6	8,116.7	43.7	8,535.9	45.9
<b>SSNIT</b>	715.6	4.2	722.9	4.2	639.0	3.4	582.6	3.1
<b>OTHER HOLDERS</b>	3,497.0	20.7	3,497.6	20.3	3,855.3	20.7	2,716.6	14.6
<b>TOTAL</b>	<b>16,897.2</b>	<b>100.0</b>	<b>17,244.3</b>	<b>100.0</b>	<b>18,581.0</b>	<b>100.0</b>	<b>18,583.3</b>	<b>100.0</b>

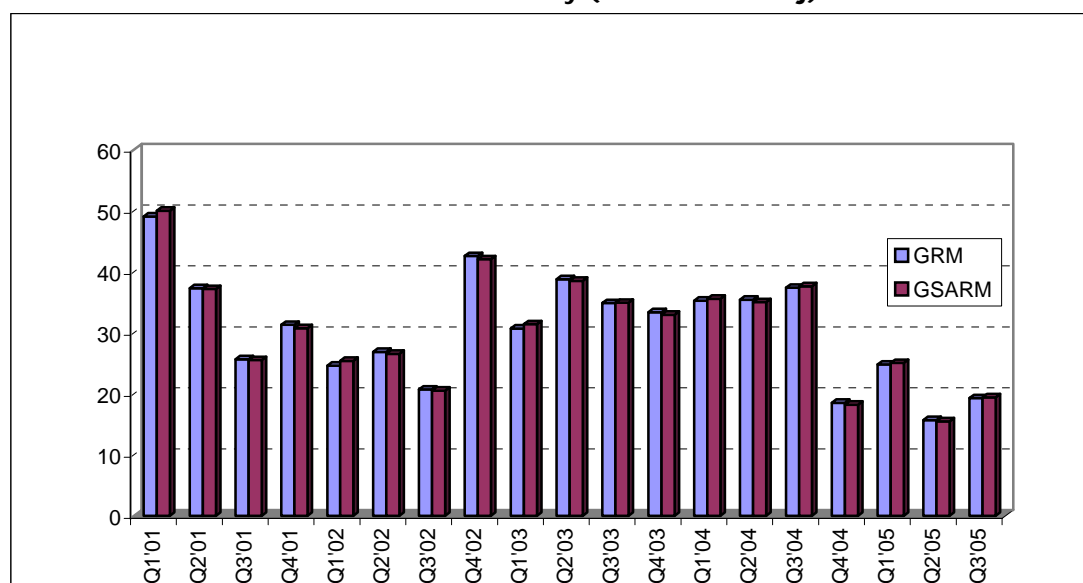
## C. MONETARY DEVELOPMENTS

### Reserve Money

The year-on-year growth rate of reserve money at the end of the third quarter showed a significant improvement compared to the same period last year. The annual rate of growth was 19.3 per cent (¢1,364.2 billion) compared with 37.4 per cent (¢1,924.3 billion) in the same period last year. Compared with the growth rate as at the end of December 2004, reserve money fell by 7.5 per cent (¢684.7 billion).

The developments in reserve money was largely driven by changes in non-bank deposits which fell by 67.4 per cent (¢120.6 billion) compared to a growth rate of 277.5 per cent (¢131.5 billion) in the corresponding period last year. This was mitigated by a 16.3 per cent (¢910.0 billion) increase in currency outside banks as well as an increase of 44.3 per cent (¢574.8 billion) in the reserves of banks. Seasonally adjusted, annual growth in reserve money at the end of the review period was 19.4 per cent, a little higher than the 19.3 per cent growth in the actual series.

**Chart 11: Annual Growth in Reserve Money ( Seasonal & Adj)**



### Sources of Growth in Reserve Money

The Net Domestic Assets (NDA) of the Bank of Ghana was the main source of the 19.3 per cent decline in reserve money as it fell by 73.6 per cent (¢842.5 billion). This was mainly on account of a 68.7 per cent (¢535.5 billion) fall in claims on the Rest of the Economy, as well as Other Items Net, which declined by 25.0 per cent (¢1,765.0 billion). The effects of these declines were however dampened by an increase in Net Claims on Government, which rose by 28.7 per cent (¢1,459.4 billion). The NFA of the Bank of Ghana also had a substantially offsetting impact on developments in reserve money as it increased by 26.9 per cent (¢2,206.7 billion) over the September 2004 position. However, compared to the position as at the end of December 2004, NFA fell by 5.9 per cent (¢650.6 billion).

## Broad Money Supply

Developments during the first three quarters of 2005 show a significant improvement in monetary conditions compared to the corresponding period last year. As at the end of August 2005, the annual growth rate of broad money supply including foreign currency deposits (M2+) was 23.0 per cent (¢5,230.7 billion), compared to an increase of 37.9 per cent (¢6,268.2 billion) in the corresponding period last year, even though the growth rate was only slightly higher by 5.0 per cent (¢1,342.3 billion) over the December 2004 position. The change in Broad Money was evenly reflected in its components even though the local currency component had an edge over the foreign currency component. Broad money excluding foreign currency deposits (M2) increased by 27.2 per cent (¢4,694.3 billion) on account of a 47.4 per cent (¢2,695.7 billion) increase in Savings and Time Deposits (contrary to a 36.4 per cent decline in the same period last year) as well as Demand Deposits which rose by 19.9 per cent (¢1,200.5 billion). Currency with the non-bank public also increased by 14.4 per cent (¢798.1 billion). The annual growth rate of Seasonally adjusted M2+ was 22.9 per cent as at the end of August 2005, compared with 25.8 per cent in December 2004.

Table 9:

### Summary of Monetary Aggregates (Annual Percentage Change – end period)

	Mar.04	Jun. 04	Aug. 04	Dec. 04	Mar.05	Jun.05	Aug.05	Sept.05
Reserve Money	35.3	35.4	33.2	18.5	24.8	15.7	27.8	19.3
o/w Currency	33.5	35.5	34.6	15.2	21.1	12.4	20.1	16.3
Seasonally Adjusted	35.6	35.0	33.4	18.2	25.1	15.4	27.9	19.4
<b>Broad Money (M2)</b>	<b>39.6</b>	<b>41.8</b>	<b>38.4</b>	<b>26.4</b>	<b>28.1</b>	<b>22.7</b>	<b>27.2</b>	
o/w Demand Deposits	49.6	56.1	48.2	44.6	36.0	19.0	19.9	
Quasi Money	36.2	35.3	33.4	22.5	26.9	37.3	47.4	
Seasonally Adjusted	39.8	41.7	38.4	26.3	27.7	22.6	27.2	
<b>Broad Money (M2+)</b>	<b>39.7</b>	<b>40.2</b>	<b>38.0</b>	<b>25.9</b>	<b>24.3</b>	<b>20.5</b>	<b>23.0</b>	
o/w Foreign Currency Deposits	40.1	35.3	36.7	24.1	12.8	13.6	9.7	
Seasonally Adjusted	39.8	40.1	38.1	26.9	24.1	20.4	22.9	
<b>DMBs' Credit</b>	<b>56.1</b>	<b>49.9</b>	<b>44.7</b>	<b>24.7</b>	<b>24.4</b>	<b>30.2</b>	<b>36.0</b>	
o/w Private Sector Credit Growth								
Seasonally Adjusted	39.5	37.2	33.1	29.4	34.4	55.8	35.5	

## Sources of Changes in M2+

The NDA of the banking system was the main source of the increase in M2+. It recorded an annual increase of 23.8 per cent (¢3,062.0 billion) as at the end of August 2005, compared to NFA growth of 21.9 per cent (¢2,168.7 billion). In December 2004, NDA had grown at 19.3 per cent (¢2,054.1 billion) while the NFA grew more at 32.7 per cent (¢3,439.3 billion). Indeed, compared to the same review period last year, it was the opposite effect as NFA growth was then at 57.5 per cent (¢3,610.6 billion) while NDA increased at a lower rate of 25.9 per cent (¢2,657.6 billion). The growth in NDA of the banking system during the review period was supported by increases in all of its

components. These included, an annual increase of 40.0 per cent (¢3,678.3 billion) in net claims on private sector; an increase of 22.3 per cent (¢748.6 billion) in claims on public sector; and an increase of 21.0 per cent (¢2,435.3 billion) in claims on government, both mainly from the DMBs. Other Items Net (OIN) on the other hand declined by 33.8 per cent (¢3,800.2 billion) mainly on account of OMO sterilisation, thereby offsetting the increases in NDA and NFA.

**Table 10: Growth in Actual & Seasonally Adjusted Monetary Aggregates**

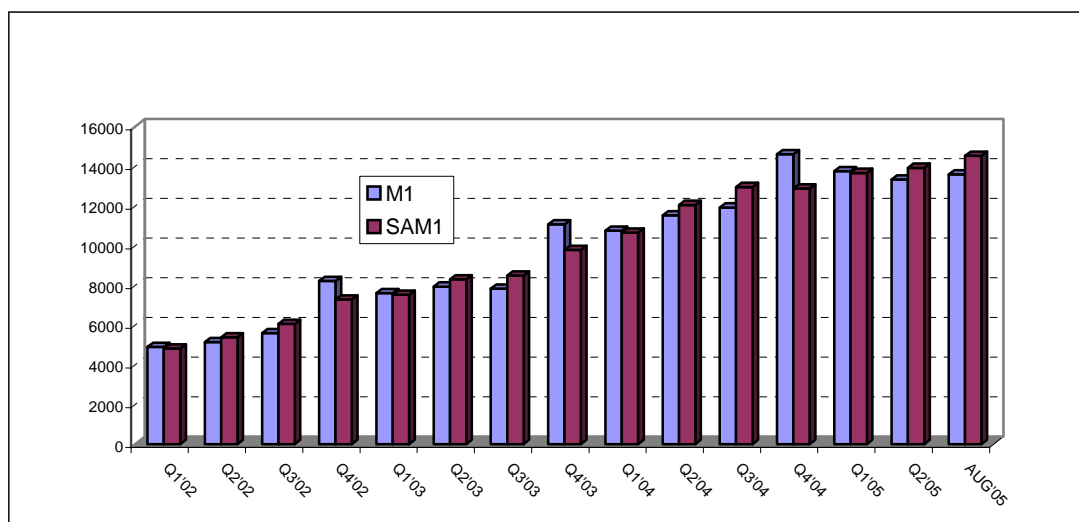
(Dec. 2003 – Aug. 2005)

	GM1	GSAM1	GM2	GSAM2	GM2+	GSAM2+
Dec-03	34.8	34.1	40.5	39.9	37.8	37.5
Mar-04	41.3	41.6	39.6	39.8	39.7	39.9
Jun-04	45.2	45.3	41.8	41.9	40.2	40.2
Sep-04	52.3	52.4	44.8	45.0	41.6	41.7
Dec-04	31.9	31.6	26.6	26.3	26.0	25.9
Mar-05	28.0	28.1	27.6	27.8	24.0	24.1
Jun-05	15.7	16.6	22.7	22.6	20.6	20.7
Jul-05	13.4	13.4	21.8	21.9	20.6	20.7
Aug-05	17.3	17.1	27.2	27.2	23.0	22.9

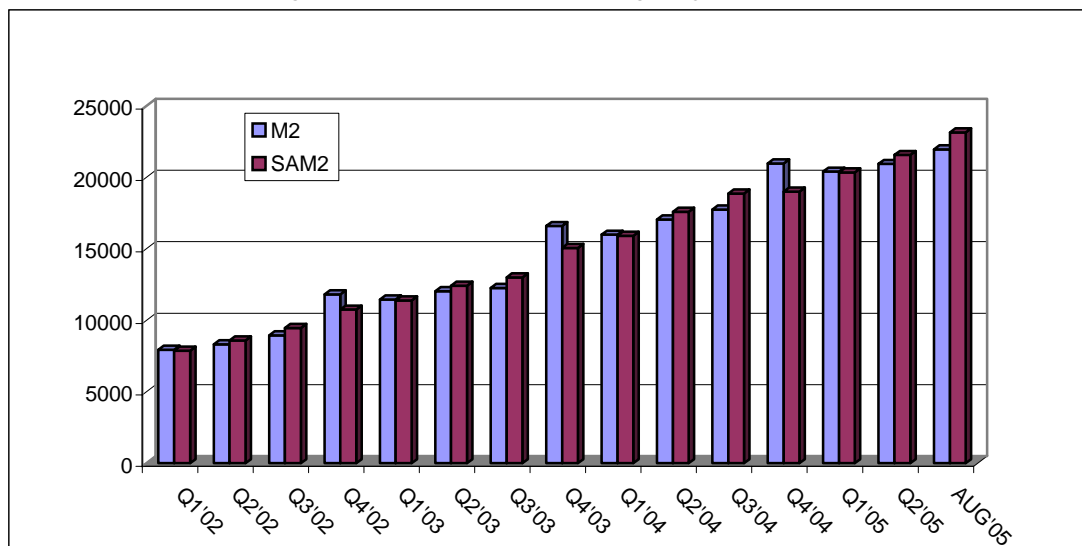
## Seasonal Factors

As expected, seasonal factors are beginning to emerge contrary to the subdued effect that was observed since the first quarter of 2005. This is indeed consistent with developments in the past where the onset of the major cocoa season often leads to the last-quarter hump in monetary conditions. It is however expected that this phenomenon will have a less severe effect this year.

