3. THE GHANAIAN ECONOMY

3.1 Overview

The macroeconomic stability gains achieved over the previous two years were broadly sustained during the review year, despite uncertainties that characterised the global economy. The year also marked the commencement of oil production in commercial quantities.

Real GDP growth was estimated at 14.4 per cent in 2011, driven mainly by oil production and strong performance in the non-oil sector. The balance of payments recorded a surplus while gross international reserve was enough to cover 3.2 months of imports. The exchange rate remained relatively stable in the review year.

Monetary growth rates, the fiscal and external current account deficits were broadly in line with the Government's programme. The rate of inflation remained in single digits for the second consecutive year, fluctuating within a narrow band of 8.4 per cent and 9.2 per cent throughout the year.

In line with subdued inflation expectations, the Monetary Policy Committee (MPC) reduced the Policy Rate by 50 basis points each in May and July to 12.5 per cent and thereafter, maintained the rate to the end of the year. Consequently, the general level of interest rates in the money market declined, while credit to the private sector increased by 16.3 per cent in real terms.

Market capitalisation of the Ghana Stock Exchange (GSE) increased by 134.5 per cent in the year, mainly as a result of the listing of Tullow Plc, an oil company. Activities on the Exchange, were however bearish in the second half of the year resulting in a cumulative loss of 3.1 per cent in the GSE-Composite Index.

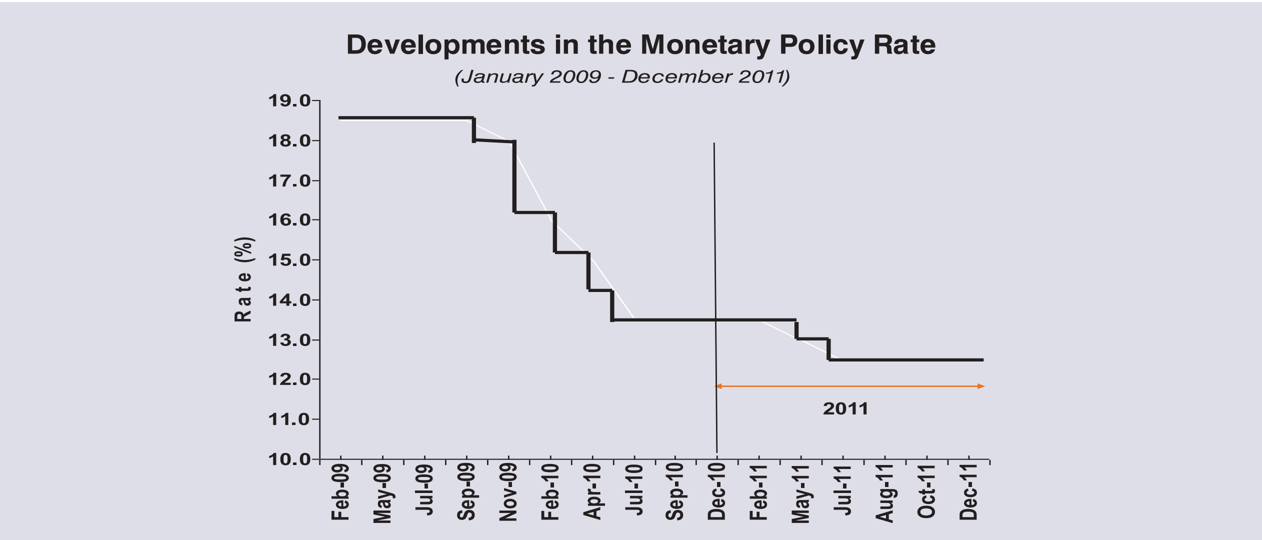
3.2 Monetary Policy Committee Meetings

The MPC met six times during the year. The policy rate was lowered by 50 bps each at the second and third meetings from 13.5 per cent to 12.5 per cent and subsequently maintained at the last three meetings. Inflation remained within single digits throughout the review period and ended the year at 8.6 per cent, which was lower than the projected target of 9 per cent.

Table 3.1: Monetary Policy Decisions in 2011

Date	Decision	Rate (%)
14 -18 February	Monetary Policy Rate remained unchanged	13.5
09 -13 May	Monetary Policy Rate reduced by 50bps	13.0
04 -08 July	Monetary Policy Rate reduced by 50bps	12.5
29 -31 August	Monetary Policy Rate remained unchanged	12.5
17 -19 October	Monetary Policy Rate remained unchanged	12.5
19 -21 December	Monetary Policy Rate remained unchanged	12.5

Chart 3.1: Bank of Ghana Monetary Policy Rate (%)



February Meeting
At its first meeting of the year, the Monetary Policy Committee noted that the macroeconomic policy mix over the past year had delivered an inflation rate consistent with economic fundamentals and within the target band for 2010. In assessing whether the policy rate was appropriately positioned, the Committee took into account that revenue mobilisation had been relatively strong while sentiments of the business sector had improved. These confirmed the pick-up in economic activity as indicated by the Composite Index of Economic Activity (CIEA). The Committee, however, raised some concerns about the sustainability of government expenditures.

