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OVERVIEW

Global economic activity continued to expand across regions, albeit at a moderated and diverse pace. Growth momentum in advanced economies significantly picked up during the first quarter, reflecting improvements in private sector balance sheets and accommodative policies in support of economic activity in these economies. Emerging market economies, on the other hand, experienced somewhat sluggish economic activities, although growth rates in these economies remain the highest in the world, especially in emerging Asia. In sub-Saharan Africa, however, growth continued at a strong pace, underpinned by increasing domestic demand.

In the domestic economy, heightened inflationary pressures and exchange rate depreciation alongside weak external sector performance and high fiscal deficits continued to be the main concerns for economic management. The Ghana cedi weakened sharply against its external counterparts, depreciating cumulatively by 17.6 per cent against the US dollar at the end March 2014 while CPI Inflation also rose to 14.5 per cent in the period.

On the external front, exports declined by 12.7 per cent year-on-year, driven by weak performance among the major export products especially gold and crude oil. Imports also declined by 13.0 per cent on the back of declines in both oil and non-oil imports. At the end of March 2014, Gross International Reserves (GIR) had declined by US\$910.2 million to a stock position of US\$4,721.9 million, sufficient to provide cover for 2.7 months of imports of goods and services.

Real Sector Developments

Economic activity as depicted by economic

indicators at the end of March 2014 point to moderate improvements when compared with developments in the corresponding period of 2013. On year-on-year basis, economic indicators such as Domestic VAT, income and corporate tax collections, workers contribution to SSNIT and vehicle registration showed a pick-up in growth in the first three months of 2014.

Price Developments

Headline inflation rose to 14.5 per cent at the end of March 2014 from 14.0 per cent in February and 10.8 per cent in March 2013. The rise in inflation was driven by the pass through effects of the sharp depreciation in the local currency and administrative adjustments to prices of utilities and petroleum products. The rise in the inflation rate reflected increase in food inflation from 7.5 per cent in February 2014 to 8.2 per cent in March. The non-food inflation also increased marginally from 19.0 per cent to 19.2 per cent over the same period.

Fiscal Developments

Government receipts (including grants) for the review quarter amounted to GH¢5,558.3 million (5.3% of GDP) lower than the budgeted estimate of GH¢5,787.8 million (5.5% of GDP), but higher than the GH¢4,758.7 million (5.1% of GDP) recorded for the corresponding quarter in 2013.

For the same quarter, government expenditure (including net lending) amounted to GH¢5,735.6 million (5.4% of GDP) compared with a target of GH¢7,354.9 million (7.0% of GDP) and GH¢5,135.7 million (5.5% of GDP) recorded during the corresponding quarter in 2013.

Government budgetary operations for the pe

riod however resulted in an overall budget deficit on cash basis, including divestiture and discrepancy of GH¢2,216.0 million (2.1% of GDP) compared with a target of GH¢2,457.9 million (2.3% of GDP). The deficit was financed from a net foreign inflow of GH¢466.0 million and GH¢2,168.3 million sourced from the domestic banking sector.

Monetary Aggregates and Credit Developments

Developments in the monetary sector in the first three months of the year indicated an upturn in growth of monetary aggregates. Broad Money including foreign currency deposits (M2+) showed a growth of 27.2 per cent as at March 2014, compared with 24.1 per cent and 19.1 per cent in March and December 2013 respectively. The growth in M2+ was driven mainly by 48.2 per cent growth in Net Domestic Assets (NDA) of the banking system while the Net Foreign Assets (NFA) declined by 25.9 per cent.

Total outstanding credit to public and private institutions stood at GH¢19,410.9 million at the end of March 2014 compared with GH¢13,803.1 million recorded at the end of March 2013. This indicated a year-on-year nominal growth of 40.6 per cent compared with a growth of 31.3 per cent a year earlier.

In real terms, the growth rate in credit increased to 26.1 per cent at the end of March 2014, from 20.9 per cent at the end of March 2013. The private sector accounted for 88.1 per cent of total outstanding credit at the end of March 2014 compared with 88.3 per cent in March 2013. The annual growth rate of outstanding credit to the private sector also increased from 19.4 per cent in real terms at the

end of March 2013 to 25.0 per cent at the end of March 2014.