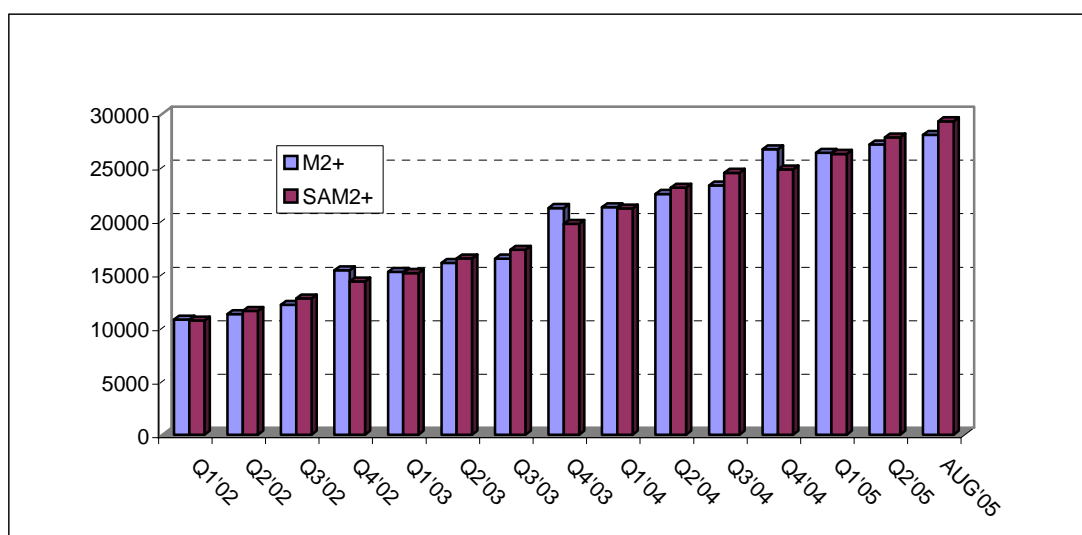
**Chart 12: Narrow Money (M1) Actual & Seasonally Adjusted**



**Chart 13: Broad Money (M2) Actual & Seasonally Adjusted**



**Chart 14: Total Liquidity (M2+) actual and seasonally Adjusted**



### Developments in DMB's Credit

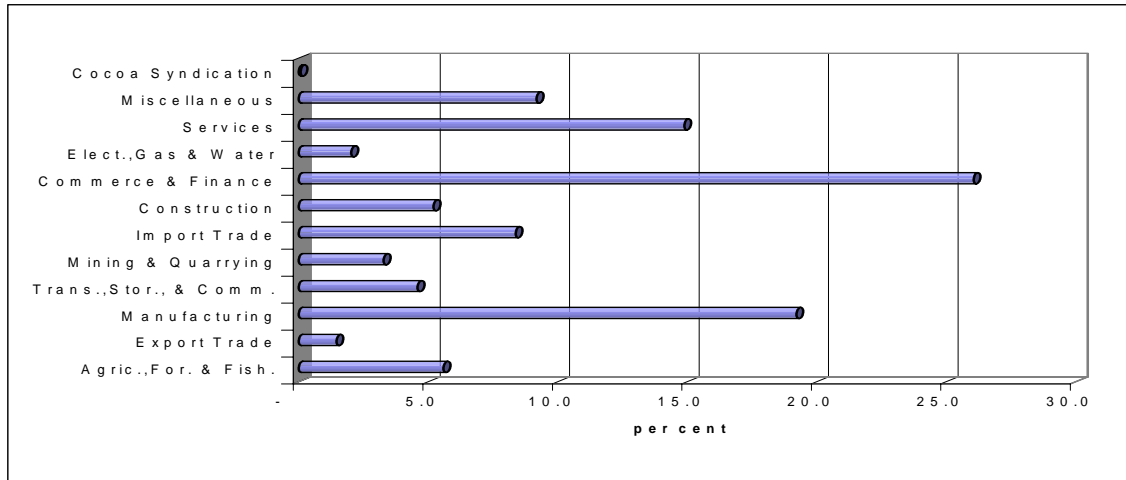
Available data for the first eight months of 2005 indicated that the annual growth rate of outstanding credit extended by DMBs to public and private institutions went up from 24.7 per cent (¢3,683.3 billion) in December 2004 to 36.0 per cent (¢4,355.5 billion) in August 2005 but this was lower than the 44.7 per cent (¢4,412.8 billion) growth recorded a year ago. Outstanding credit totaled ¢16,468.7 billion at the end of August 2005.

### Sectoral Distribution of Outstanding Credit

The Commerce & Finance (26.1% or ¢4,292.6 billion), Manufacturing (19.2% or ¢3,165.8 billion), Services (14.9% or ¢2,452.5 billion) and Miscellaneous (9.2% or ¢1,513.5 billion) sectors continued to receive the highest share of DMBs' outstanding credit. The combined share of these sectors rose from 64.8 per cent of total outstanding credit in December 2004 to 69.4 per cent in August 2005. The increased concentration of outstanding credit in these sectors is a reflection of the "flight to quality" syndrome<sup>1</sup> in the market.

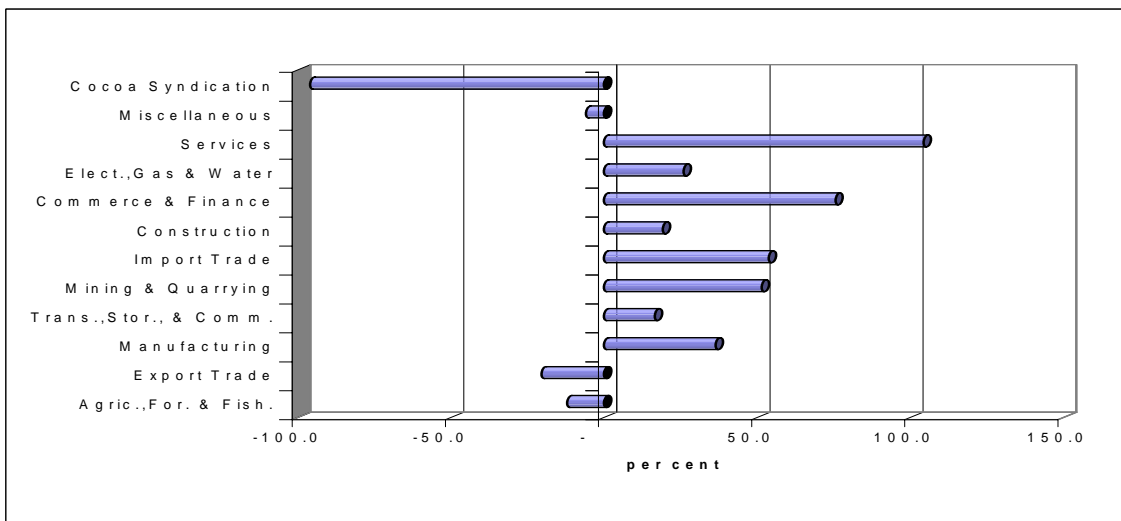
<sup>1</sup> The situation whereby banks lend only to sectors perceived to be of lower risk.

**Chart 15: Sectoral Share of Outstanding Credit (Aug ' 05)**



In terms of annual growth in outstanding credit, Services was the fastest growing sector (104.3%) followed by Commerce & Finance (75.6%), Import Trade (53.8%) and Mining & Quarrying (51.5%) in that order.

**Chart 16: Annual Changes in Stock of Outstanding Credit (Aug'05)**



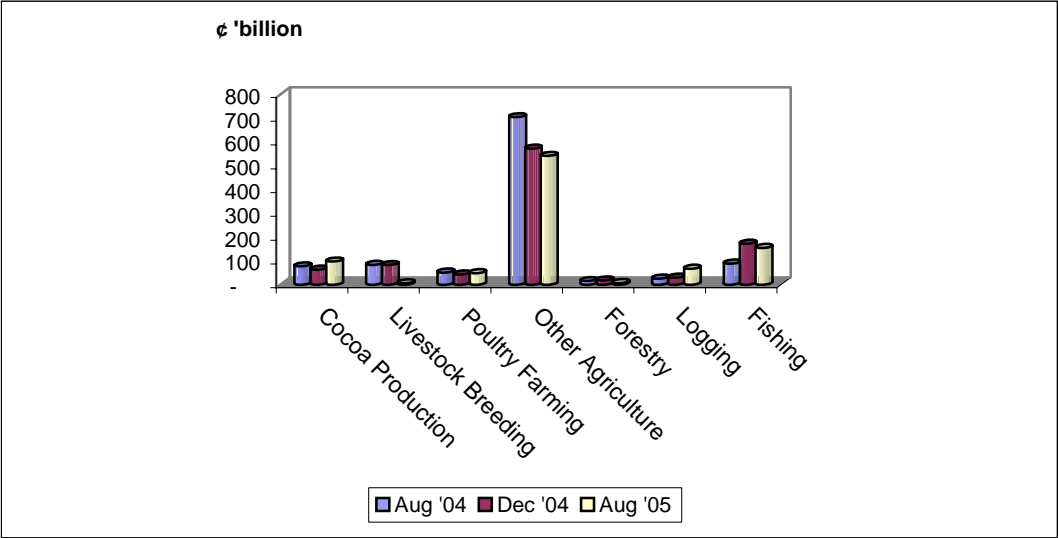
### Distribution of Credit to some Sectors

- ***Agriculture, Forestry and Fishing***

Credit to the Agriculture, Forestry and Fishing sector continued to be concentrated in the "other Agriculture" subsector (made up of growing of field crops, fruits, nut seeds, vegetables etc). The subsector accounted for 58.7 per cent (¢541.2 billion) of total credit to the Agriculture, Forestry and Fishing sector.

This was almost unchanged when compared with the level (58.4% or ₦571.7 billion) in December 2004. The fishing and cocoa production subsectors followed with 16.8 per cent (₦154.5 billion) and 10.6 per cent (₦62.8 billion) respectively.

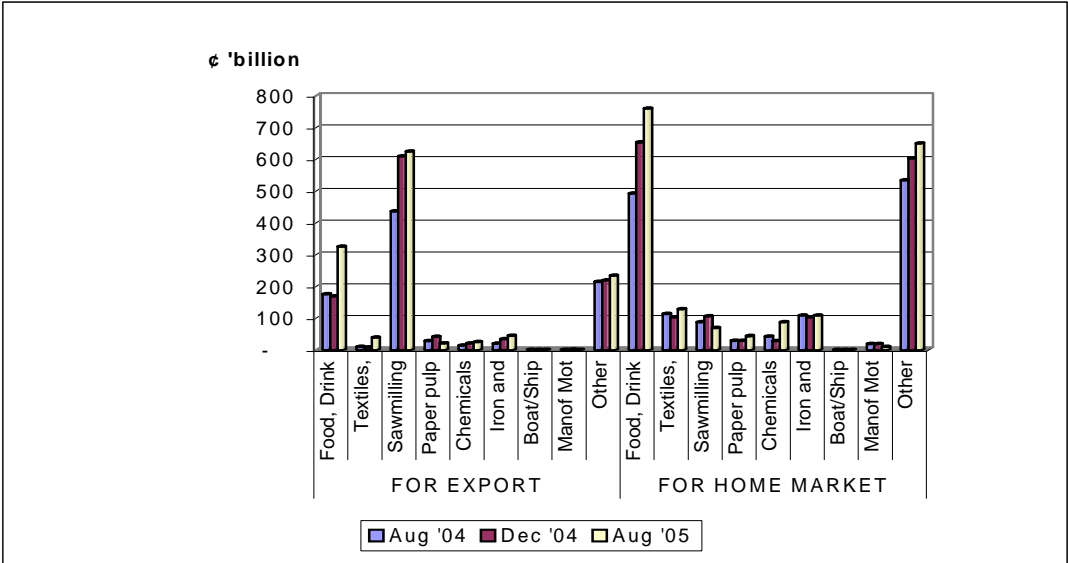
**Chart 17: Distribution of Credit to Agric Sub sectors**



- Manufacturing**

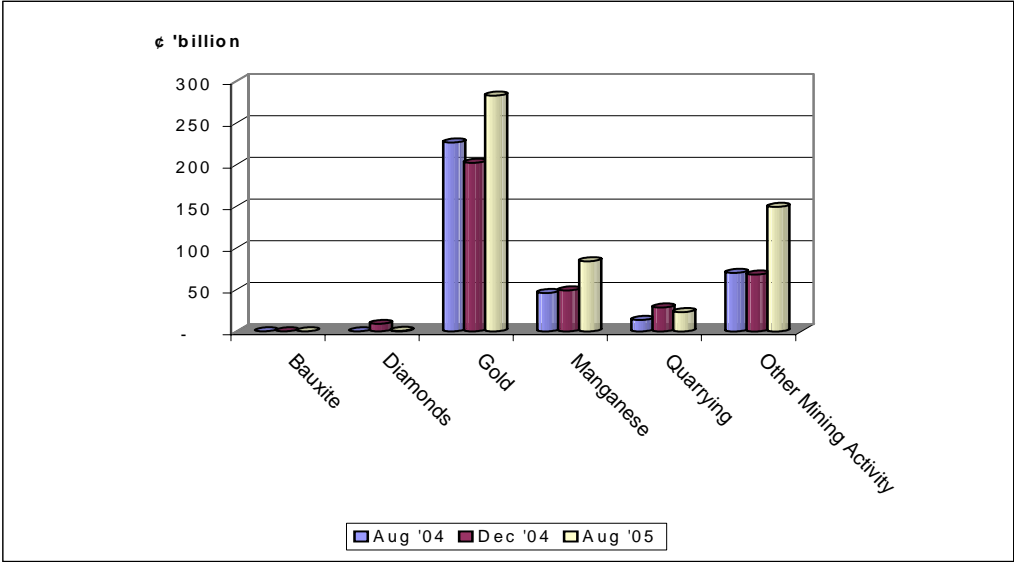
The Manufacturing-for-home-market subsector also continued to account for the largest share (58.6% or ₦1,855.7 billion) of outstanding credit to the Manufacturing sector in August 2005.

**Chart 18: Distribution of Credit to Sub sectors in Manufacturing**

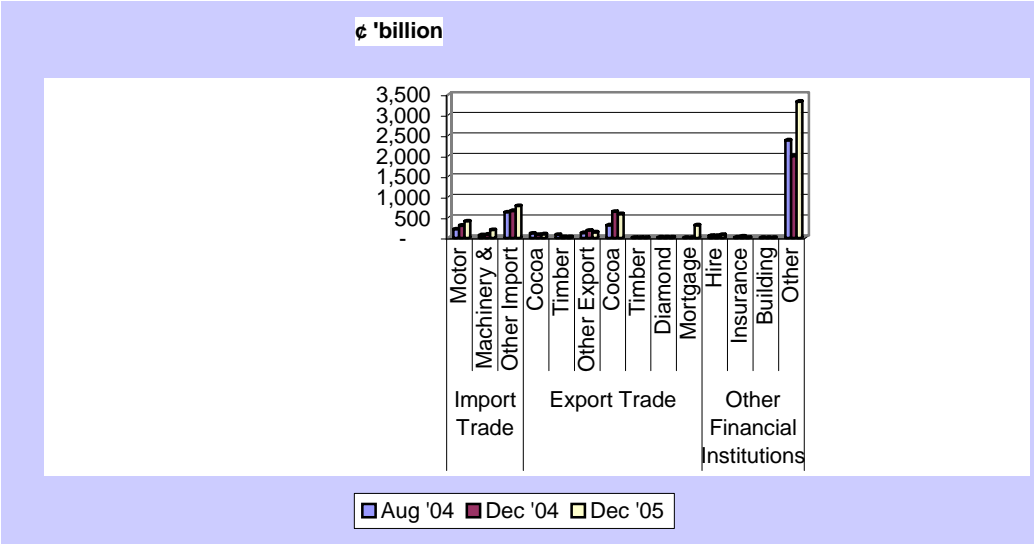


This may be compared with a share of 59.9 per cent (¢1,642.5 billion) in December 2004. The bulk of credit outstanding to the subsector was extended to the Food, Drink & Tobacco and Other Unclassified sub-divisions<sup>2</sup>, (76.0% or ¢1,409.7 billion) which was almost unchanged as in December 2004. In the Manufacturing-for export-subsector, outstanding credit was concentrated in the Sawmilling & Wood Processing and Food, Drink & Tobacco sub-divisions, which together accounted for 72.4 per cent (¢948.7 billion) of credit to the subsector in August 2005 compared with 70.6 per cent (¢777.8 billion) in December 2004.