Developments in energy and food prices and the geo-political developments in North Africa and the Middle East posed a threat to the inflation outlook. Looking ahead, the Committee was convinced that although the forecast for inflation was slightly elevated, it was expected to remain within the target band by the end of 2011.

Given the balance of risks to the economic outlook, the MPC maintained the policy rate at 13.5 per cent.

May Meeting
The Committee reviewed developments over the first four months of the year and noted that economic activity had picked up and was much more broad-based than the corresponding period in 2010. Business confidence had also improved driven by positive assessment of economic prospects. However, a decline in real credit to the private sector constituted a downside risk to output.

Price developments over the review period suggested falling inflation expectations after the rise in January inflation reflected the pass-through of the upward adjustment of domestic prices of petroleum products. It also noted that threats to inflation had diminished due to better domestic food production.

On the external sector, the latest projection indicated that the current account deficit was better than attained a year earlier. Increased export receipts, portfolio inflows and foreign direct investment were expected to help in the accumulation of reserves and strengthen the local currency.

Looking ahead, the baseline forecasts for twelve months suggested that inflation would remain close to 9 per cent.

However, uncertainties existed in the outlook, especially developments in crude oil prices. Given the balance of risks to prices and output growth, the Monetary Policy Committee reduced the policy rate by 50 basis points to 13 per cent.

July Meeting
At the July meeting, it was noted that the sources of uncertainty that existed at the May meeting had abated. Cocoa and gold prices were holding firm while crude oil prices had reduced, with the range of price adjustment forecast firmly within tolerable limits. Inflation expectations of businesses and the financial sector were also well anchored.

Both the domestic and external economic outlook as well as the inflation forecast pointed to stable and favourable economic conditions in the near term. However, results of surveys conducted by the Bank pointed to some weakening in growth prospects.

Given the balance of risks, the Committee decided to reduce the policy rate by 50 bps to 12.5 per cent.

August Meeting
By the middle of the third quarter, the pace of economic activity had picked up, consumer confidence had improved and expectations about macroeconomic conditions were positive. External sector developments continued to be favourable and the exchange rate stable.

Inflation expectations were well-anchored and had stabilised along the single digit path, supported by favourable food prices. The inflation rate continued to decline and the 9.0 per cent target for the year appeared achievable.

Despite the improved macroeconomic fundamentals, upside risks to inflation were emerging due to the upward adjustment in utility tariffs, wage pressures, oil-induced and other external pressures that could result in overheating of the economy.

In light of the assessment of the risks, the Committee maintained the policy rate at 12.5 per cent.

October Meeting
The Committee observed at the October meeting that conditions in the global economy had deteriorated and was more uncertain about their implications for financial markets and commodity prices.

In the domestic economy, indications were that growth potentials remained strong. Developments in the CIEA provided evidence that the pace of economic activity would remain firm going into the last quarter of the year. While business confidence softened, consumer confidence improved driven by increases in consumer welfare sentiments and stable inflation expectations. The Committee's analysis indicated that inflationary pressures would remain moderate in the last quarter.

Looking ahead however, wage pressures, payment arrears and the observed depreciation of the cedi had increased the upside risks to inflation in the short-term.

The Bank's inflation forecasts showed that the end-year target would be achieved and that the elevated movements in the exchange rate did not pose a threat to the delivery of the Bank's inflation target.

Given the assessments and the balance of risks to inflation and growth, the Committee maintained the policy rate at 12.5 per cent.

December Meeting

The global economy continued to face uncertainties emanating from the eurozone sovereign debt crisis and its contagion effects. The uncertainties in the global economy had impacted on the domestic foreign exchange market as foreign investors gradually wound down portions of their holdings of domestic securities. Together with increased corporate demand for foreign exchange on account of higher imports, the Ghana cedi came under intense pressure.

Indications from the CIEA suggested that the economy had expanded at a fast pace, spurred on by strong export growth. However, the Consumer Confidence Index had weakened somewhat since the September survey due to several factors including increased volatility in the foreign exchange market.

Although inflation had remained relatively stable since the beginning of the year, risks to the outlook for 2012 were slightly elevated at the December meeting. While upside risks remained, the slowdown in the global economy, low foreign inflation, weak domestic business and consumer confidence as well as tight credit conditions for SMEs were expected to exert a moderating effect on the outlook.

The major risks to the outlook were identified to include emerging volatility in the exchange rate market and aggregate demand pressures driven by wages and salaries as well as clearance of domestic payment arrears.

The risks to the outlook for inflation and growth were assessed to be fairly balanced. The Committee therefore decided to maintain the policy rate at 12.5 per cent.