Financial Markets

Interest rate developments on the money market for March 2014 were mixed. The Monetary Policy Rate at the end of the review period was 18.0 per cent, following the increase of 200 basis points during the last MPC meeting in February 2014. The average interest rate on the 91-day rose by 3 basis points (year-on-year) to 22.89 per cent, while the rate on the 182-day Treasury bills declined by 175 basis points to 21.32 per cent. The spread between the borrowing and lending rates also narrowed by 182 basis points while the average base rate of banks increased by 164 basis points to 23.12 per cent year-on-year.

The performance of the stock market was relatively subdued in the first quarter of 2014. The Ghana Stock Exchange (GSE) Composite Index declined by 11.2 per cent on year-to-date basis during the review month compared with the growth of 17.0 per cent in the corresponding period of 2013. Market capitalization also recorded a year-to-date decline of 4.1 per cent to GH¢58,684.4 million as at the end of March 2014, which reflected declines in the values of most equities on the exchange.

The Ghana cedi continued to weaken on the domestic market on account of continuous demand pressures amid tight liquidity on the market. This resulted in a sharp weakening of the cedi even though the pace of depreciation moderated in March following the introduction of new policy measures by the Central bank. In the **Inter-Bank Market**, the Ghana cedi recorded cumulative depreciations of 17.6 per cent against the US dollar, 17.5 per

cent against the pound sterling and 15.1 per cent against the euro during the review period. These developments contrast with depreciation of 1.1 per cent and 4.6 per cent against the dollar and the pound sterling respectively and near stability against the euro at the end of March 2013. Similarly, on the **forex bureau market**, the Ghana cedi depreciated by 12.5 per cent, 14.3 per cent and 13.5 per cent against the US dollar, the pound sterling and the euro respectively at the end of March 2014.

External Sector Developments

Developments in the first quarter of 2014 showed that Ghana's balance of payments registered a deficit of US\$852.6 million compared with a deficit of US\$132.2 million recorded in the first quarter of 2013. This development was due to lower net foreign capital inflows.

The value of merchandise exports in the review quarter declined by 9.7 per cent to US\$3,537.8 million during the first quarter of 2014. The decline in exports was mainly on account of significant reduction in earnings from gold and oil. The value of merchandise imports also

declined by 13.3 per cent to US\$3,674.3 million reflecting declines in both oil and non-oil imports.

At the end of March 2014, gross international reserves decreased by US\$910.21 million to US\$4,721.9 million, from a stock position of US\$5,632.2 million at the end of December 2013. The level of reserves at the end of March 2014 was sufficient to provide cover for 2.7 months of imports of goods and services compared to a cover of 2.8 and 3.1 months as at the end of March and December 2013 respectively.

External Debt

Ghana's total external debt stood at US\$11,488.8 million at the end of the first quarter of 2014. This indicated an increase of US\$27.15 million above the December 2013 stock. At that level, the country's external debt represented 28.1 per cent of gross domestic product at current prices. On year-on-year basis the debt stock increased by 24.5 per cent from US\$9,231.5 million recorded at the end of the first quarter of 2013.

1. Developments in the World Economy

Global economic activity continued to expand in the first quarter of 2014 but at a moderated pace. In advanced economies, economic activity edged up but growth momentum in emerging market economies slowed somewhat. This notwithstanding, growth rates in emerging market countries still remained the highest in the world, especially in emerging Asia. The first quarter growth dynamics re-

flected improvements in private sector balance sheets and accommodative policies in support of economic activity in advanced economies, which contrasts tightened financial conditions and structural rigidities alongside limited policy options in emerging economies. Growth in sub-Saharan Africa continued at a strong pace largely supported by increasing domestic demand.