**Chart 19 : Distribution of Credit to Mining Subsectors<sup>3</sup>**



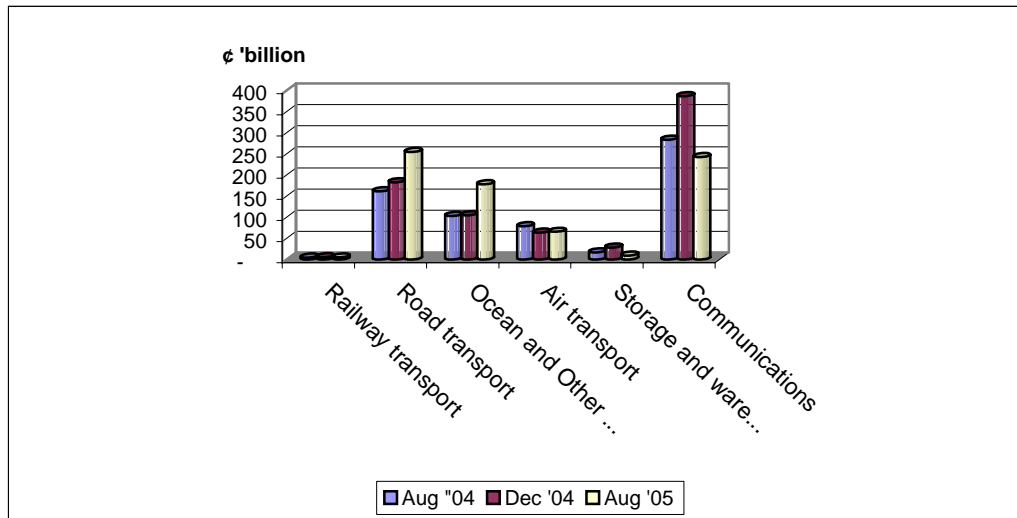
**Chart 20: Distribution of Credit to Commerce & Subsectors**



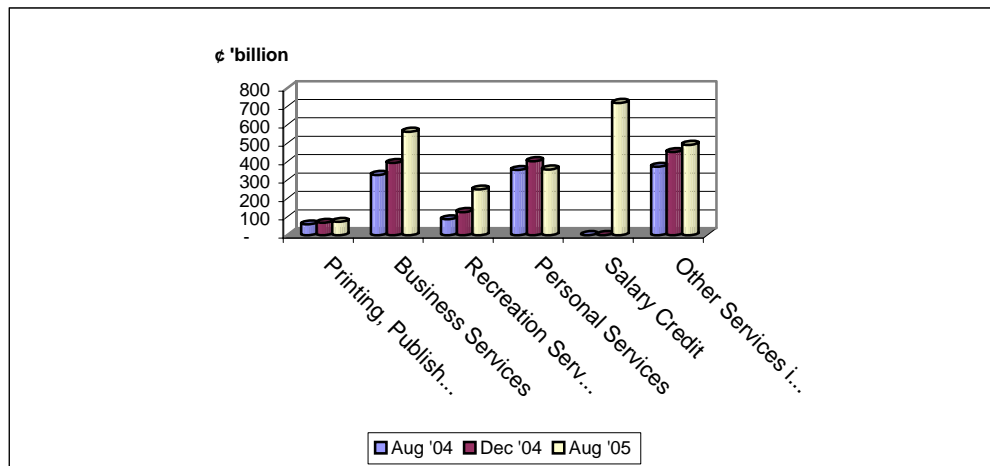
<sup>2</sup> Other unclassified includes all manufacturing activities not adequately defined.

<sup>3</sup> Other mining Activity includes supplementary operations such as salt mining, wells, etc

**Chart 21: Distribution of Credit to Trans. Stor. & Comm Subsectors**



**Chart 22: Distribution of Credit to Services<sup>4</sup> and Sub sectors**



**Distribution of Outstanding Credit to the Private Sector**

The Private sector continued to account for the largest share (78.1% or €12,868.9 billion) of outstanding credit in August 2005, while the Public sector took 21.9 per cent (€3,599.8 billion).

<sup>4</sup> Other Services include community services, libraries, Red Cross, Trust Fund, Trade Assoc. ,Religious Organisations etc

**Table 11: Outstanding Credit by Ownership**

	Performing	Non-Performing	Total	% of Total
<b>a Public Sector</b>	3,520,889	78,891	3,599,780	21.9
i Government	227,165	4,632	231,797	1.4
ii Public institutions	167,416	17,427	184,843	1.1
iii Public enterprises	3,126,308	56,832	3,183,140	19.3
o/w Cocoa Syndication	12,240	-	12,240	
<b>b Private Sector</b>	10,794,818	2,074,089	12,868,907	78.1
i Private Enterprises	8,344,043	1,857,452	10,201,496	61.9
o/w Foreign	1,272,412	21,674	1,294,087	
Indigenous	7,071,631	1,835,778	8,907,409	
ii Households	2,321,189	207,322	2,528,511	15.4
iii Others	129,586	9,314	138,901	0.8
<b>TOTAL</b>	<b>14,315,707</b>	<b>2,152,980</b>	<b>16,468,686</b>	<b>100.0</b>

On annual basis, outstanding credit to the private sector grew by 35.5 per cent (€3,373.3billion) in August 2005 compared with 25.2 per cent (€2,096.9 billion) in December 2004 and 33.1 per cent (€2,362.6 billion) a year ago.

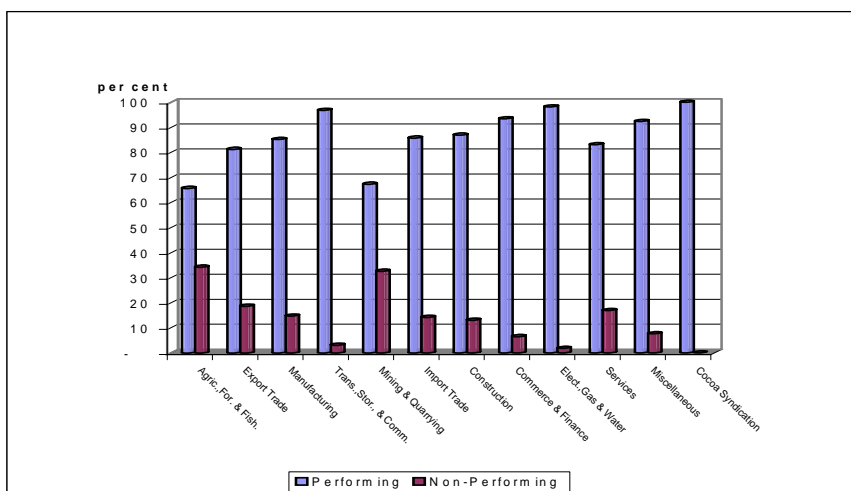
Indigenous Enterprises and Households together accounted for the bulk of outstanding credit to the private sector, in the review period. The share of the two subsectors in outstanding credit to the private sector totaled 88.9 per cent (€11,435.9 billion) while Foreign Enterprises got 10.1 per cent (€1,294.1 billion). Public Enterprises, on the other hand almost accounted for the entire credit to the Public Sector, accounting for 88.4 per cent (€3,183.1 billion).

### Quality of Outstanding Loans

The quality<sup>5</sup> of outstanding credit continued to be high during the review period. The level of non-performing loans as at end August stood at 13.1 per cent (i.e. €2,153.0 billion out of €16,468.7 billion). Sectoral distribution of quality of outstanding credit shows that the Agriculture, Forestry and Fishing sector has the highest level of non-performing loans (34.3%) followed by the Mining & Quarrying (32.6%), Export Trade (18.7%) and Services (16.9%).

<sup>5</sup> Measured by the level of performing loans. A loan is considered non-performing or overdue if interest as well as principal are in arrears for 90 or more days.

**Chart 23: Quality of Outstanding Credit by Sectors (Aug. 05)**



In terms of ownership, the analysis shows that 16.1 per cent (¢2,074.1 billion) of outstanding credit to the private sector was overdue as at the end of August 2005. In addition, the indigenous Enterprises subsector accounted for the highest level of non-performing loans, with 20.6 per cent (¢1,835.8 billion) followed by the Household subsector also with 8.2 per cent (¢207.3 billion).

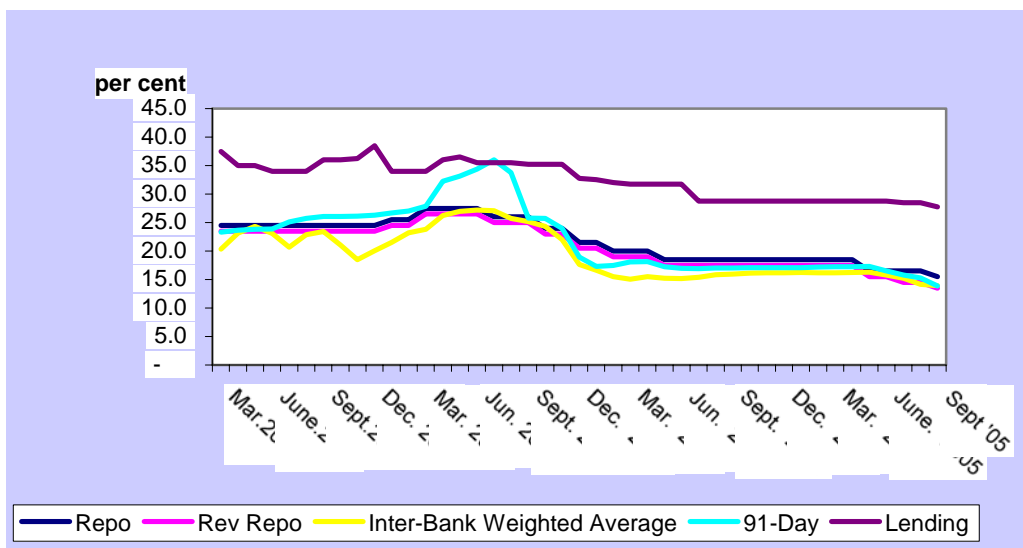
On the other hand, the quality of outstanding credit to the Public Sector continued to be high as non-performing loans constituted only 2.2 per cent (¢78.9 billion) during the review period.

### **Developments in Interest Rates**

Interest rates generally followed a declining trend in response to the monetary policy stance pursued during the first nine months of 2005. The Bank of Ghana Prime Rate was lowered on two occasions during the review period, shedding a total of 3.0 percentage points, to stand at 15.5 per cent at end of September 2005.

Similarly, money market interest rates as well as DMBs' deposit and lending rates followed the declining trend. The average interest rate on the 91-day Treasury Bill, the interbank weighted average and DMBs' 3-month time deposit rates dropped by 3.18, 2.24 and 3.40 percentage points respectively to 13.90, 13.95 and 9.85 per cent by the end of September 2005.

**Chart 24: Selected Interest Rates**

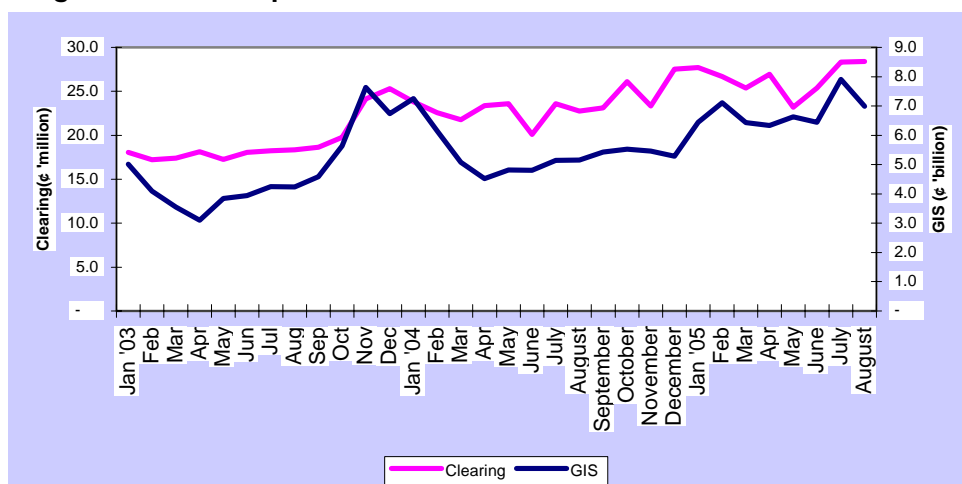


Following the implementation of the monetary policy measures introduced in July 2005, DMBs' average lending rates, which had remained at 28.75 per cent since July 2004, began to soften in the third quarter of 2005. It shed off 25 basis points in July 2005 and a further 75 basis points in September 2005 to close the third quarter at 27.75 per cent.

### Cheques Clearing

In the year to August 2005, total cheques cleared through the clearing houses totalled 3,205,539 at a value of ₵84,604.1 billion. The volume of cheques cleared in the first eight months of the year represent an increase of 3.7 per cent in value terms over the level a year ago.

**Chart 25: Average Value of Cheques & Transactions Settled**



### Ghana Interbank System

Available data for the first eight months of 2005 indicated that a total of 25,549 transactions valued at ₵172,422.7 billion were settled through the Ghana Interbank System (GIS). This may be compared with a total of 22,876 transactions valued at ₵122,467.9 billion settled in the corresponding period in 2004. On average therefore, the value per transaction settled through the GIS increased from ₵5.4 billion in 2004 to ₵6.7 billion in the review period.

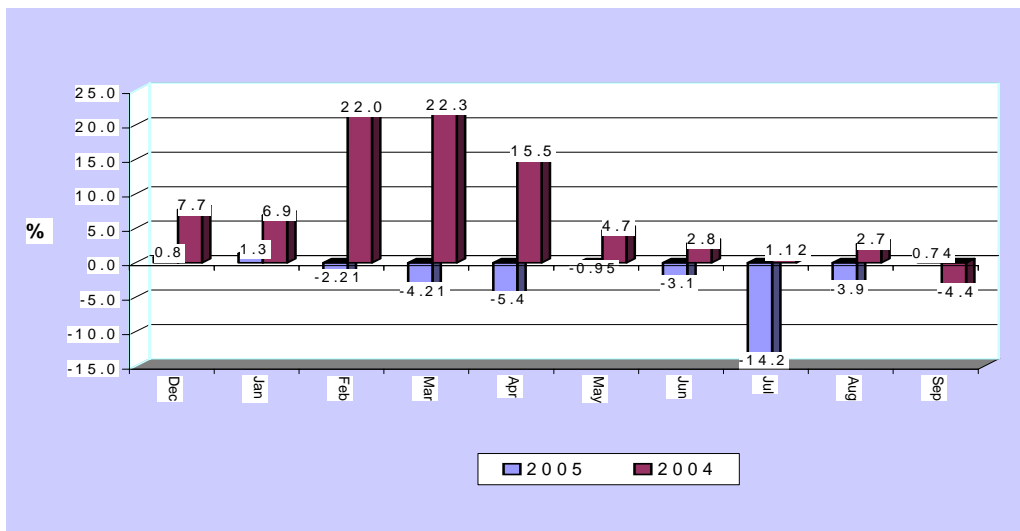
## D. FINANCIAL MARKETS

The Stock Market over the past nine months has been lack-lustre against a backdrop of positive macroeconomic indicators. Except for the little rise in the All-Share Index in January 2005, the index declined for much of the review period. Monthly trade volumes were also unimpressive except for the occasional bulk transfers that punctuated market activity as happened in the acquisition of controlling shares of Mobil Ghana Limited by Total.