Table 3.2: Selected Economic Indicators

Indicators (End-period)	2007	2008	2009	2010	2011
GDP					
Real GDP Growth with Oil (%)	6.5	8.4	4.0	8.0	14.4
Real Non-Oil GDP Growth (%)	6.5	8.4	4.0	7.7	9.0
Nominal GDP with Oil (GH¢'million)	23,154	30,179	36,598	46,042	59,264
Nominal Non-Oil GDP (GH¢'million)	23,154	30,179	36,598	45,864	55,518
Inflation (%)					
Year-on-year	12.8	18.1	16.0	8.6	8.6
Annual Average	10.7	16.5	19.3	10.8	8.7
Exchange Rate (Transaction Rates)					
GH¢/US$	0.9704	1.2141	1.4284	1.4738	1.5505
GH¢/Pound Sterling	1.9511	1.8049	2.2991	2.2709	2.4946
GH¢/Euro	1.4398	1.7211	2.0484	1.9407	2.1076
Commodity Prices					
Cocoa (US$/tonne)	1,880.5	2,549.6	2,801.6	2,950.7	2,197.0
Gold (US$/fine ounce)	697.1	871.9	968.9	1,133.2	1,569.4
Crude oil,IPE Brent Crude (US$/Barrel)	72.7	98.4	62.5	74.0	111.3
External Sector					
Merchandise Exports (US$' m)	6,004.0	7,070.6	7,609.4	9,437.4	12,785.4
Merchandise Imports (US$' m)	10,064.7	12,566.6	10,989.4	13,925.3	15,958.4
Current Account Balance (US$' m)	-2,151.5	-3,543.1	-1,598.5	-2,700.5	-3,675.1
Overall Balance of Payments (US$' m)	413.1	-940.8	1,158.8	1,462.7	546.5
Gross International Reserves (end period. In US$' m)	2,836.7	2,036.2	3,164.8	4,724.9	5,382.8
(Months of imports of Goods and Services)	2.6	2.1	2.9	3.7	3.2
External Debt (US$' m)	3,590.4	3,982.6	5,007.9	6,118.3	7,589.5
Interest Rates (%)					
Bank of Ghana Policy Rate	13.5	17.0	18.0	13.5	12.5
91-day Treasury Bill	10.6	24.7	23.7	12.3	10.3
182-day Treasury Bill	10.7	26.3	26.5	12.7	11.1
1-year Note	12.3	20.0	20.0	12.7	11.3
2-year Note	12.8	21.0	23.3	12.7	12.4
Monetary Aggregates Annual Growth Rates (%)					
Reserve Money	30.5	39.0	24.9	45.0	31.1
Money Supply (M2+)	35.9	42.4	24.7	33.8	33.2
Money Supply (M2)	43.5	34.0	18.5	44.8	30.2
Government Finance (% of Non-Oil GDP)					
Domestic Revenue	15.8	15.9	15.4	17.4	20.8
Grant	3.7	2.7	3.0	2.4	2.1
Total Expenditure	24.3	26.5	22.4	26.0	23.8
Overall Balance (Including Grant & Divestiture)	-4.9	-6.5	-5.6	-6.5	-4.3
Overall Balance (Excluding Divestiture)	5.4	9.9	5.6	6.5	4.3
Domestic Primary Balance	-3.7	-5.9	0.3	0.1	2.9

3.3 Monetary Developments

Money Supply

Growth in the key monetary aggregates remained in line with the target for 2011, with strong credit growth in support of the real sector. Growth in the key monetary aggregates eased marginally in 2011, underpinned by a slowdown in the pace of accumulation of Net Foreign Assets (NFA). There was, however, strong growth in credit to the private sector.

Table 3.3: Monetary Indicators (GH¢'million)