Table 1.1: World Economic Indicators

	Year over Year (%)			
	2012	2013	WEO Projections	
			2014	2015
World Output	3.1	3.0	3.6	3.9
Advanced Economies	1.5	1.3	2.2	2.3
United States	2.8	1.9	2.8	3
Euro Area	-0.7	-0.4	1.2	1.5
Germany	0.9	0.5	1.7	1.6
France	0.0	0.2	1.0	1.5
Italy	-2.5	-1.8	0.6	1.1
Spain	-1.6	-1.2	0.8	1.6
United Kingdom	0.3	1.7	2.9	2.5
Japan	1.4	1.7	1.4	1.0
Emerging and Developing Economies	4.9	4.7	5.1	5.4
Developing Asia	6.4	6.5	6.7	6.8
China	7.7	7.7	7.5	7.3
Sub-Saharan Africa	4.8	5.1	5.4	5.5
South Africa	2.5	1.8	2.3	2.7

Source: IMF World Economic Outlook Database, April 2014

European Economies

Real GDP growth in the euro area went up by 0.3 per cent on quarter on quarter basis in the fourth quarter of 2013. Current macroeconomic projections by the ECB for the euro area indicated that annual real GDP growth increased by 1.2 per cent in 2014. Survey-based confidence indicators from January and February

2014 showed continued but moderated pace of growth. Looking ahead, the ongoing recovery in the Euro area is expected to be supported by further improvement in domestic demand, improving financing conditions, continued fiscal consolidation and structural reforms. In addition, economic activity may be boosted by

lower energy prices and stronger demand for euro area exports. Unemployment in the euro area however, remained high and may weigh on the pace of the economic recovery.

United Kingdom

Economic growth in the United Kingdom has remained robust driven mainly by investment and exports. However, economic activity in the first quarter of 2014 remained mixed as some business survey indicators declined slightly, while other indicators suggested strong growth. Consumer confidence also improved alongside signs of a recovery in credit growth. In the medium term, however, the pace of growth was likely to be constrained by relatively weak household real income dynamics, private and public sector balance sheet repairs and subdued export growth.

The US Economy

Real GDP growth in the United States moderated in the fourth quarter of 2013 at an annualised rate of 2.4 per cent (0.6% q/q), down from 4.1 per cent (1.0% q/q) in the previous quarter supported by strong private consumption, non-residential investment and exports. Residential investment and public spending dipped on account of a decrease in federal, state and local government expenditure. In the first quarter of 2014, latest indicators suggested a slight reduction in economic activity as a result of adverse weather conditions. Broadly, growth in the United States is projected to accelerate in 2014 supported by stronger domestic demand as financial conditions improved

amid a diminishing fiscal drag.

Emerging Asia

Growth in **Japan** lost some momentum in the second half of 2013 reflecting stagnant exports and a surge in imports. Preliminary estimates show that real GDP expanded by 0.3 per cent in the fourth quarter of 2013 supported by strong domestic demand. Projections for the first quarter of 2014 point to a temporary boost in economic activity as consumers spend ahead of a consumption tax increase scheduled for April 2014. Latest sentiment indicators are however supportive of the expected pick-up in activity. For instance, the manufacturing PMI registered 56.5 in January, almost the same as the December 2013 reading, and industrial production increased by 4.0 per cent month on month in January.

In **China**, real GDP ended 2013 at 7.7 per cent, unchanged from 2012. In the first quarter of 2014, high-frequency indicators pointed to a slower pace of growth which started in the fourth quarter of 2013. PMI indicators softened in January and February, but non-manufacturing indicators rose. Overall, China's economy grew 7.4 per cent in the first quarter of 2014, representing the slowest annual growth since the third quarter of 2012. In the review quarter, the economy grew by 1.4 per cent signalling the depth of deceleration at the start of the year. Some modest measures have been announced to provide some support for growth near its target of 7.5 per cent. These include tax cuts for small firms and increased investments especially in the rail sector.

Sub-Saharan Africa

Growth prospects in Sub-Saharan Africa (SSA) remained positive despite some marginal downward revision in the forecasts from 6.1 per cent to 5.5 per cent. The higher growth would reflect increased domestic supply-side developments and continued recovery in the global economy. The major risks to the SSA growth outlook include tight external condi-

tions as the US tapering strengthens and a slowdown in emerging and developing countries. The South African economy is projected to grow at 2.3 per cent from earlier estimates of 2.8 per cent as the lingering effects of strikes and policy uncertainties partly weighed down on growth. Nigeria is projected to grow at 7.1 per cent in 2014 supported by the operation of major oil pipelines and expansion of production in non-oil sectors.

2. Real Sector Developments

Analysis of selected indicators of real sector activity during the first quarter of 2014 indicated a mixed performance even though they generally reflected some slight moderation in domestic economic activities.