### GSE All-Share Index

Amidst hopes of continued rally, the market surprisingly was bearish, an indication of the pace and mood of activity. The index slightly inclined upwards in January but slid in February and continued to drift downwards until September when it clawed back some of the losses.

Chart 26: Monthly Growth in All-Share Index (Dec 04 – Sept 05)



The GSE All-Share index slid 28.2 per cent (1,920.2 points) in the nine-month period to close at 4,878.3 points. Comparatively, the All-Share Index fared much better, during the corresponding period in 2004 in a sustained rally that lasted well beyond 36 months. The Index was 96.9 points up at 3,444.4 points.

The gloom in the review period was attributed to the sustained rally in 2004, which led to overvaluation of most equities. In reaction, the market has spent much of the period correcting itself. Others believe the effect of the petroleum price increase has in a way impacted negatively on market activity. The increase in prices of petroleum products fuelled inflation expectations, which triggered the rush to hedge and divest into short-term instruments. Incidentally returns on money market instruments also dipped but at a slower rate compared with that of the capital market.

### ***Sectoral Performance***

All the sectors represented at the exchange were not spared the gloom. The Food and Beverage sub-sector was under pressure for most of the year. A last minute surge in September notwithstanding, the sub-sector shed off 35 per cent (167.7 points) over the period to close at 312.1 points from 479.8 points at the beginning of the year.

Even though Guinness Ghana Breweries Limited (GGBL) and Fan Milk Limited rebounded in September to help mitigate the drop, the two equities ended the period amongst the heaviest losers; GGBL lost ₵5,400 (42.5%) whilst FML dipped 22.0 per cent off the year's opening price of ₵20,000.

**Table 12: Sectoral performance**

Date	SECTOR						
	F&B	MAN	FIN	DIST	MIN	AGRIC	ALL-SHARE
Dec-04	479.8	406.8	484.7	758.6	109.1	130.06	6798.5
Sep-05	312.1	267.2	345.45	659.5	109.1	120.0	4878.3
Abs	-167.7	-139.6	-139.3	-99.1	0	-10.06	-1920.2
%	-35.0	-34.3	-28.7	-13.1	0	-7.739	-28.2

The Manufacturing sector followed the downward trend by ending 34.3 per cent (139.6 points) to close down at 267.2 points. British American Tobacco (BAT) fell by 61.0 per cent (₵4700). Other losers in the sector were ALW (50%) and UNIL (29.5%).

The Finance sector treaded the same path, going down 28.8 per cent (139.3 points). All the major players in the Finance sub sector suffered under intense speculation. SG SSB Bank took 41.7 per cent off its opening price of ₵3,500.0. Others were Ghana Commercial Bank (33.5%), HFC (30.0%) and Standard Chartered Bank (21.2%).

The Distribution sector index fell by 13.1 per cent to close the period at 659.5 points. The index was pulled down largely by Mobil Oil Ghana Limited (MOGL) which lost 2.6 per cent (₵1,000.00).

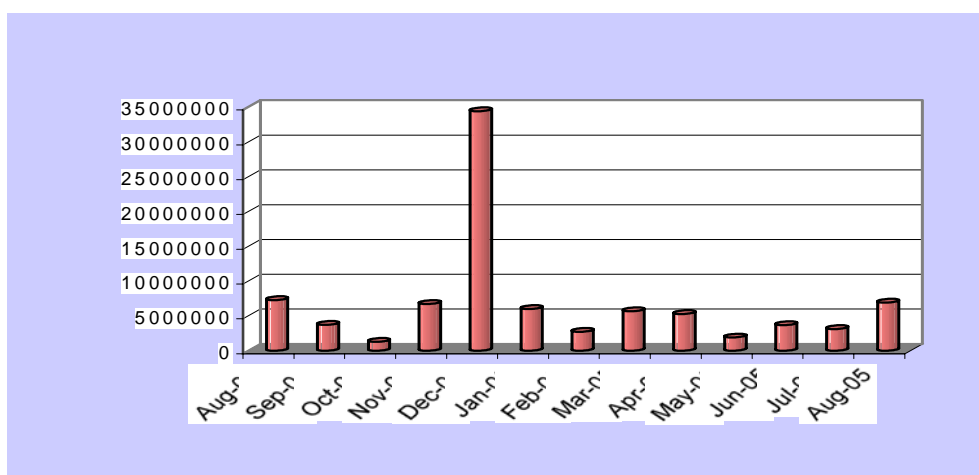
The Agriculture sector index lost 7.7 per cent (10.1 points) to finish at 120 points.

## Market Performance

Volume of trade for the review period totalled 37.5 million shares valued at ₵318.9 billion. This may be compared with the same period last year when 61.9 million shares valued at ₵352.3 billion exchanged hands.

The low turnout this year is in line with the general depression that has characterized the market. Exchanges were uninspiring except for a few block transfers. Equities that caught the attention of most investors were CAL Bank, which accounted for 23.7 per cent of the total volume of trade. Starwin Products Limited followed with 10.7 per cent while Cocoa Processing Company (CPC) was next with 9.7 per cent. In terms of value of trade, MOGL topped the list with the bulk exchange involving the complete take over of its shares by Total Oil Company. The transaction, which was brokered by Strategic African Securities (SAS), a brokerage company involved a transfer of 2,837,550 shares at a negotiated price of ₵51,787 per share.

**Chart 27: Trading activity (Sept '04 Sept' 05)**

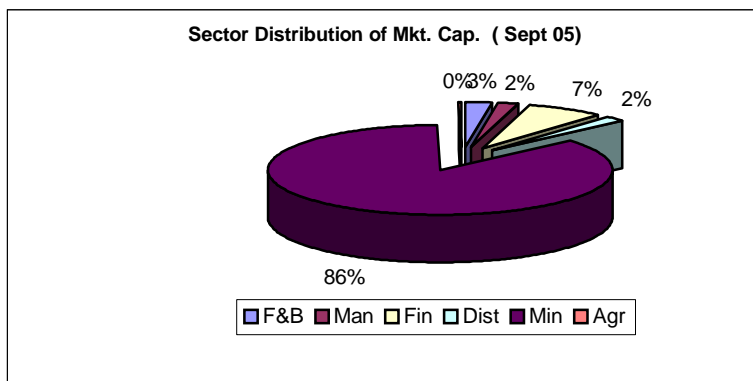


Four equities, led by Camelot Ghana Limited gained value while seventeen retreated. (See appendix 1)

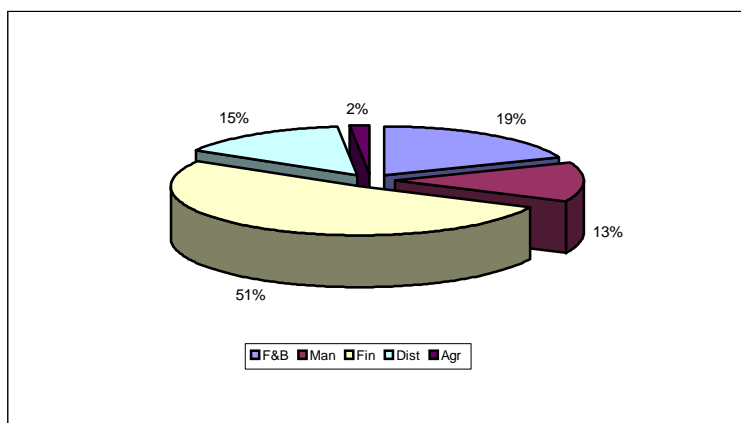
## Market Capitalization

Market capitalization at the end of the review period stood at ₵92,129.8 billion, registering a decrease of 5.6 per cent (₵5,484.7 billion) from ₵97,614.5 billion at the beginning of the year. This may be compared with an increase of 670.4 per cent (₵84,540.9 billion) registered for the corresponding period in 2004. The shortfall in market capitalization is accounted for by a fall in share prices and the delisting of Metoloplastica Ghana Limited (MGL).

**Chart 28; Sector distribution of Market Capitalization.**



**(a) Without AGA**



**Bonds**

***Corporate Bonds***

Secondary trading in corporate bonds in general attracted little attention. From the beginning of the year to date, US\$115,200 worth of bonds has been exchanged compared with US\$72,417 sold for the corresponding period last year.

***GGILBs***

Trading in government bonds was sluggish but unlike the corresponding period in the previous year when ₦20.5 billion had traded, no trade has been registered in 2005.

**Outlook**

Some nervousness continues to linger in the market even though the index has started to incline upwards. Trade volumes are expected to be restricted to retailers with occasional interventions by institutional investors.

## E. PRICE DEVELOPMENTS

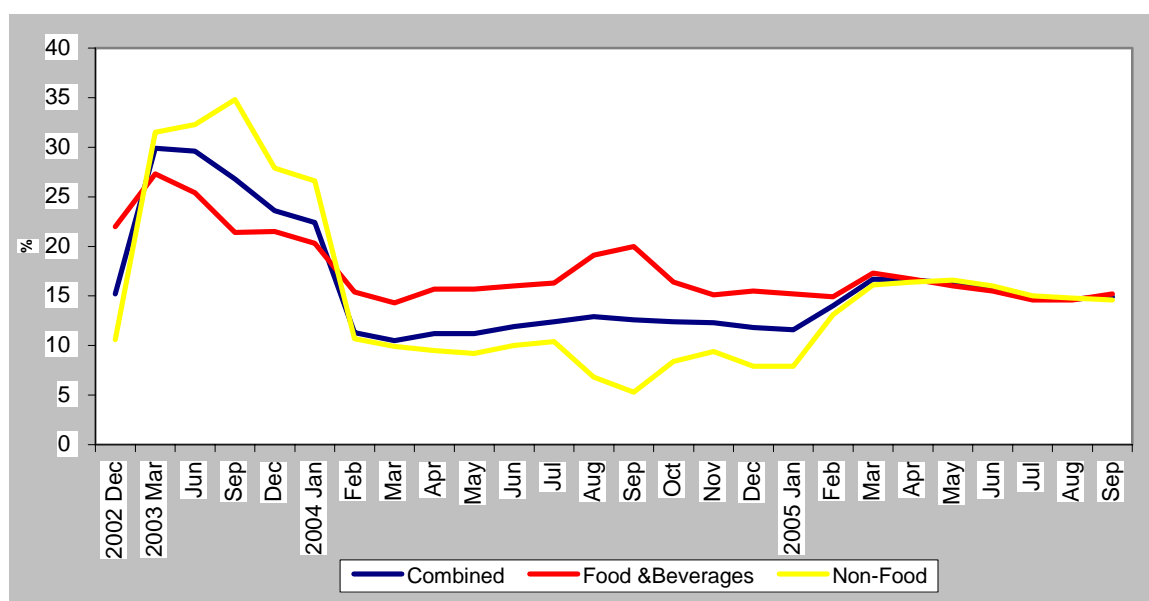
### Introduction

Consumer price developments show that the pass-through of high international crude oil prices into the domestic price levels have been well contained.

### Headline Inflation

Headline inflation was 14.9 per cent at the end of the third quarter, which compares with respective 16.7 and 15.7 per cent at the end of first and second quarter of the 2005.

**Chart 29: Combined, Food and Non-Food Inflation: Yr-on-Yr)**



### Monthly and Average Quarterly Changes in Inflation

The monthly changes of the consumer price index as well as the averages within the quarter, indicated a continued disinflationary process. The monthly change in inflation in September 2005 was  $-0.6$  per cent, which was lower than  $4.2$  and  $0.9$  per cent in March and June respectively. Similarly, the average quarterly inflation within the review quarter was  $-0.1$  per cent, which is lower than the respective  $3.3$  and  $1.3$  per cent recorded for the first and second quarters in the year. This was the result of favourable development in food sub sector during the period under review.

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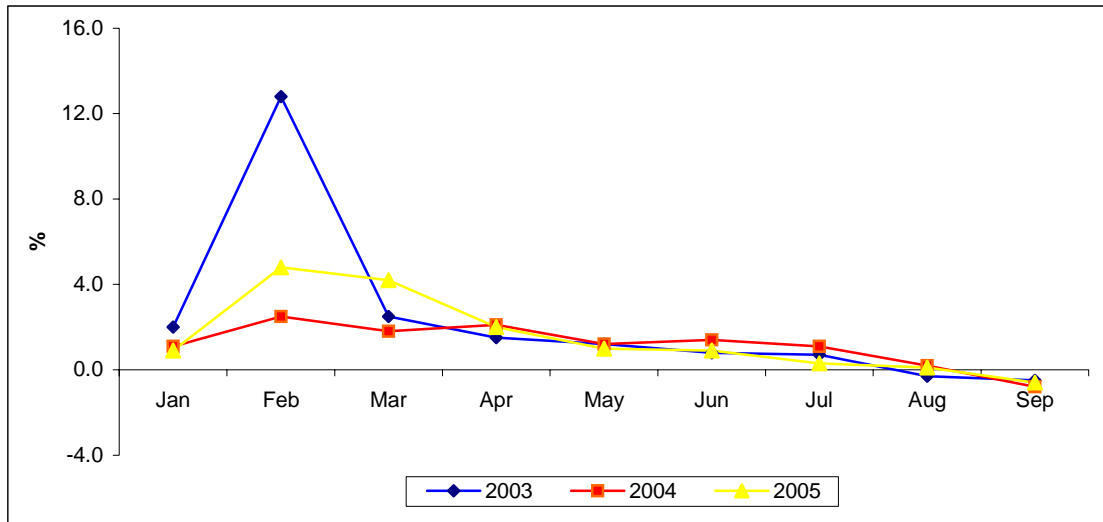
**Table 13: Headline Inflation: 2003-2005**