Indicators	Levels			Amount (GH¢'million) Variations (year-on-year)					
				As at end-Dec. 2009		As at end-Dec. 2010		As at end-Dec. 2011	
	Dec-09	Dec-10	Dec-11	Absolute	Per Cent	Absolute	Per Cent	Absolute	Per Cent
Reserve Money	3,040.9	4,409.6	5,779.6	608.0	25.0	1,368.7	45.0	1,370.0	31.1
Narrow Money (M1)	4,147.7	6,401.8	8,714.4	216.6	5.5	2,254.1	54.3	2,312.6	36.1
Broad Money (M2)	7,550.0	10,935.1	14,241.1	1,176.2	18.5	3,385.1	44.8	3,306.0	30.2
Broad Money (M2+)	10,211.3	13,663.0	18,195.2	2,020.7	24.7	3,451.7	33.8	4,532.2	33.2
Currency with the Public	2,082.4	2,927.2	3,763.3	351.6	20.3	844.8	40.6	836.1	28.6
Demand Deposits	2,065.3	3,474.6	4,951.1	-135.0	-6.1	1,409.3	68.2	1,476.5	42.5
Savings & Time Deposits	3,402.3	4,533.3	5,526.6	959.6	39.3	1,131.0	33.2	993.4	21.9
Foreign Currency Deposits	2,661.3	2,727.9	3,954.2	844.5	46.5	66.6	2.5	1,226.2	45.0
Sources of M2+									
Net Foreign Assets (NFA)	3,935.1	5,754.0	7,880.0	1,749.4	80.0	1,818.9	46.2	2,126.0	36.9
BOG	3,271.0	5,240.9	6,669.6	1,340.1	69.4	1,969.9	60.2	1,428.7	27.3
DMBs	664.1	513.1	1,210.4	409.3	160.6	-151.0	-22.7	697.3	135.9
Net Domestic Assets	6,276.2	7,909.0	10,315.3	271.3	4.5	1,632.8	26.0	2,406.2	30.4
Claims on Government (Net)	3,675.7	4,248.7	5,180.5	1,278.2	53.3	573.0	15.6	931.8	21.9
BOG	1,389.7	1,371.3	1,943.0	-58.2	-4.0	-18.4	-1.3	571.7	41.7
DMBs	2,286.0	2,877.4	3,237.5	1,336.4	140.7	591.4	25.9	360.1	12.5
Claims on Public Sector	1,120.9	1,164.1	764.7	187.3	20.1	43.2	3.9	-399.3	-34.3
BOG	5.5	24.1	24.1	94.6	-106.2	18.6	338.2	0.0	0.0
DMBs	1,115.4	1,140.0	740.0	92.7	9.1	24.6	2.2	-399.3	-35.0
Claims on Private Sector	5,719.3	6,521.1	8,305.4	832.2	17.0	801.8	14.0	1,784.3	27.4
BOG	-46.9	-255.5	-255.5	-49.6	-1,805.4	-208.6	444.9	0.0	0.0
DMBs	5,766.2	6,776.6	8,560.9	881.8	18.1	1,010.4	17.5	1,784.3	26.3
Other Claims (Net) (OIN)	-4,239.7	-2,024.9	-4,126.8	-1,900.3	81.2	214.8	-5.1	-102.0	2.5
o/w BOG OMO (Sterlilisation)	-607.4	-920.8	-975.5	-521.6	607.0	-313.4	51.6	-54.7	5.9

Annual growth of broad money supply, including foreign currency deposits (M2+), declined marginally to 33.2 per cent (GH¢4,532.2 million) at the end of December 2011 from 33.8 per cent (GH¢3,451.7 million) growth at end-December 2010. The growth was driven by increases in both NFA and Net Domestic Assets (NDA) of the banking system.

The NDA grew by 30.4 per cent in 2011 and reflected in stronger than expected private sector credit growth of 27.4 per cent and increased banking sector net claims on government which rose by 21.9 per cent.

The pace of accumulation of NFA slowed down, closing the year with an annual growth of 36.9 per cent compared with 46.3 per cent recorded in December 2010.

The growth in M2+ reflected in all its components. Foreign currency deposits went up by 45 per cent with increased exchange rate volatility in the period while domestic currency deposits rose by 30.8 per cent. Currency outside the banking system also went up by 28.6 per cent during the review period.

3.4 Deposit Money Banks' (DMBs) Credit Developments

Total outstanding credit of DMBs to the private sector and public institutions recovered in 2011, driven mainly by the Services, Import Trade and Commerce & Finance sectors. At the end of December 2011, total outstanding credit to public and private institutions stood at GH¢9,543.9 million, an increase of 16.2 per cent year-on-year, up from the 15.4

Table: 3.4 Sectoral Allocation of Annual Flow of Credit to the Private Sector (%)

Sectors	December 2010	December 2011
Agriculture, Forestry & Fishery	6.7	5.9
Export Trade	2.0	1.3
Manufacturing	15.6	9.6
Transport, Storage& Communication	4.4	4.4
Mining & Quarrying	3.0	4.6
Import Trade	6.8	10.1
Construction	8.6	8.6
Commerce & Finance	16.1	15.6
Electricity, Gas & Water	4.8	5.0
Services	23.1	26.2
Miscellaneous	9.0	8.8
o\w Mortgage Loans	1.7	1.6
Grand Total	**100**	**100**

per cent growth recorded at the end of 2010. Real annual growth of DMBs credit was 7.7 per cent in 2011 compared with 6.3 per cent in 2010. The private sector's share in outstanding credit rose to 89.7 per cent at the end of December 2011 from 84.8 per cent in December 2010.

At the end of 2011, outstanding credit to the private sector increased significantly by 26.3 per cent to GH¢ 8,560.9 million. In real terms, it increased from 10.4 per cent in 2010 to 16.3 per cent in 2011.

Sectoral distribution of credit to the private sector over the review period showed that the Services, Import Trade, Commerce & Finance as well as Manufacturing sectors collectively absorbed 61.5 per cent of the total credit. With the exception of the Manufacturing, Commerce & Finance, Agriculture, Forestry & Fisheries and Export Trade, which recorded declines in credit flow, all the other sectors recorded increases.

3.5 Money Market Developments

Money market developments generally reflected easing inflation expectations, leading to declines in interest rates over the review period.