2.1 Indicators of Economic Activity

2.1.1 Consumer Spending

In the first quarter of 2014, consumer spending estimated by domestic VAT collections grew by 37.2 per cent to GH¢406.5 million from GH¢296.4 million recorded during the corresponding quarter of 2013. Also, domestic VAT collections in the first quarter of 2014 indicated an improvement of 19.8 per cent over the amount collected in the fourth quarter of 2013.

2.1.2 Production/Incomes

Activities in the manufacturing sector measured by income and corporate tax collections and workers contributions to the SSNIT Scheme showed a mixed outturn. Aggregate income and corporate tax collections increased by 23.7 per cent year-on-year to GH¢1,578.09 million during the first quarter of 2014 from GH¢1,275.47 million collected during the corresponding quarter of 2013. It however represented a 4.0 per cent decline from the amount of GH¢1,643.75 million collected during the fourth quarter of 2013. In terms of relative contributions of the various sub-sectors, PAYE and Self-employed accounted for 46.0 per cent; Corporate tax (43%); while 'Others' contributed 11.0 per cent.

Provisional data from SSNIT suggested that private sector workers' contribution to the Scheme rose by 50.4 per cent year-on-year to GH¢149.3 million in the first quarter of 2014. On quarter-on-quarter basis, workers' contribution to SSNIT picked-up marginally by

Chart 2.1: Retail Sales and Domestic VAT (GH¢' million)

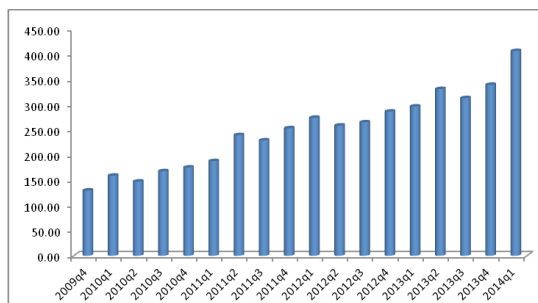


Chart 2.2: SSNIT Contributions (GH¢' million)

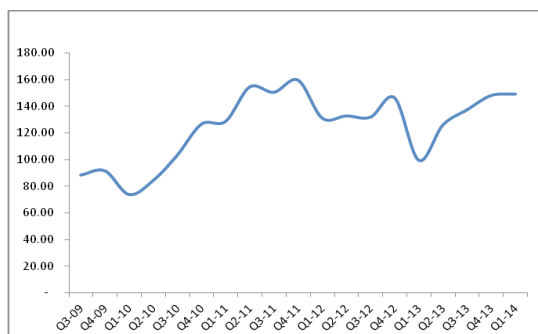
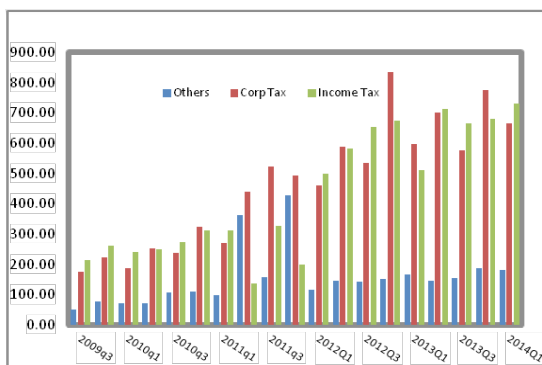


Chart 2.3: Income & Corporate Tax Collection (GH¢' million)



0.7 per cent in the first quarter of 2014 above GH¢148.2 million paid to the SSNIT Scheme by workers during the fourth quarter of 2013.

2.1.3 Construction Activities

Construction sub-sector activities proxied by tonnage of cement sales indicated a year-on-year decline of 1.7 per cent to 1,071,717.63 tonnes in the first quarter of 2014. However, cement sales in the first quarter of 2014 signalled a quarterly growth of 10.2 per cent growth above 972,494.57 tonnes sold during the fourth quarter of 2013.

Vehicle Registration

Transport Sector activities proxied by vehicle registration by DVLA indicated a year-on-year growth of 69.57 per cent to 56,328 during the first quarter of 2014 from 33,183 vehicles during a similar quarter in 2013. However, vehicle registration declined by 4.6 per cent in the first quarter of 2014 below 59,063 recorded during the fourth quarter of 2013.