	Combined			Food			Non-Food		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
Jan	16.3	22.4	11.6	22.1	20.3	15.2	12.2	26.6	7.9
Feb	29.4	11.3	14.0	27.0	15.4	14.9	30.7	10.7	13.1
Mar	29.9	10.5	16.7	27.3	14.3	17.3	31.5	9.9	16.1
<b>Jan-Mar, Avg.</b>	<b>25.2</b>	<b>14.7</b>	<b>14.1</b>	<b>25.5</b>	<b>16.7</b>	<b>15.8</b>	<b>24.8</b>	<b>15.7</b>	<b>12.4</b>
Apr	30.0	11.2	16.6	26.3	15.7	16.7	32.2	9.5	16.4
May	29.8	11.2	16.3	35.7	15.8	16.0	32.4	9.2	16.6
Jun	29.6	11.9	15.7	25.4	16.0	15.5	32.3	10.0	16.0
<b>Apr-Jun, Avg</b>	<b>29.8</b>	<b>11.4</b>	<b>16.2</b>	<b>29.1</b>	<b>15.8</b>	<b>16.1</b>	<b>32.3</b>	<b>9.6</b>	<b>16.3</b>
Jul	29.0	12.4	14.9	24.1	16.3	14.6	32.3	10.4	15.0
Aug	27.7	12.9	14.7	23.6	19.1	14.6	33.7	6.8	14.8
Sep	26.8	12.6	14.9	21.4	20.1	15.2	35.8	5.3	14.4
<b>Jul-Sep, Avg</b>	<b>27.8</b>	<b>12.6</b>	<b>14.8</b>	<b>23.0</b>	<b>18.5</b>	<b>14.8</b>	<b>33.9</b>	<b>7.5</b>	<b>14.7</b>

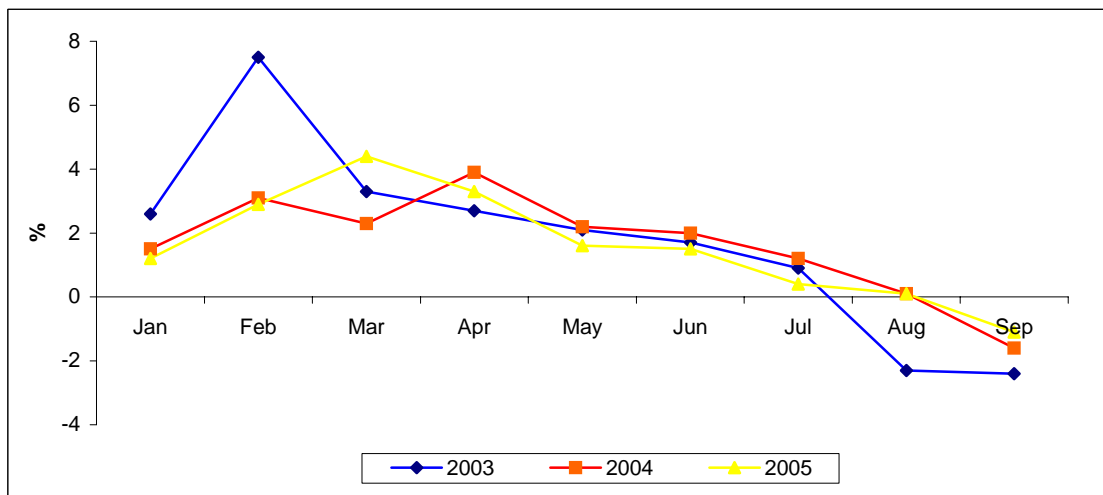
**Table 14: Monthly Changes in Inflation: 2003-2005**

	Combined			Food			Non-Food		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
Jan	2.0	1.1	0.9	2.6	1.5	1.2	1.6	0.6	0.6
Feb	12.8	2.5	4.8	7.5	3.1	2.9	16.5	1.9	6.8
Mar	2.5	1.8	4.2	3.3	2.3	4.4	1.9	1.2	3.9
<b>Jan-Mar, Avg.</b>	<b>5.8</b>	<b>1.8</b>	<b>3.3</b>	<b>4.5</b>	<b>2.3</b>	<b>2.8</b>	<b>6.7</b>	<b>1.2</b>	<b>3.8</b>
Apr	1.5	2.1	2.0	2.7	3.9	3.3	0.9	0.3	0.6
May	1.2	1.2	1.0	2.1	2.2	1.6	0.5	0.2	0.4
Jun	0.8	1.4	0.9	1.7	2.0	1.5	0.2	0.9	0.3
<b>Apr-Jun, Avg</b>	<b>1.2</b>	<b>1.6</b>	<b>1.3</b>	<b>2.2</b>	<b>2.7</b>	<b>2.1</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>
Jul	0.7	1.1	0.3	0.9	1.2	0.4	0.6	1.0	0.2
Aug	-0.3	0.2	0.1	-2.3	0.1	0.1	3.7	0.3	0.2
Sep	-0.5	-0.8	-0.6	-2.4	-1.6	-1.1	1.6	0.2	0.0
<b>Apr-Jun, Avg</b>	<b>0.0</b>	<b>0.2</b>	<b>-0.1</b>	<b>-1.3</b>	<b>-0.1</b>	<b>-0.2</b>	<b>2.0</b>	<b>0.5</b>	<b>0.1</b>

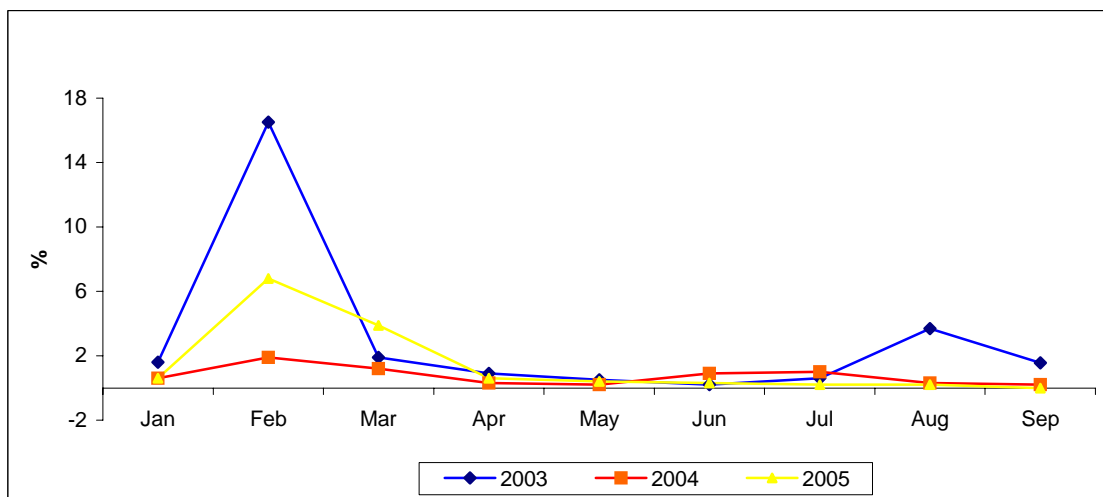
**Chart 30: Combined Inflation: m-to-m (2003-2005)**



**Chart 31: Food Inflation: m-to-m (2003-2005)**



**Chart 32: Non-Food Inflation: m-to-m (2003-2005)**



**Component Analysis of Consumer Price Index**

Quarterly analysis on sub component of consumer price index on the contribution of each sub index to the general price level during the review period indicates the decline in inflationary pressures in all the sub components except the Miscellaneous goods and

services which increased from 2.4 per cent in the previous quarter to 2.8 per cent within the review quarter. In terms of the monthly changes, the notable contributors to the inflationary pressures were housing and utilities, alcohol and tobacco, recreation, education and entertainment as well as the miscellaneous goods and services while food, clothing and footwear as well as medical care and health expenses sub indices indicated subdued inflationary pressures in the same period.

**Table 15: Component Analysis of Consumer Price Index: (Quarterly Changes)**

	Combined	Food & Beverages	Alcohol & Tobacco	Clothing & Footwear	Housing & Utilities	H/H Gds, Oper. & Services	Medical Care & Health Exp.	Transport & Communications	Recreation Enter'nment, Edu. & Cul. Serv.	Misce Gds & Serv.
<b>2003</b>										
Q1	17.9	13.9	6.7	7.6	54.2	7.5	6.0	47.9	5.6	12.0
Q2	3.5	6.6	1.7	3.3	-0.3	3.2	0.6	0.2	0.7	1.8
Q3	-0.1	-3.8	6.2	1.0	1.0	4.7	-2.7	2.0	2.4	-0.7
Aug-Sep	-0.5	-2.4	1.9	-0.1	-0.5	1.0	0.0	1.9	0.5	-1.1
<b>2004</b>										
Q1	5.5	7.1	3.8	3.2	7.3	-1.2	7.7	4.9	0.8	3.0
Q2	4.9	8.2	0.1	2.8	2.0	4.0	3.2	1.4	3.1	1.2
Q3	0.5	-0.4	1.4	-0.4	4.8	-0.3	3.4	0.1	-1.9	-2.7
Aug-Sep	-0.8	-1.6	0.2	-0.7	2.3	-0.7	1.6	-0.8	-1.5	-2.2
<b>2005</b>										
Q1	10.1	8.8	5.0	4.4	17.0	6.2	8.6	26.9	6.7	4.8
Q2	4.0	6.5	2.3	2.4	0.6	2.8	10.6	2.5	7.8	2.4
Q3	-0.2	-0.7	1.3	0.0	-1.3	1.1	-0.1	1.3	3.4	2.8
Aug-Sep	-0.6	-1.1	0.3	-0.9	0.4	0.2	-0.4	-0.1	0.4	0.3

### Core Measures of Inflation

The analysis on the underlying inflation from the various measures of core inflation indicates that inflationary pressures within the review quarter continue to be subdued showing marginal increase in September 2005.

**Table 16: Core Measures of Inflation**

	Mar-04	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05	Aug-05	Sep-05
<b>Headline Inflation: CPI levels</b>	340.5	356.7	359.0	360.7	397.0	413.2	414.9	412.5
Monthly inflation Rates	1.8	1.4	-0.7	0.8	4.2	0.9	0.1	-0.6
Inflation Rate	10.5	11.9	12.6	11.8	16.7	15.7	14.7	14.9
<b>CORE1:INFXEU<sup>1</sup></b>								
Estimated CPI-CORE1	325.1	340.3	345.2	344.3	376.6	391.7	393.6	391.2
Estimated Monthly Change	1.8	1.4	-0.7	0.7	4.2	0.9	0.2	-0.6
Implied yr-on-yr Inf. Rate	10.9	12.1	12.7	12.1	14.8	14.0	13.2	13.3
<b>CORE2:INFXEUF<sup>2</sup></b>								
Estimated CPI-CORE1	320.6	329.9	330.6	333.7	355.5	365.0	369.4	370.1
Estimated Monthly Change	1.6	1.0	-0.1	0.1	3.5	0.9	0.3	0.2
Implied yr-on-yr Inf. Rate	10.7	10.7	9.2	9.3	10.9	10.6	11.6	12.0
<b>CORE3:INFXEUF<sup>3</sup></b>								
Estimated CPI-CORE1	319.8	329.1	333.0	332.4	346.8	360.4	364.9	365.7
Estimated Monthly Change	1.5	1.0	-0.1	0.1	2.6	0.8	0.3	0.2
Implied yr-on-yr Inf. Rate	10.5	10.4	10.0	9.0	8.4	9.5	9.4	9.8
<b>CORE4:INFXAFE<sup>4</sup></b>								
Estimated CPI-CORE1	281.2	284.4	285.8	288.0	299.1	303.3	305.3	305.9
Estimated Monthly Change	0.6	0.5	0.5	0.3	1.8	0.8	0.0	0.2
Implied yr-on-yr Inf. Rate	5.6	5.9	5.9	5.1	6.4	6.6	6.6	6.8
<b>HP Inflation<sup>5</sup></b>								
Implied yr-on-yr Inf. Rate	17.6	16.7	15.8	15.0	14.2	13.4	12.9	12.7
<b>Trimmed Mean Core Inf.Rate<sup>6</sup></b>								
Estimated Monthly Change	1.3	1.2	-1.0	0.7	3.7	1.1	-2.0	-1.4
Implied yr-on-yr Inf. Rate	8.5	9.3	9.0	7.2	8.6	8.6	7.0	6.8

<sup>1</sup> Excludes energy and utility price changes from the basket

<sup>2</sup> Excludes energy, utility and selected volatile food items

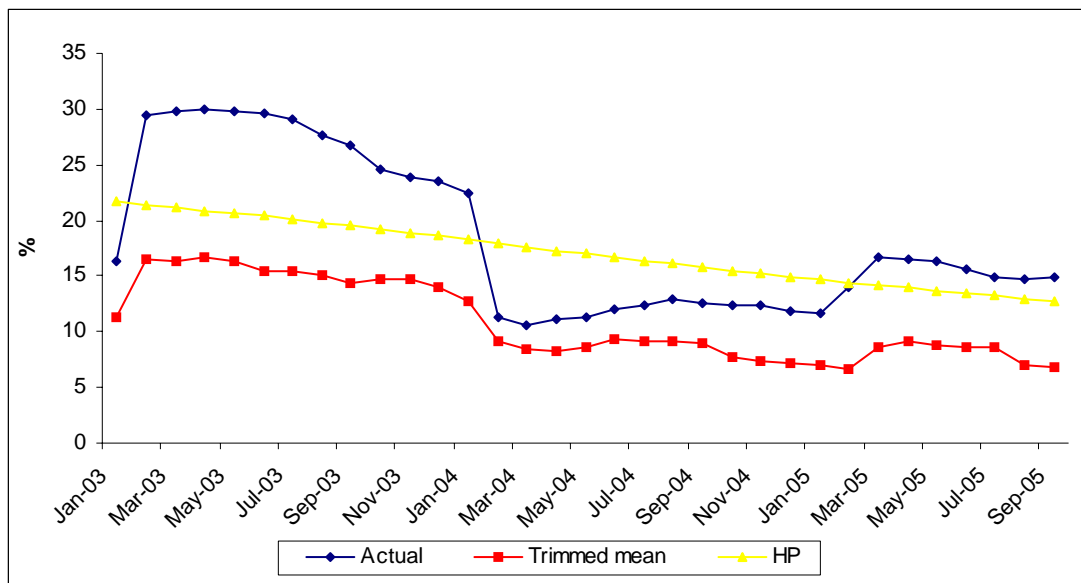
<sup>3</sup> Excludes transport in the basket of INFXEUF