Issue of Securities for Government Borrowing

At the end of the year, a total of GHc11, 070.9 million was raised from the issue of securities to finance Public Sector Borrowing Requirements. Maturities amounted to GH¢8,123.9 million, resulting in net borrowing of GH¢2,947 million.

Interest Rates

The Monetary Policy Committee lowered the policy rate by a cumulative 100 bps to 12.5 per cent in 2011 in response to easing inflation expectations.

Interest rates on the money market generally declined in the year through October. However, in November and December, the rates inched up as inflation expectations increased. The 91-day Treasury bill rate fell by 312 bps in the first 10 months of the year. It however, firmed up by 153 bps from October to end the year at 10.7 per cent. Similarly, the 182-day Treasury bill rate shed 282 bps during the first 10 months and firmed by 140 bps to end the year at 12.4 per cent. The rates on the 1-year and 2-year notes rose by 30 bps and 150 bps respectively to 11.3 per cent and 12.4 per cent.

The overnight interbank rate dropped from 11.7 per cent in January to 10.5 per cent in October, and further to 6.3 per cent in December 2011.

Deposit Money Banks' average 3-month time deposit rate declined by 275 basis points to 7.8 per cent, while the savings rate went down by 183 bps to 4.1 per cent. The average lending rates declined by 170 bps to 26.9 per cent during the period under review.

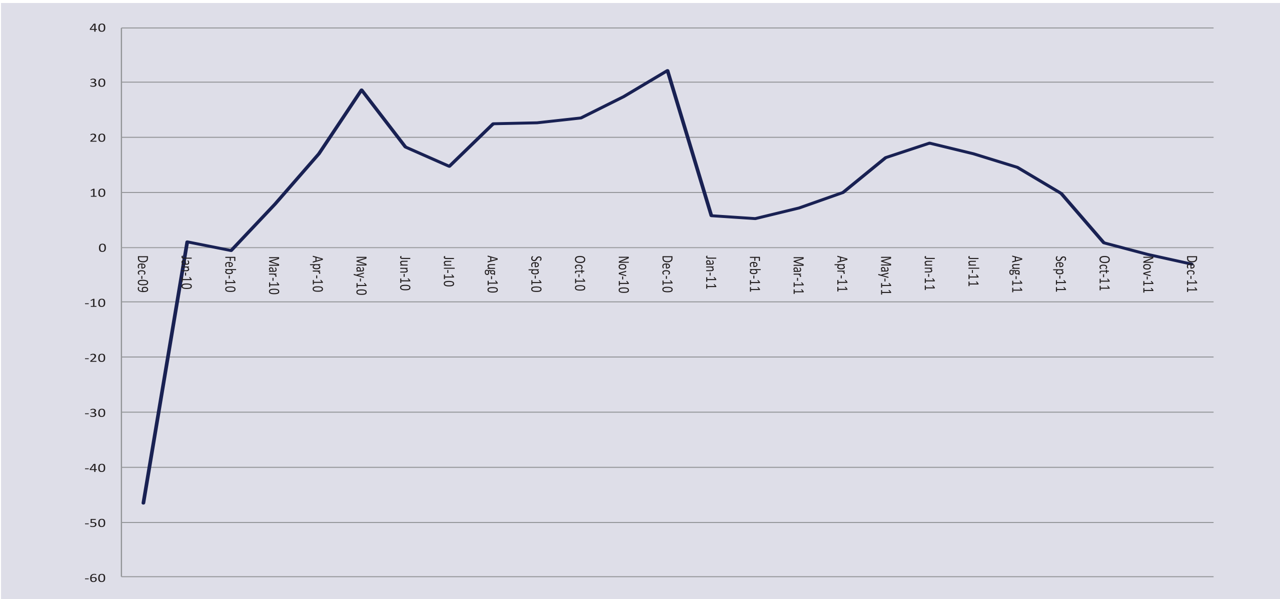
The DMBs' average base and lending rates similarly declined in the period. Average base rates fell by 332 bps to 22.5 per cent while average lending rates eased by 170 bps to 25.9 per cent. Over the same period, the average savings and deposit rates declined by 183 bps and 275 bps to 4.1 per cent and 7.8 per cent respectively.

The spread between the borrowing and lending rates rose marginally from 17.1 per cent in December 2010 to 18.2 per cent in December 2011.

3.6 Stock Market Developments

After recording an impressive performance in the first half of 2011, the GSE Composite Index ended the year with a cumulative loss of 3.1 per cent as investors engaged in profit taking activities in the second half of the year that reversed the earlier gains.