2.2 Labour Market Conditions

Job adverts in the 'Daily Graphic' declined in the first quarter of 2014. The Job Advert Index declined to 52 in the first quarter of 2014 from 67.4 in the fourth quarter of 2013. On quarter-on-quarter basis, overall placements of job adverts in the 'Daily Graphic' fell by 22.9 per cent to 792 in the first quarter of 2014 from 1,027 in the fourth quarter of 2013. Similarly, on a year-on-year basis, advertised jobs declined by 57.0 per cent in the review period. The declining trend in job adverts reflected the general slowdown in economic activities over the period and weak business sentiments on the back of recurring energy crisis.

Chart 2.4: Quarterly Trends in Cement Production (tonnes)

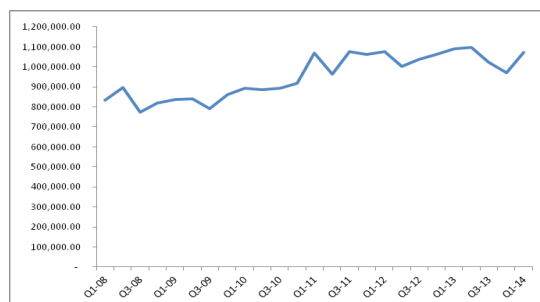


Chart 2.5: Quarterly Trends in Vehicle Registration

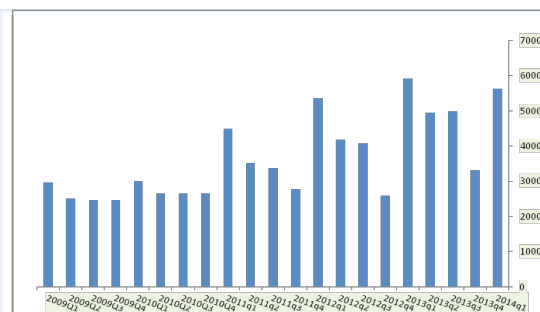
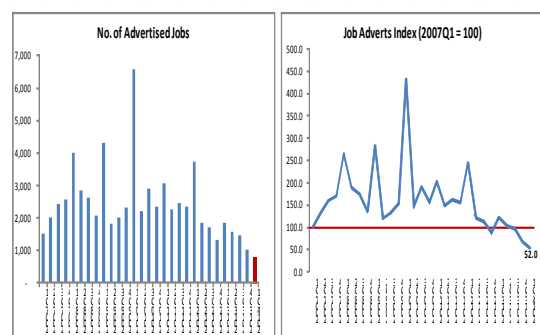


Chart 2.6: Trends in Advertised Job Vacancies



2.2.1 Job Vacancies by Skills

The Services sector remained dominant as the one with the most advertised jobs in the quarter, accounting for 86.4 per cent of job adverts (slightly down from 87.2% in the fourth quarter of 2013.). Of this, the 'Education' sub-component accounted for 18.2 per cent, 'Finance, Insurance & Real Estate' (10.5%), 'Producers of private non-profit services' (10.7%) and 'Restaurant and Hotels' (6.2%).

Advertised jobs on Industry accounted for 13.3 per cent of total job adverts in the first quarter of 2014, up from 11.6 per cent in the preceding quarter. The main sub-sector within the Industry sector that held a significant share of job adverts was manufacturing with 10.4 per cent. The Agricultural sector contributed

only 0.4 per cent of total jobs advertised in the quarter.

Further analysis indicated that potential employees with tertiary level education remained the main sought after by employers. In all, the skilled sector held a share of 58.5 per cent of job adverts in the first quarter of the year, compared with 63.5 per cent in the fourth quarter of 2013. The share of 'Secretarial and clericals' was 5.4 per cent (up from 2.7% in Q4:13), 'Sales and other Service Workers' declined significantly to 8.7 per cent (23.9% in Q4:13) while the share of 'Artisans and Machine Operators' also fell to 3.7 per cent compared with 9.9 per cent in the fourth quarter of 2013.

3. Price Developments

3.1 Global Inflation

Global inflation remained contained in the first quarter of 2014 after declining in the fourth quarter of 2013, on the back of weaker commodity price contributions and sizeable spare capacity.