<sup>4</sup> Excludes all the food items, utility and transport from the basket

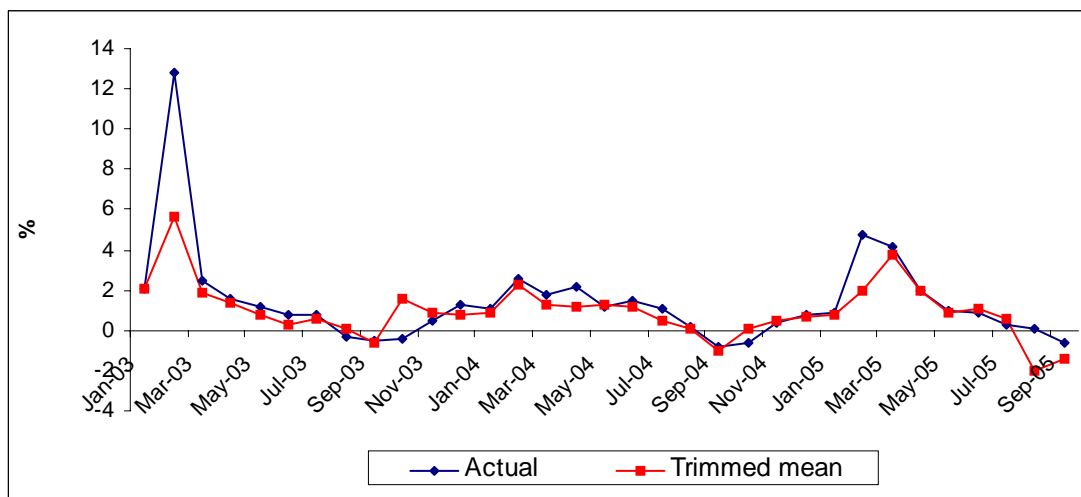
<sup>5</sup> Eliminate cyclical component of the inflation

<sup>6</sup> Excludes the most volatile item (items) in each month

**Chart 33: Actual, Trimmed Mean and HP Core Measure of Inflation (Yr-on-Yr): 2003-2005**



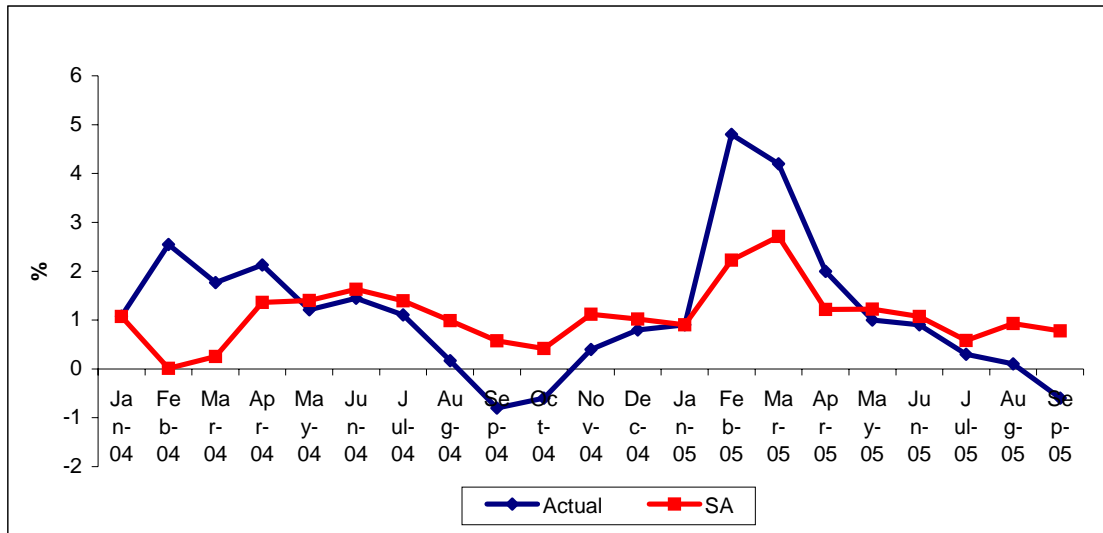
**Chart 34: Actual, Trimmed Mean and HP Core Measure of Inflation (m-to-m): 2003-2005**



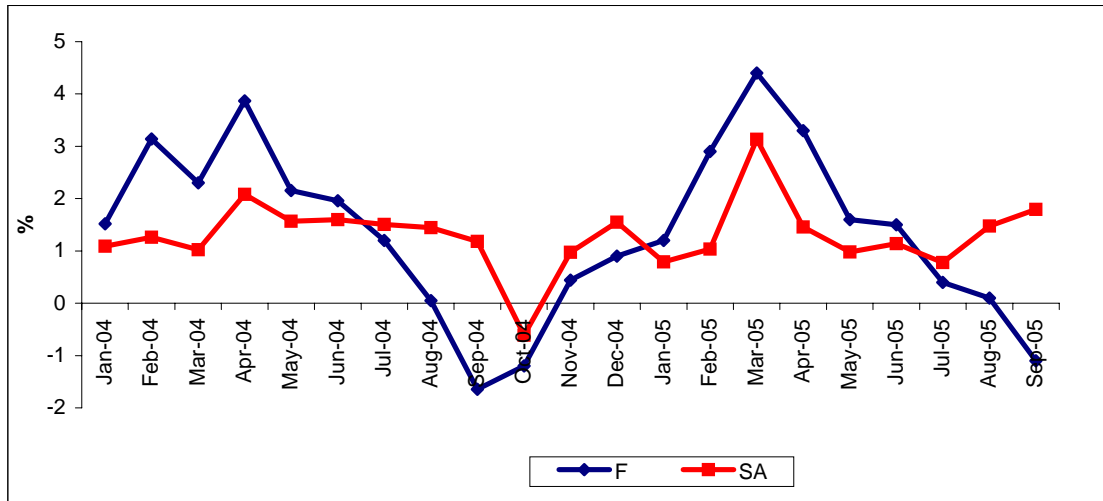
**Actual and Seasonally Adjusted (SA) Inflation**

Analysis on seasonal developments indicate a favourable seasonal impact on the general price level during the review quarter. The actual recorded inflation during the third quarter is lower than its estimated seasonally adjusted level as shown on charts 35&36, thereby suggesting a favourable seasonal impact on prices in the quarter. This is a reflection of the continued favourable food supply within the period under review. Clearly, the seasonal analysis supports the contribution of the food sub sector to the downward effect of the general price level within the quarter.

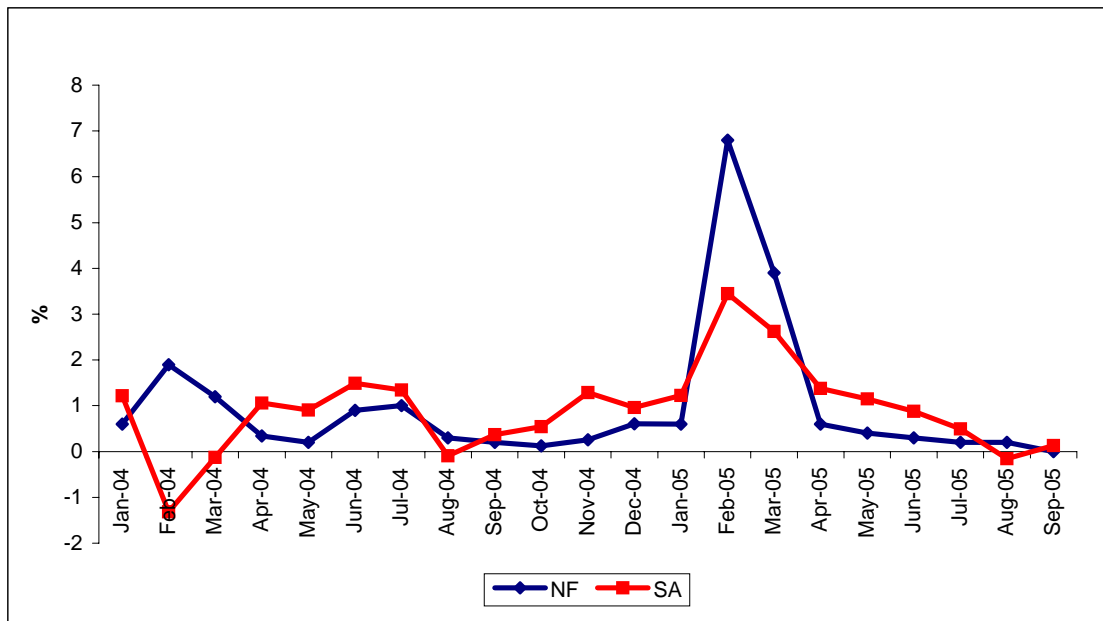
**Chart 35 : Actual Overall and Seasonally Adjusted Inflation**



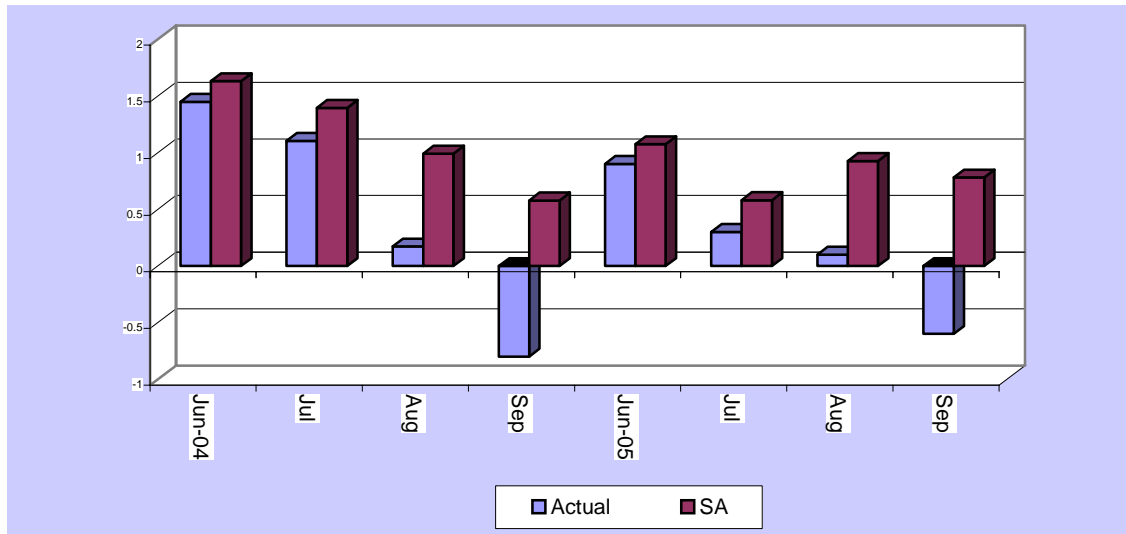
**Chart 36: Food Inflation and Seasonally Adjusted Inflation**



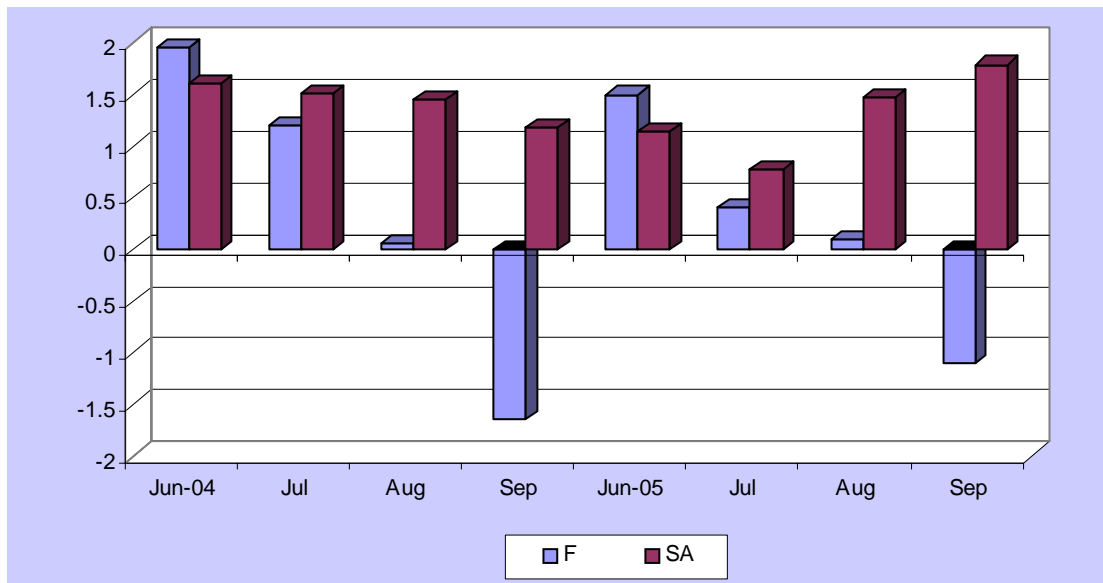
**Chart 37: Non-Food and Seasonally Adjusted Inflation**



**Chart38: Actual overall & Seasonally Adjusted Inflation (m-to-m)**



**Chart39: Actual Food & Seasonally Adjusted Inflation (m-to-m)**



### Urban and Rural Inflation Analysis

The year-on-year changes of consumer price index of the rural and Accra areas recorded relatively lower figures at the end of the third quarter than the figures at the end of the preceding quarter, recording 21.2 and 12.6 per cent at the end of the third quarter compared with 23.0 and 13.7 per cent at the end of the second quarter for the rural and Accra inflation respectively. The urban inflation, on the other hand, indicated a slight increase during the same period, recording 13.2 per cent at the end of the review quarter as against a lower figure of 11.9 per cent at the end of the preceding quarter.

**Table 17: Urban, Rural and Accra Inflation (Yr-on- Yr Changes)**

	Urban	Rural	Accra
2004 Jan	25.4	24.5	26.6
Feb	14.6	10.5	16.5
Mar	15.5	8.5	17.2
Apr	16.0	9.5	16.6
May	16.0	10.0	19.4
Jun	17.6	9.8	20.8
Jul	16.3	11.2	21.9
Aug	15.4	13.0	21.7
Sep	13.5	13.7	19.0
2005 Jan	8.6	15.0	14.7
Feb	10.6	15.3	15.3
Mar	13.0	23.4	16.3
Apr	13.7	22.4	16.1
May	13.3	22.6	14.7
Jun	11.9	23.0	13.7
Jul	12.0	22.0	13.0
Aug	12.5	20.6	12.1
Sep	13.2	21.2	12.6

### Component Analysis of Urban Inflation

Analysis on the major contribution of each sub component index to the urban inflation within the quarter shows that household goods and services (H&U), recreation, education and entertainment (RE&CS) as well as miscellaneous goods and services (MG gds&S) mainly contributed to the inflationary pressure within the period while food and beverages (F&B), and medical care and health expenses (MC&HE) subdued within the review quarter.

**Table 18: Component Analysis of Urban Inflation (Quarterly and Monthly Changes)**

	Urban									
	Overall	F&B	A&T	C&F	H&U	H/H Gds& S	MC&HE	T&Comm	RE&CS	MG gds&S
2003										
Q2	3.1	6.1	-0.4	4.0	-1.6	3.9	1.4	0.3	0.3	0.7
Q3	2.8	3.4	7.3	1.8	0.3	2.4	0.2	0.9	2.1	1.1
Aug-Sep	0.7	-0.4	1.7	0.5	-0.3	0.1	0.3	0.5	0.7	0.9
2004										
Q2	5.0	6.1	0.6	3.1	3.6	5.1	6.0	2.5	4.3	2.0
Q3	-0.8	-0.5	4.8	-3.5	3.9	-4.1	2.6	-0.6	-4.9	-1.6
Aug-Sep	-1.0	-0.8	1.7	-3.7	1.5	-3.4	0.4	-1.0	-2.5	-1.5
2005										
Q2	3.9	6.9	1.5	3.6	-0.4	1.6	1.9	4.2	11.9	2.7
Q3	0.4	-0.2	0.8	1.6	0.4	3.3	-0.1	1.3	2.8	3.5
Aug-Sep	-0.3	-0.5	0.0	-1.2	0.5	0.3	-0.7	-0.2	0.4	-0.1

### Component Analysis of Rural Inflation

The notable contributors of the rural inflation within the review quarter are alcohol and tobacco (A&T), recreation, education and entertainment (RE&CS) as well as miscellaneous goods and services (MG gds&S) sub indices. Conversely, the household goods and services

(H/H Gds& S), housing and utilities (H&U) as well as clothing and footwear(C&F) sub components ease during the quarter.