Chart 3.2: GSE Composite Index: Cumulative Changes (%)



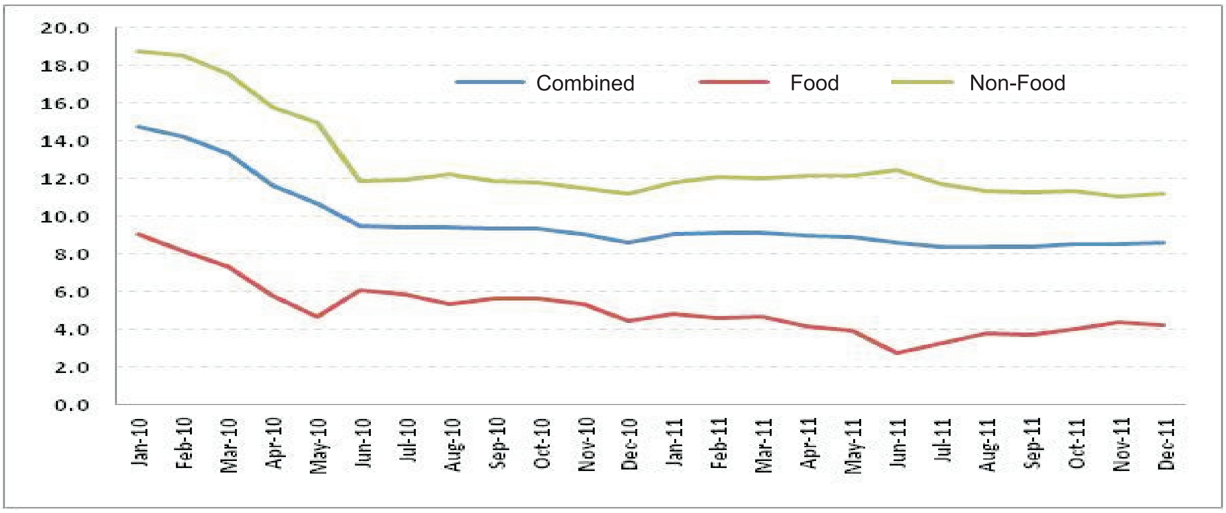
In July 2011, Tullow Oil Plc, a partner in the Jubilee oil fields, was officially listed on the GSE with a capitalisation of GH¢28,019.4 million. In November, HFC Bank floated an additional 450,000 ordinary shares valued at GH¢101.3 million. Guinness Ghana Breweries Limited (GGBL) also raised additional capital of GH¢70 million through a Rights Issue in the same month. These developments led to a 134.5 per cent increase in the market capitalisation of the Exchange to GH¢47,347.0 million, making it the third most capitalised stock exchange in Africa after the South Africa and Nigeria stock exchanges. Two equities were delisted in 2011. The total number of listed equities at the end of the year was 34.

3.7 Price Developments

The main objective of monetary policy in 2011 was to contain inflationary pressures in the economy to attain an end-period inflation of 9.0 per cent. The year saw inflation trending within a narrow band of 8.4 per cent and 9.2 per cent. CPI inflation jumped from 8.6 per cent in December 2010 to 9.2 per cent in February 2011 on account of upward adjustment in the domestic prices of petroleum products in January. Inflation declined marginally to 9.1 per cent in March and further down to 8.4 per cent in June and remained unchanged for the following three consecutive months to September. During the fourth quarter, CPI inflation inched up to close the year at 8.6 per cent.

Food inflation generally trended downward in the year, while Non-Food inflation was within the range of 11 per cent and 12.5 per cent over the same period. Food inflation had been in single digits for the past 25 consecutive months and stood at 4.3 per cent in December 2011. Non-Food inflation increased from 11.8 per cent at the beginning of the year to peak at 12.4 per cent in June and subsequently declined to 11.2 per cent in December.

Chart 3.3 Inflationary Trends (%)



3.8 Real Sector Performance

Growth in real oil-GDP was 14.4 per cent[1] in 2011 compared with 8.0 per cent in 2010. Non-oil GDP grew by 9.0 per cent in 2011 compared to 7.7 per cent in 2010. The Industry sector recorded the highest growth rate of 41.1 per cent, boosted by oil production. This was followed by the Services sector with 8.3 per cent, while the Agriculture sector recorded the lowest growth of less than 1.0 per cent. Services remained the largest sector, contributing 48.5 per cent to GDP followed by Industry with 25.9 per cent.

Table 3.5: Growth Rates of GDP by Sector (%)

Sectors	2009	2010	2011
Agriculture	7.2	5.3	0.8
Industry	4.5	6.9	41.1
Services	5.6	9.8	8.3
GDP	4.0	8.0	14.4

Source: Ghana Statistical Service

Trends in Bank of Ghana's CIEA, which tracks developments in economic activities, also pointed to increased real sector activities in 2011. In year-on-year terms, the index grew by 15.2 per cent in 2011 compared with 10.4 per cent in 2010.

3.9 Fiscal Developments

The 2011 national budget sought to build on the progress made in fiscal consolidation. An overall fiscal deficit of 4.9 per cent of GDP was targeted for the year. To achieve this, efforts were made to boost revenue mobilisation and restrain government expenditure. At the end of the year, the overall budget recorded a deficit of 4.3 per cent of GDP.