Annual headline consumer price inflation in the **OECD area** picked up slightly in the fourth quarter of 2013 and at the beginning of 2014 to reach 1.7 per cent in January, as the negative base effects of lower energy prices started to wane. Excluding food and energy, annual inflation in OECD countries remained stable at 1.6 per cent in January. In non-OECD emerging market economies, inflation declined in January in most countries, while it was unchanged in China. Looking ahead, global inflation is expected to remain contained, particularly in advanced economies against the backdrop of relatively stable commodity prices, sizeable spare capacity and anchored inflationary expectations.

Euro area HICP inflation has remained at levels just below 1.0 per cent since October 2013, after declining from annual growth rates of around 1.5 per cent in mid-2013. In the first quarter of 2014, annual inflation declined to 0.5 per cent from 0.8 per cent in the last quarter of 2013. The lower and relatively stable inflation figures compared with mid-2013 were mainly related to decreased energy inflation and inflation of unprocessed food. Apart from the lower contributions of these typically more volatile components, disinflationary price pressures have also been visible in HICP inflation excluding energy and food, reflecting lagged responses to the past weakness of the euro area economy and lower than

expected upward impact from increases in indirect taxation.

Annual CPI inflation in the **United States** remained unchanged at 1.5 per cent in the first quarter of 2014, same as the fourth quarter of 2013 mostly reflecting moderated energy inflation. Annual inflation, as measured by the personal consumption expenditure deflator, has remained stable at about 1.0 per cent in recent months, partly due to different weights of components compared with the CPI. Looking ahead, the recovery in economic activity should lead to a gradual and modest increase in inflation.

Japan's inflation data showed some signs of loss of momentum. Year-on-year CPI inflation slowed to 1.5 per cent in February 2014, from 1.6 per cent in December 2013, while year-on-year CPI inflation excluding food, beverages and energy remained unchanged at 0.8 per cent in February. Temporary factors accounted for a substantial part of the recent pick-up in inflation and this is likely to be further boosted by the increase in consumption tax scheduled for April. Inflationary expectations have risen significantly over the past year but remained below the Bank of Japan's 2.0 per cent inflation target.

Annual CPI inflation in the **United Kingdom** declined to 1.6 per cent in the first quarter of 2014, from 2.0 per cent in the fourth quarter of 2013 due to lower fuel, clothing and furniture prices. Year-on-year, the biggest downward contributions came from transport prices that fell 1.0 per cent to its lowest annual rate since July 2009. Cost of clothing and footwear rose marginally by 0.2 per cent and prices of recreation and culture increased by 0.6 per cent.

Food prices slowed to its lowest since February 2010 (1.7%) and cost of furniture and household goods increased by 1.1 per cent. Looking ahead, it is expected that inflationary pressures will remain contained as prices are dampened by spare capacity on account of lagged effects of recent currency appreciation.

In **China**, inflationary pressures declined marginally to 2.4 per cent in the first quarter, from 2.5 per cent at the end of the previous quarter. The highest upward pressure came from food cost, which accelerated to an annual 4.1 per cent from 2.7 per cent in February. Fruit prices rose by 17.3 per cent and vegetables went up by 12.9 per cent, while prices of pork fell for the third straight month by 6.7 per cent. Downward pressures came from transport, communication and tobacco (prices fell by 0.4% and 0.7% year-on-year, respectively). The inflation target remained unchanged at 3.5 per cent. Small shifts in other targets confirmed the government's intentions to rebalance the economy, albeit gradually.

In **Brazil**, annual consumer prices accelerated to 6.2 per cent in March 2014, from 5.9 per cent in the fourth quarter of 2013. On a monthly basis, prices rose by 0.9 per cent as severe drought raised food cost. On a Monthly basis, food prices increased the most (1.9%), as the drought affected crops in some regions, hurting food supply. Additional upward pressures came from cost of transport (1.4 %), mainly due to higher prices of airline tickets (26.5%) and ethanol (4.1%).