**Table 19: Component Analysis of Rural Inflation (Quarterly and Monthly Changes)**

	Rural									
	Overall	F&B	A&T	C&F	H&U	H/H Gds& S	MC&HE	T&Comm	RE&CS	MG gds&S
2003										
Q2	3.8	7.0	2.3	2.8	0.8	2.8	0.3	0.1	0.9	3.1
Q3	-1.7	-4.7	4.8	1.0	2.7	2.1	-2.4	1.0	4.2	0.4
Aug-Sep	-1.1	-3.2	1.9	0.0	0.1	1.7	1.3	1.2	2.0	-0.3
2004										
Q2	5.1	9.4	-0.6	2.0	-0.6	1.5	-0.8	-1.1	3.3	0.9
Q3	1.8	0.1	0.2	4.8	6.2	3.5	5.2	1.8	3.6	-5.0
Aug-Sep	-0.5	-2.2	-0.3	2.5	2.6	1.9	2.6	0.2	-1.0	-3.0
2005										
Q2	4.7	4.7	3.9	0.4	2.3	0.2	13.9	2.7	3.2	0.4
Q3	0.3	0.7	2.4	-1.3	-1.8	-0.1	0.3	1.3	4.0	2.0
Aug-Sep	0.1	-0.1	0.5	-0.3	0.4	0.2	0.2	0.0	0.3	0.7

### Component Analysis of Accra Inflation

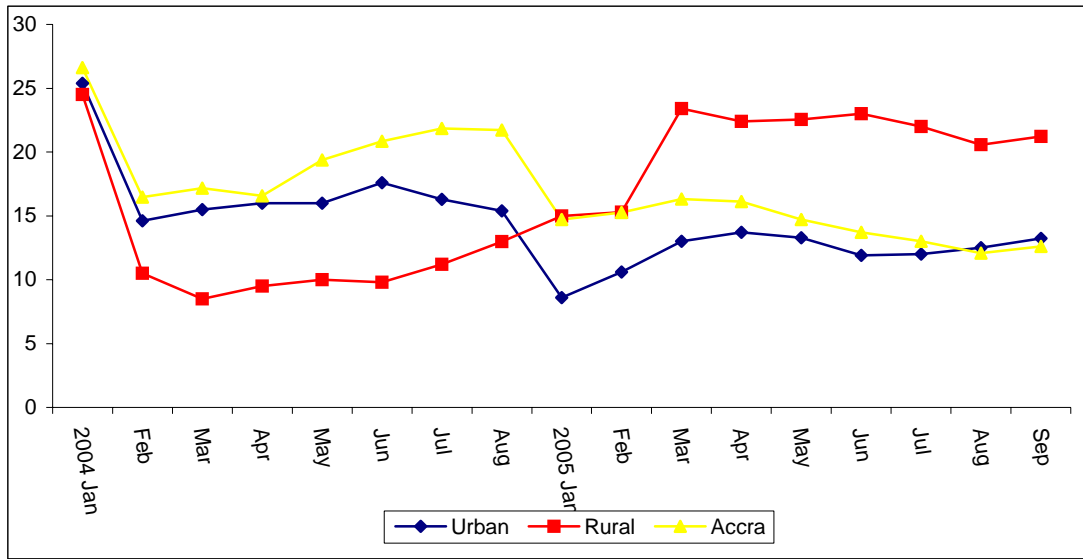
Inflation in Accra within the review period was mainly the result of the price changes in household goods and services (H/H Gds& S), recreation, education and entertainment (RE&CS), as well as miscellaneous goods and services (MG Gds& S) within the review quarter. However, food and beverage sub component subdued and therefore contributed to the downward impact recorded within the quarter.

**Table 20 : Component Analysis of Accra Inflation (Quarterly and Monthly Changes)**

	Accra									
	Overall	F&B	A&T	C&F	H&U	H/H Gds& S	MC&HE	T&Comm	RE&CS	MG gds&S
2003										
Q2	2.9	5.1	-2.8	5.5	-2.9	6.6	2.0	0.5	0.8	0.9
Q3	2.7	3.9	5.3	4.1	1.9	5.8	0.6	1.6	1.9	-1.3
Aug-Sep	1.1	1.3	0.2	1.6	-0.9	-0.1	0.6	1.1	-0.6	1.7
2004										
Q2	6.1	8.0	1.3	2.7	3.4	7.1	5.4	0.8	-0.5	2.2
Q3	1.1	1.2	3.2	-7.0	4.9	-6.6	0.3	0.3	0.5	-4.2
Aug-Sep	-1.2	-0.6	0.0	-6.8	2.8	-6.8	-0.2	-0.1	-0.2	-3.3
2005										
Q2	3.8	7.1	1.3	3.2	2.4	3.5	2.1	2.3	9.8	6.1
Q3	0.1	-1.2	0.4	1.2	0.7	5.9	0.6	0.1	3.5	6.7
Aug-Sep	-0.8	-1.2	-0.4	-2.0	0.2	0.4	-0.3	0.0	0.6	-0.2

On the whole, the notable contributors of inflation within the quarter were household goods and services (H/H Gds& S), recreation, education and entertainment (RE&CS), as well as miscellaneous goods and services (MG Gds& S) in all the areas and this may be the result of the reopening of schools, therefore the increasing demand for the above mentioned items within the period.

Chart 40: Urban, Rural and Accra Inflation (Yr-on- Yr Changes)



## E. DEVELOPMENTS IN THE FOREIGN EXCHANGE MARKET

### I. International Currency Market

Developments in the international currency markets have been marked by a significant strengthening of the US dollar for most of the year. Rising US interest rates increased the attraction of the dollar as a high yielding currency leading to a switch from lower yielding currencies such as the Euro. For the first three quarters of the year, the dollar appreciated by 2.4 per cent against the pound sterling, 0.1 per cent against the Euro and 2.3 per cent against the yen.

The outlook is for a continued strengthening driven by speculation of aggressive US interest rate rises in response to mounting inflationary pressures.

**Table 21. International Exchange Rate Movement**

	End Period Rates								
	US\$/GBP	Monthly/ Quarterly	Year-to- Date	US\$/Euro	Monthly/ Quarterly	Year-to- Date	US\$/Yen	Monthly/ Quarterly	Year-to- Date
<b>2003</b>	<b>1.6035</b>			<b>1.0427</b>			<b>0.0083</b>		
<b>Q4</b>	<b>1.7784</b>	<b>-6.3</b>		<b>1.2556</b>	<b>-7.4</b>		<b>0.0092</b>	<b>-6.5</b>	
<b>2004</b>									
<b>Q1</b>	<b>1.8261</b>	<b>-2.6</b>		<b>1.2177</b>	<b>3.1</b>		<b>0.0094</b>	<b>-2.1</b>	
Apr	1.7743	2.9	0.2	1.1983	1.6	4.8	0.0091	3.3	1.1
May	1.8345	-3.3	-3.1	1.2242	-2.1	2.6	0.0090	1.1	2.2
Jun	1.8073	1.5	-1.6	1.2084	1.3	3.9	0.0092	-2.2	0.0
<b>Q2</b>	<b>1.8073</b>	<b>1.0</b>		<b>1.2084</b>	<b>0.8</b>		<b>0.0092</b>	<b>2.2</b>	
Jul	1.8165	-0.5	-2.1	1.2030	0.4	4.4	0.0089	3.4	3.4
Aug	1.7962	1.1	-1.0	1.2052	-0.2	4.2	0.0091	-2.2	1.1
Sep	1.8115	-0.8	-1.8	1.2431	-3.0	1.0	0.0091	0.0	1.1
<b>Q3</b>	<b>1.8115</b>	<b>-0.2</b>		<b>1.2431</b>	<b>-2.8</b>		<b>0.0091</b>	<b>1.1</b>	
<b>Q4</b>	<b>1.9267</b>	<b>-6.0</b>		<b>1.3644</b>	<b>-8.9</b>		<b>0.0097</b>	<b>-6.2</b>	
<b>2005</b>									
<b>Q1</b>	<b>1.8741</b>	<b>2.8</b>		<b>1.2916</b>	<b>5.6</b>		<b>0.0093</b>	<b>4.3</b>	
Apr	1.9076	-1.8	1.0	1.2870	0.4	6.0	0.0095	-2.1	2.1
May	1.8234	4.6	5.7	1.2473	3.2	9.4	0.0092	3.3	5.4
Jun	1.8047	1.0	6.8	1.2065	3.4	13.1	0.0090	2.2	7.8
<b>Q2</b>	<b>1.8047</b>	<b>3.8</b>		<b>1.2065</b>	<b>7.1</b>		<b>0.0090</b>	<b>3.3</b>	
Jul	1.7583	2.6	9.6	1.2128	-0.5	12.5	0.0088	2.3	10.2
Aug	1.7866	-1.6	7.8	1.2224	-0.8	11.6	0.0089	-1.1	9.0
Sep	1.7627	1.4	9.3	1.2048	1.5	13.2	0.0088	1.1	10.2
<b>Q3</b>	<b>1.7627</b>	<b>2.4</b>		<b>1.2048</b>	<b>0.1</b>		<b>0.0088</b>	<b>2.3</b>	

Depreciation (-)/ Appreciation (+)

**Table 22. Inter-Bank Transactions Exchange Rate Movement**

	End Period Rates								
	₹/US\$	Monthly/ Quarterly	Year-to- Date	₹/GBP	Monthly/ Quarterly	Year-to- Date	₹/Euro	Monthly/ Quarterly	Year-to- Date
<b>2003</b>	<b>8,438.82</b>			<b>13,305.25</b>			<b>8,511.64</b>		
Q1	8,600.29			13,729.81			9,293.80		
Q2	8,700.36			14,323.79			10,000.23		
Q3	8,732.28	-0.4		14,277.69	0.3		9,851.31	1.5	
Q4	8,852.32	-1.4		15,296.02	-6.7		10986.26	-10.3	
2004									
Q1	9,018.29	-1.8		16,309.55	-6.2		11061.32	-0.7	
Apr	9,048.98	-0.3	-2.2	15,928.80	2.4	-4.0	10,798.67	2.4	1.7
May	9,029.45	0.2	-2.0	16,513.01	-3.5	-7.4	11,039.84	-2.2	-0.5
Jun	9,046.54	-0.2	-2.1	16,454.78	0.4	-7.0	10,943.53	0.9	0.4
Q2	9,046.54	-0.3		16,454.78	-0.9		10943.53	1.1	
Jul	9,041.83	0.1	-2.1	16,534.00	-0.5	-7.5	11040.52	-0.9	-0.5
Aug	9,045.70	0.0	-2.1	16,379.71	0.9	-6.6	10950.87	0.8	0.3
Sep	9,051.76	-0.1	-2.2	16,254.22	0.8	-5.9	11135.77	-1.7	-1.3
Q3	9,051.76	-0.1		16,254.22	1.2		11,135.77	-1.7	
Q4	9,051.26	0.0		17,411.51	-6.6		12,308.98	-9.5	
2005									
Q1	9,075.45	-0.3		17,135.36	1.6		11817.22	4.2	
Apr	9,080.94	-0.1	-0.3	17,297.17	-0.9	-47.7	11,823.48	-0.1	4.1
May	9,066.06	0.2	-0.2	16,586.19	4.3	-45.4	11,272.97	4.9	9.2
Jun	9,074.91	-0.1	-0.3	16,457.80	0.8	-45.0	10,952.73	2.9	12.4
Q2	9,074.91	0.0		16,457.80	4.1		10952.73	7.9	
Jul	9,077.28	0.0	-0.3	16,007.39	2.8	-43.5	10,998.57	-0.4	11.9
Aug	9,086.42	-0.1	-0.4	16,268.15	-1.6	-44.4	11,115.08	-1.0	10.7
Sep	9,086.47	0.0	-0.4	16,036.95	1.4	-43.6	10,955.53	1.5	12.4
Q3	9,086.47	-0.1		16,036.95	2.6		10,955.53	0.0	

Depreciation (-)/ Appreciation (+)

**Table 23: Forex Bureau Exchange Rate Movements**

	End Period Rates								
	₹/US\$	Monthly/ Quarterly	Year-to- Date	₹/GBP	Monthly/ Quarterly	Year-to- Date	₹/Euro	Monthly/ Quarterly	Year-to- Date
<b>2003</b>	<b>8,681.82</b>			<b>13,345.46</b>			<b>8,600.00</b>		
Q1	8,693.19			13,581.82			9,306.82		
Q2	8,829.55			14,545.46			10,245.46		
Q3	8,830.91	0.0		14,093.18	3.2		9,854.55	4.0	
Q4	9,097.73	-2.9		15,402.28	-8.5		10797.73	-8.7	
2004									
Q1	9,235.46	-1.5		16,650.00	-7.5		11277.27	-4.3	
Apr	9,207.73	0.3	-1.2	16,303.19	2.1	-5.5	10,918.14	3.3	-1.1
May	9,283.18	-0.8	-2.0	16,568.18	-1.6	-7.0	11,113.64	-1.8	-2.8
Jun	9,335.00	-0.6	-2.5	16,879.55	-1.8	-8.8	11,236.37	-1.1	-3.9
Q2	9,335.00	-1.1		16,879.55	-1.4		11236.37	0.4	
Jul	9,230.91	1.1	-1.4	16,765.91	0.7	-8.1	11,272.73	-0.3	-4.2
Aug	9,200.91	0.3	-1.1	16,422.73	2.1	-6.2	11,063.61	1.9	-2.4
Sep	9,196.37	0.0	-1.1	16,403.18	0.1	-6.1	11,172.73	-1.0	-3.4
Q3	9,196.37	1.5		16,403.18	2.9		11,172.73	0.6	
Q4	9,222.73	-0.3		17,365.91	-5.5		12,145.46	-8.0	
2005									
Jan	9,279.55	-0.6	-0.6	17,350.00	0.1	0.1	12,086.37	0.5	0.5
Feb	9,267.73	0.1	-0.5	17,363.64	-0.1	0.0	12,075.00	0.1	0.6
Mar	9,179.09	1.0	0.5	17,120.46	1.4	1.4	11,979.55	0.8	1.4
Q1	9,179.09	0.5		17,120.46	1.4		11,979.55	1.4	
Apr	9,206.82	-0.3	0.2	17,250.00	-0.8	0.7	11,859.09	1.0	2.4
May	9,212.73	-0.1	0.1	16,786.37	2.8	3.5	11,525.00	2.9	5.4
Jun	9,203.64	0.1	0.2	16,640.91	0.9	4.4	11,154.55	3.3	8.9
Q2	9,203.64	-0.3		16,640.91	2.9		11,154.55	7.4	
Jul	9,173.64	0.3	0.5	15,877.28	4.8	9.4	10,934.09	2.0	11.1
Aug	9,131.82	0.5	1.0	16,172.73	-1.8	7.4	11,029.55	-0.9	10.1
Sep	9,147.27	-0.2	0.8	16,340.91	-1.0	6.3	11,103.64	-0.7	9.4
Q3	9,147.27	0.6		16,340.91	1.8		11,103.64	0.5	

Depreciation (-) Appreciation (+)

## F. DEVELOPMENTS IN THE EXTERNAL SECTOR

### Balance of Payments

Preliminary estimates of the balance of payments in the first three quarters of 2005 indicated that the current account recorded a deficit, compared with a surplus in the same period of 2004. The overall balance of payments position also remained in deficit, but narrowed considerably from the corresponding period of 2004.