Total government revenue and grants amounted to GH¢12,851.6 million (22.8% of GDP) which was marginally above the target of GH¢12,825.0 million. Measures to improve domestic revenue mobilisation, including improvements in tax administration and streamlining of tax exemptions, were broadly successful. The tax revenue to GDP ratio target of 17.5 per cent for the year was achieved. Disbursement of grants of GH¢1,175.0 million was 18.8 percentage points higher than the budgeted target of GH¢989.4 million.

[1]Production of oil in commercial quantities commenced in the last quarter of 2010

Table 3.6: Selected Fiscal Indicators (GH¢'million)

Indicators	2007	2008	2009	2010	2011
Overall Balance(Incl. Divestiture)	(1,132.2)	(1,976.5)	(2,056.2)	(2,999.9)	(2,395.4)
% of GDP	(4.9)	(6.5)	(5.6)	(6.5)	(4.3)
Tax Revenue	3,312.7	4,368.5	4,803.6	6,504.5	9,854.6
% of GDP	14.3	14.5	13.0	14.1	17.5
Total Revenue	3,651.0	4,802.4	5,674.0	7,730.6	11,676.6
% of GDP	15.8	15.9	15.4	16.7	20.8
Grants	857.2	817.3	1,101.2	1,080.2	1,175.0
% of GDP	3.7	2.7	3.0	2.3	2.1
Revenue & Grants	4,508.2	5,619.7	6,775.2	8,810.9	12,851.6
% of GDP	19.5	18.6	18.4	19.1	22.8
Expenditure & Net Lending	5,624.5	8,009.8	8,248.2	11,532.2	13,380.0
% of GDP	24.3	26.5	22.4	24.9	23.8
Domestic Primary Balance	(861.6)	(1,773.2)	122.5	33.6	1,601.6
% of GDP	(3.7)	(5.9)	0.3	0.1	2.9
Net Domestic Financing	713.0	1,152.7	1,042.1	2,142.6	1,988.1
% of GDP	3.1	3.8	2.8	4.6	3.5
GDP at Current Prices (Rebased)	**23,154.0**	**30,179.0**	**36,867.0**	**46,342.0**	**59,264.0**

Total government expenditure amounted to GH¢13,380 million (23.8% of GDP) which was within the budget target of GH¢13,837.3 million (24.6% of GDP). Recurrent expenditure was below target by 4.4 per cent though the wage bill exceeded the budgeted target by GH¢203.7 million due to payments of arrears to government employees under the single spine salary structure. Capital expenditure also fell below target by 0.2 per cent.

The deficit of GH¢2,395.4 million was financed by net domestic borrowing of GH¢1,988.1 million (3.5% of GDP) and net foreign inflow of GH¢979.3 million (1.7% of GDP). Out of the net domestic borrowing, 84.1 per cent was sourced from the non-bank public through the issuance of government bonds, with the banking sector contributing 15.9 per cent.

Domestic Debt

The stock of domestic debt at the end of 2011 stood at GH¢11,841.1 million, an increase of 43 per cent (GH¢3,561 million) over the 2010 stock. All components of debt showed increases: short-term 35.4 per cent (GH¢1,138.8 million), medium-term 47.9 per cent (GH¢1,812.7 million) and long-term 47.7 per cent (GH¢609.4 million). In terms of relative shares, short-term debt instruments constituted 36.8 per cent (38.8% in 2010), medium-term 47.3 percent (45.8% in 2010) and long-term 15.9 per cent (15.4% in 2010).

Table 3.7 Composition of Domestic Debt (GH¢'million)

Instruments	2010 December	2011 December	% of December 2011 Total
A. Short-Term			
91-Day Treasury Bill	641.0	1,225.0	10.3
182-Day Treasury Bill	1,334.6	1,291.1	10.9
1-Year Treasury Note	1,334.6	1,733.0	14.6
Short-Term Advance	104.2	104.2	0.9
Sub-Total (A)	**3,214.5**	**4,353.3**	**36.8**
B. Medium-Term			
2-Year Fixed Treasury Note	1,647.0	1,174.1	9.9
3-Year Fixed Treasury Note	1,653.1	2,743.8	23.2
3-Year Stock (SBG)		29.9	0.3
3-Year Stock (SSNIT)		162.0	1.4
5-Year GOG Bond	268.8	695.1	5.9
5-Year Golden Jubilee Bond	29.4	34.1	0.3
GOG Petroleum Finance Bond	80.0	80.0	0.7
TOR Bond	110.0	682.0	5.8
Sub-Total (B)	**3,788.3**	**5,601.1**	**47.3**
C. Long-Term			
Long-Term Government Stocks	673.8	1,320.6	11.2
Telecom Malaysia Stocks	109.5	109.5	0.9
Revaluation Stock	493.1	455.7	3.8
Other Government Stocks	1.0	1.0	-
Sub-total (C)	**1,277.3**	**1,886.7**	**15.9**
Total (A+B+C)	**8,280.1**	**11,841.1**	**100.0**

Source: Bank of Ghana

Holdings of Domestic Debt

Holdings of domestic debt in 2011 by all sectors increased compared with levels in 2010: The holdings of the Banking and Non-bank sectors went up by 32.4 per cent (GH¢1,715.5 million) and 80.1 per cent (GH¢1,142.4 million) to GH¢7,004.6 million and GH¢2,568.5 million respectively. Non-residents' holdings of domestic debt rose by 44.9 per cent (GH¢703.1 million) to GH¢2,268.1 million. The share of the Banking sector in the total stock of domestic debt declined from 63.9 per cent in 2010 to 59.2 per cent in 2011 as the Non-bank sector went up from 17.2 per cent in 2010 to 21.6 per cent in 2011.