South African annual consumer prices accelerated to 6 per cent in March 2014, from 5.4 per cent by end of the fourth quarter of 2013 on higher health, fuel and petrol costs. Year-on-year, prices of restaurants and hotels

recorded the highest increase (8.3%), followed by food (7.2%) and transport (6.9%). The alcoholic beverages and tobacco index increased by 2.0 per cent; the housing index rose by 0.9 per cent, mainly due to a 1.3 per cent increase in actual rentals for housing and a 1.4 per cent increase in owners' equivalent rent. The transport index advanced by 1.6 per cent between February and March, mainly due to a 36c/litre increase in the price of petrol and education prices increased sharply by 8.7 per cent.

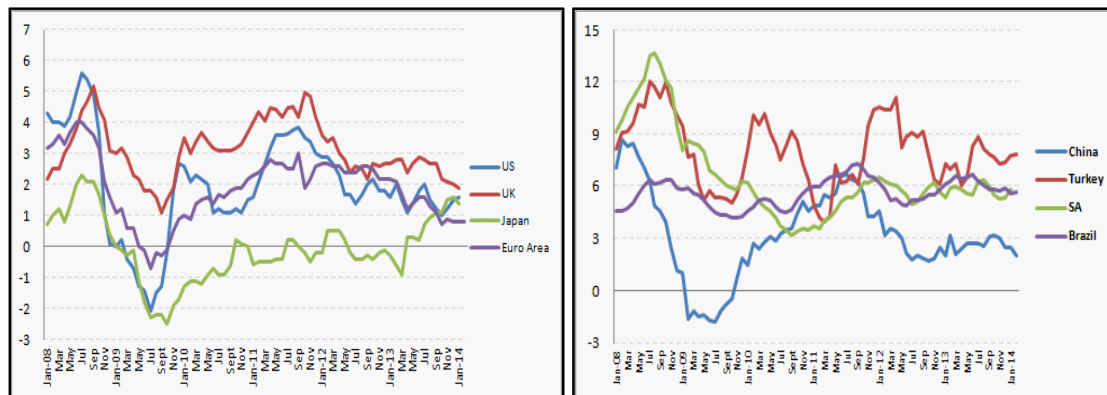
In **Kenya**, annual inflation rate decelerated to 6.3 per cent in March 2014, from 7.2 per cent in December 2013, on the back of slower increases in food, electricity and gas prices. Year-on-year, prices rose at a slower pace for food (8.3%, from 9.1% in February of 2014), housing, water, electricity and gas (4.4% from 5.2% per cent), transport (5.2% from 6.4 %), clothing and footwear (4.8% from 4.9%).

Nigeria's annual inflation fell to 7.8 per cent at the end of the first quarter of 2014, from 8.0 per cent in December 2013 as prices of some components in the consumer basket increased. On a monthly basis, the inflation rate rose in March 2014 to 0.8 per cent, up from 0.5 per cent in the previous month. Higher costs were recorded for alcoholic beverages, tobacco and kola (0.5% month on month from 0.4% in February of 2014), housing, water, electricity gas and other fuel (0.6% from 0.4%), furnishings and household equipment (0.7% from 0.3%), health (0.6% from 0.5%), transport (0.7% from 0.4%), and education (0.5% from 0.3%).

3.2 Domestic Inflation

Headline inflation rose further to 14.5 per cent in March 2014 from the 14.0 per cent in February. The rise in inflation was broad based and

Chart 3.1: Inflation trends in advanced economies and emerging markets



reflected in both food and non-food inflation. In March, food inflation rose by 0.7 percentage points on month on month basis to 8.2 per cent, while non-food inflation rose at a much slower pace of 0.2 percentage points to 19.2 per cent. The rise in headline inflation in the first quarter of the year was mostly influenced by cost push pressures arising from upward adjustments of petroleum and utility prices, higher transportation costs and lastly, the pass through effects of sharp currency depreciation observed in the period under review.