**Table 24: Balance of Payments**

	2004		2005*	
	Q1-Q3	Annual	Q1-Q3	Annual
Current Account	21.95	-281.13	-272.30	-483.98
Goods				
Exports (fob)	2,089.01	2,739.18	2,110.39	2,742.94
Cocoa beans and products	860.59	1,025.67	712.52	808.94
Gold	620.74	840.21	679.69	918.35
Timber and products	157.87	211.71	172.18	232.33
Others	449.81	661.59	546.01	783.32
Imports (fob)	-3,071.41	-4,297.28	-3,455.64	-4,747.93
Non-oil	-2,516.41	-3,522.31	-2,761.09	-3,733.17
Oil	-555.00	-774.97	-694.55	-1,014.76
Trade Balance	-982.40	-1,558.10	-1,345.25	-2,005.00
Services (net)	-215.01	-356.17	-76.98	-147.95
Income (net)	-157.00	-197.84	-158.37	-193.41
Transfers (net)	1,376.37	1,830.98	1,308.30	1,862.37
Official	391.51	543.93	337.70	541.27
Private	984.86	1,287.05	970.60	1,321.10
Balance on Services, Income and Transfers	1,004.36	1,276.97	1,072.96	1,521.01
Financial Account	-120.35	201.57	83.57	623.52
Official	85.52	139.27	80.72	126.02
Private				
Short-term	-205.87	62.30	2.85	497.50
Net errors and omissions	-93.08	69.09	15.54	15.53
Overall Balance	-191.48	-10.46	-173.19	155.07
Reserve Assets and Related Items	191.48	10.46	173.19	-155.07
Reserve Assets	47.48	-192.68	-8.91	-392.20
Use of Fund Credit	14.52	7.10	16.40	37.73
Exceptional Finance	129.48	196.04	165.70	199.40

\* Provisional

### The Current Account

The current account of the first three quarters of the review year is estimated to be a deficit of US\$272.3 million compared to a small surplus of US\$21.95 million in the

corresponding period of the previous year. The switch of the current account position from surplus to deficit was mainly as a result of the widening of the trade deficit.

## **Merchandise Trade Account**

### **Exports**

Receipts from merchandise exports in the review period were estimated at US\$2,110.39 million. Out of this amount US\$712.52 million was attributed to cocoa beans and products, US\$679.69 million was accounted for by gold, timber exports amounted to US\$172.18 million, while other exports, including non-traditional exports explained the residual of US\$546.01 million. In the corresponding period of the previous year, these commodities accounted for revenues of US\$860.6 million, US\$620.7 million, US\$157.9 million, and US\$449.8 million respectively.

Earnings from cocoa beans are estimated at US\$653.42 million. The decline in the value of **cocoa beans** exports was due to both volume and price effects. Export volumes declined by 17.08 per cent from the corresponding period of 2004 to 429,226 tonnes in the review period, while prices also fell by 4.95 per cent to US\$1,522.32 per tonne. Available reports from the market indicate that the decline in quantity was as a result of unfavourable climatic conditions within the crop season, while the price rise is explained by the political instability in the Ivory Coast, the world's leading producer of the crop.

Receipts from gold exports amounted to US\$679.69 million, (a growth of 9.50 per cent) relative to that for the same period of 2004. The growth was essentially due to a 7.38 per cent increase in average price from US\$431.53 per fine ounce in the first nine months of 2004 to US\$401.88 per fine ounce in the review period. The volume of gold exported was 1,575,054 fine ounces, 1.97 per cent higher than the 1,544,605 fine ounces exported in the first three quarters of 2004.

Provisional estimates of earnings from timber and timber products were estimated at US\$172.18 million, (an increase of 9.06 per cent). The increase was partly a result of 6.16 per cent rise in average realised price of US\$461.99 per cubic metre realised during the first three quarters of the preceding year. The 2.74 per cent growth in quantity exported from 341,724 cubic meters a year ago to 351,073 cubic meters in the review period also contributed to the increase.

Exports other than cocoa, gold and timber fetched the economy a value of US\$546.01 million compared with US\$449.8 million in the corresponding period of 2004.

### **Imports**

The total import bill for the first three quarters of the year was estimated at US\$3,455.64 million, an increase of 12.51 per cent compared to an estimate of US\$3,071.4 million in the corresponding period of 2004. Total import bill in the review period amounted to US\$697.21 million, constituting US\$484.45 million and US\$46.84 million of crude oil imports by Tema Oil Refinery (TOR) and the Volta River Authority (VRA) respectively. A bill of US\$163.17 million was also incurred by both the Association of Oil Marketing Companies (AOMC) and Bulk Oil Storage and Transportation (BOST) to import refined products.

The increase in the value of crude oil imports was largely due to a 46.5 per cent increase in the average price of the product that more than offset a decline of 7.70 per cent in volume imported. Realised average price of the commodity was US\$36.94 per barrel during the first three quarters of 2004 compared to US\$54.12 in the review period. The development is explained by a rapid growth in the world's demand for oil especially in the US, China and the Middle East. The increase in volume from 10.64 million barrels in the same period last year to 19.82 million barrels was mainly attributed to a fire outbreak at the berthing quay at the Tema Port in the early part of April 2005 that disrupted crude oil imports schedule for that month.

The value of non-oil imports in the review period were estimated at US\$2761.09 million, a decline of US\$244.68 million from US\$2,516.41 million recorded in the corresponding period of 2004.

**Table 25: The Services, Income and Transfers Account.**

Transactions	2004		2005	
	Q1-Q3	Year	Q1-Q3	Year
<b>Services, Income &amp; Transfers (Net)</b>	<b>1,004.36</b>	<b>1,276.97</b>	<b>1,072.96</b>	<b>1,521.01</b>
Services (Net)	-226.14	-356.16	-76.98	-147.95
Freight and Insurance (Net)	-187.00	-265.58	-225.90	-305.03
Other Services (Net)	-39.14	-90.58	148.92	157.08
Of which				
Travel	223.68	503.28	300.00	307.67
Other Government	-119.43	-278.67	30.19	-3.45
Investment Income (Net)	-145.88	-197.94	-158.37	-193.41
Net Unrequited Transfers	1376.37	1,830.98	1,308.30	1,862.37
Official	391.51	543.93	337.70	541.27
Private	984.86	1,287.05	970.60	1,321.10

The surplus on the balance on the services, income and transfers account during the period under review increased marginally by US\$68.60 million from US\$1,004.36 million at the end of September 2004 to US\$1,072.96 million during the review period. The increase in net receipts was mainly on account of the narrowing of the deficit on the Services account by US\$138.04 million that more than offset the decline of US\$68.07 million on the surpluses on the unrequited transfers.

The balance on official transfers continued to be in surplus but declined to US\$337.70 in the review period from US\$391.51 million in the same period a year ago. The reduction was mainly the result of the failure of the donor countries' to honour their pledges, especially in the first half of the year under review.

### **The Financial Account**

The balance on the financial account turned around to record a surplus of US\$83.57 million from a deficit of US\$120.35 million in the same period of 2004, mainly on account of a substantial improvement in the balance on other investment following net capital outflows on the private capital account turning into net capital inflows.

The balance on official capital account went up to US\$65.06 million, relative to US\$47.38million for the same period of the preceding year. The increase was largely due to an inflow of US\$336.76 million that more than offset official amortization of US\$271.70 million during the review period. These compared with gross official inflows of US\$293.18 million as against the payments amounting to US\$245.8 million of principals on official debts.

**Table 26: Capital and Financial Account**

Transactions	2004		2005*	
	Q1-Q3	Year	Q1-Q3	Year
<b>Capital Account (Net)</b>	<b>-120.34</b>	<b>201.59</b>	<b>83.57</b>	<b>623.52</b>
<b>Official Capital (Net)</b>	<b>47.38</b>	<b>52.45</b>	<b>65.06</b>	<b>114.43</b>
Gross inflows	293.18	402.25	336.76	457.23
Amortisation	-245.80	-349.80	-271.70	-342.80
<b>Private Capital (Net)</b>	<b>247.73</b>	<b>331.99</b>	<b>431.55</b>	<b>572.56</b>
Direct Investment (Net)	85.52	139.27	80.72	126.02
Divestiture	0.00	0.00	0.00	0.00
Others (Net)	162.21	192.72	350.83	446.54
Inflows	183.65	230.89	379.85	487.56
Amortisation	-21.44	-38.17	-29.02	-41.02
<b>Short Term Capital</b>	<b>-415.45</b>	<b>-182.85</b>	<b>-413.04</b>	<b>-63.47</b>
Non-Monetary	-391.35	-88.25	-397.94	1.63
Monetary	-24.10	-94.60	-15.10	-65.10

\* Provisional

Net private capital inflows during the review period were estimated to have improved by US\$183.82 million to US\$431.55 million. The main contributing factor to the improvement in the account was the growth in the net 'other' private investment inflows. It increased by US\$188.62 million to US\$350.83 million following gross inflows of US\$379.85 million as against amortization of US\$29.02 million of private sector debt. During the same period a year ago, other private capital inflows amounted to US\$183.65 million as against debt repayment of US\$21.44 million.

Of the private sector inflows, direct investment for the review period was estimated at US\$80.72 million, compared with an inflow of US\$85.52 million for the same period in the preceding year.

The deficit on the short-term capital account was estimated at US\$413.04 million compared with a deficit of US\$415.46 in the corresponding period of 2004. The narrowing of the deficit is a reflection of the repayment of the cocoa-loan facility that was higher in the 2003-2004 purchasing season than in the 2004-2005

As a result of the above developments a surplus of US\$83.57 million on the financial account was not enough to finance the deficit of US\$182.88 million on the current account, resulting in an overall balance of payments deficit of US\$173.19 million for

## **G. EXTERNAL DEBT**

### **Developments in External debt**

#### **G-8 Debt Relief Proposal**

The Annual meeting of the International Monetary Fund (IMF) and the World Bank approved the G-8 proposal for 100 percent cancellation of debts owed by eighteen (18) eligible Heavily Indebted Poor Countries (HIPCs) including Ghana, to IMF, the African Development Fund (AfDF) and IDA. Under the plan, about US\$40 billion of debt owed to these multilateral institutions will be written off.

Ghana's indebtedness to these institutions is estimated at US\$5.1 billion. The cancellation of this debt will provide a valuable opportunity to reduce the external debt burden, increase resources for poverty reduction programmes to meet the millennium development goals. Preliminary estimates suggest that IDA debt relief would reduce Ghana's annual debt services by about US\$55 million on average between 2006 and 2010 and about US\$93 million annually in the following decade.

#### **Debt Stock**

At the end of September 2005 Ghana's total external debt was US\$6,131.37 million down from US\$6,367.93 million in December 2004. The decline resulted from the full repayment of the syndicated Trade Finance Facility for the 2004/2005 cocoa season.

#### **Debt Service Payments**

Debt service from January to September 2005 amounted to US\$110.87 million. Over the nine-month period, the by-creditor distribution of the debt service was as follows: multilateral creditors US\$51.81 million, Paris-club creditors US\$41.88 million, Non-Paris Club creditors US\$5.74 million and US\$11.44 million to commercial creditors.

Debt service payments on Government-Guaranteed debt during the period under review stood at US\$31.05 million with US\$25.03 million of this amount paid to Commercial creditors.

#### **Enhanced HIPC Relief**

On a cumulative basis, between January and September 2005 an amount of US\$126.851 million was transferred to the HIPC relief account. Of this amount, US\$77.2 million (50.7%) was relief from Paris Club creditors and US\$74.3 million (48.8%) from Multilateral donors.

#### **Debt Service indicators**

Indicators on debt service suggest that the burden of debt service on the economy has reduced considerably. Debt service to exports ratio hovered between a low of 2.5 per cent in February to 17.2 per cent in September. As a percentage of government revenue, debt service ranged between 4 per cent and 14 per cent.

**Table 27: Debt Service Indicators**

Debt service indicators	2005									
	Jan	Feb	Mar	April	May	June	July	Aug	Sept	
(i) Debt Service (including IMF)	11.21	7.35	23.24	31.14	10.98	27.32	12.97	13.82	28.12	
Amortization (\$m)	8.54	4.55	13.78	20.29	7.63	18.98	10.58	10.46	20.35	
Interest Payment (\$m)	2.68	2.80	9.46	10.85	3.34	8.33	2.39	3.35	7.76	
(ii) Debt Service/Exports (%)	4.46	2.54	8.44	14.19	3.55	10.71	6.87	6.43	17.26	
(iii) Debt Service/Revenue (excl Grant) (%)	7.27	4.66	11.73	14.35	4.75	10.21	6.60	6.17	14.32	
(iv) Debt Service/GDP (%)	0.13	0.08	0.25	0.33	0.12	0.28	0.13	0.14	0.28	

**Memorandums**

* Exports (\$m) : BOP Office, BoG	251.44	288.83	275.29	219.36	309.37	255.00	188.77	214.9	162.89
* Domestic Revenue (\$m) : public finance office, BoG	154.14	157.77	198.17	216.96	231.11	267.59	196.47	223.89	196.41
Nominal GDP (\$m) : extrapolated by BoG	8,954.56	9,086.41	9,212.53	9,353.91	9,519.49	9,662.93	9,815.37	9,962.20	10,120.35
Exchange Rate :ced/dollar : end month midrate: BoG	9,049.59	9,057.95	9,075.45	9,080.94	9,066.06	9,074.91	9,077.28	9,086.42	9,086.47

**Chart 42 : External Debt Indicators (Jan- Sept 2005)**