Bank of Ghana's share of domestic debt at the end of December 2011 stood at 22.8 per cent of the total compared with 18.5 per cent as at end-December 2010. The Deposit Money Banks (DMBs) held 36.3 per cent. SSNIT 4 per cent, Insurance companies 0.3 per cent, 'Other' holders comprising Rural Banks, Firms & Institutions and individuals held 17.3 per cent of the total stock.

Table 3.8: Holdings of Domestic Debt (GH¢'million)

	2010	%	2011	%
A. Banking Sector	**5,289.1**	**63.9**	**7,004.6**	**59.2**
Bank of Ghana	1,533.3	18.5	2,702.3	22.8
DMBs	3,755.7	45.4	4,302.3	36.3
B. Non-Bank Sector	**1,426.1**	**17.2**	**2,568.4**	**21.6**
SSNIT	201.4	2.4	475.1	4.0
Insurance Companies	38.6	0.5	39.0	0.3
Other Holders	1,186.0	14.3	2,054.3	17.3
Rural Banks	163.4	2.0	197.6	1.7
Firms & Institutions	608.1	7.3	1,052.4	8.9
Individuals	414.5	5.0	804.0	6.8
C. Foreign Sector (Non-Residents)	**1,565.0**	**18.9**	**2,268.1**	**19.2**
TOTAL (A+B+C)	**8,280.1**	**100.0**	**11,841.1**	**100.0**

Source: Bank of Ghana

3.10 External Sector Developments

The Balance of Payments (BOP) recorded a smaller surplus of US$546.5 million in 2011, compared to US$1,462.7 million registered in 2010. The surplus emanated from an improvement in the capital and financial account which compensated for the deterioration in the current account.

The Current Account

The current account recorded a deficit of US$3,675.1 million (9.9% of GDP) in 2011, compared to the deficit of US$2,769.7 million (9.3% of GDP) in 2010. This development was attributed to a worsening trade balance and an increase in services and income payments. The trade balance deteriorated by 7.5 per cent to US$3,183.1 million on account of a higher import bill which offset the gains in exports. The current transfer accounts however, recorded a net inflow of US$2,597.4 million.

Trade in Goods

The balance of trade in 2011 is estimated to have worsened to a deficit of US$3,183 million from a deficit of US$2,962 million in 2010. This development was the result of soaring import bills of US$15,968.4 million as against export earnings of US$12,785.4 million.

Merchandise Exports

Total export receipts grew by 60.6 per cent to US$12,785.4 million driven by the commencement of crude oil exports and increased earnings from gold, cocoa and other exports.

Earnings from gold exports increased by 29.4 per cent to US$4,920.2 million. This development was on account of increases in both price and volume. While the average realised price went up by 28.3 per cent to US$1,564.8 per fine ounce, the volume rose by 0.9 per cent to 3.1 million fine ounces.

Export earnings from cocoa (beans and products) grew by 29.4 per cent to US$2,870.9 million. Earnings from cocoa beans improved by 27.2 per cent to US$2,027.9 million on account of a 19 per cent increase in volume to 630,216 tonnes while the average realised price rose by 6.8 per cent to US$3,217.9 per tonne. Earnings from cocoa products also went up by 34.8 per cent to US$842.9 million, mainly attributed to volume increase of 37.9 per cent to 226,232 tonnes. The average realised price of cocoa products, on the other hand, declined by 2.2 per cent to US$3,726 million per tonne.

The value of exported timber products went down by 12.6 per cent to US$165.7 million. The decline was a result of a 16.7 per cent drop in volume to 355,620 cubic metres as against a 5 per cent gain in price to US$465.8 per cubic metre.

In 2011, the first full year of oil production, the value of exported crude oil totalled US$2,778.5 million from an average realised price of US$112.4 per barrel and volume of 24.7 million barrels.

Other exports (including non-traditional exports) also increased by 17.3 per cent to US$2,050.1 million. Significant among these was aluminium alloy amounting to US$88.8 million.

Merchandise Imports

The total value of merchandise imports in the review year recorded a growth of 46.2 per cent to US$15,968.4 million, underpinned by strong growth in both oil and non-oil imports.

The value of non-oil imports grew by 45.9 per cent to US$12,672.3 million, constituting 79.4 per cent of total imports in 2011. This growth reflected in all the broad categories and was driven by increased economic activity. The value of imported capital goods was US$2,686.1