3.3 Contributions to the Change in Consumer Prices (%)

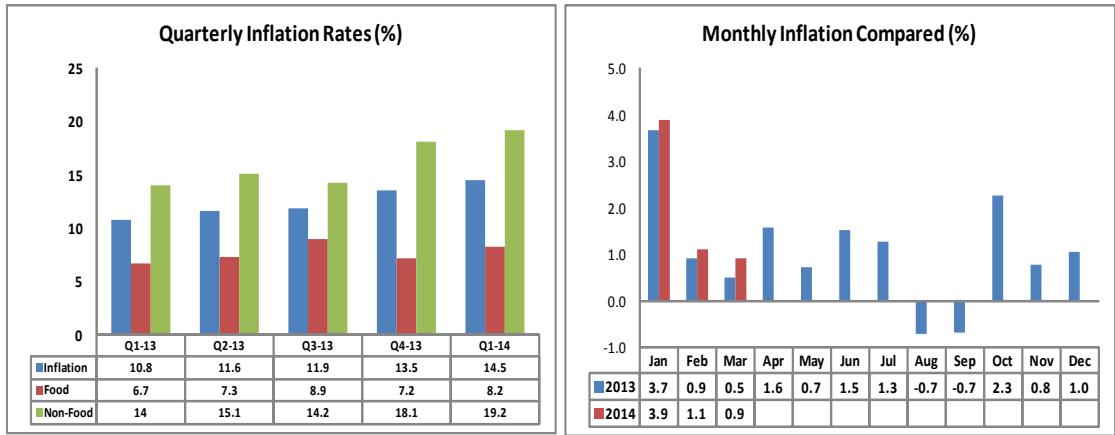
The analysis from the sub-components of the CPI basket indicated a general rise in prices of all components during the quarter. Specifically, in the non-food category, the major sub-components that contributed significantly

to inflation during the first quarter were housing, water, electricity, gas and other fuels and transport. The following sub-components in the food index also contributed to rising inflation - mineral waters, soft drinks; fruit and vegetable juices; coffee, tea and cocoa; milk, cheese and eggs and meat & products.

3.4 Outlook for Inflation

The combination of the demand and supply shocks in the first quarter may continue to push inflation further away from the target band in the second quarter. Additional inflationary pressures could emerge from the fiscal implications of the public sector wage negotiation as well as the pass through effects of further upward adjustments in petroleum prices and utility tariffs.

Chart 3.2: Trends in Inflation - (2013 and 2014)



4. Money and Financial Markets

Monetary developments in the first quarter of 2014 exhibited signs of increased liquidity in the system. Reserve Money and Broad Money (M2+) growth were on the rise during the review quarter. The developments necessitated a hike in the policy rate and revisions to other monetary policy measures to rein-in money supply growth.

4.1 Broad Money Supply

M2+ grew by 27.2 per cent (GH¢6,254.2 million), year-on-year, in the first quarter of 2014

compared with an increase of 19.1 per cent (GH¢4,316.0 million) recorded at the end of December 2013 and 24.1 per cent (GH¢4,459.7 million) recorded in the first quarter of 2013. M2+ ended the review period at GH¢29,214.0 million compared with GH¢26,937.0 million and GH¢22,959.9 million recorded for end-December 2013 and end-March 2013 respectively.

The change in M2+ reflected mainly in both domestic currency deposits (M2) and foreign currency deposits. Demand deposits and

Table 4.1: Monetary Indicators (GH¢' million)

	Levels				Quarter-on-Quarter							
					As at end-Mar 2012		As at end-Mar 2013		As at end-Dec 2013		As at end-Mar 2014	
	Mar-12	Mar-13	Dec-13	Mar-14	abs	per cent	abs	per cent			abs	per cent
Reserve Money	5,041.6	7,427.9	9,051.1	9,115.7	728.8	16.9	2,386.3	47.3	1,190.7	15.1	1,687.8	22.7
Narrow Money (M1)	8,125.2	10,702.0	12,902.5	13,639.6	1,686.2	26.2	2,576.8	31.7	1,745.2	15.6	2,937.6	27.4
Broad Money (M2)	13,672.5	17,450.4	20,692.0	21,923.3	2,607.6	23.6	3,777.9	27.6	3,188.2	18.2	4,472.9	25.6
Broad Money (M2+)	18,500.2	22,959.9	26,937.0	29,214.0	4,166.3	29.1	4,459.7	24.1	4,316.4	19.1	6,254.2	27.2
Currency with the Public	3,488.9	4,471.1	5,499.7	5,012.1	882.8	33.9	982.2	28.2	581.1	11.8	541.0	12.1
Demand Deposits	4,636.3	6,230.9	7,402.8	8,627.5	803.4	21.0	1,594.6	34.4	1,164.2	18.7	2,396.6	38.5
Savings & Time Deposits	5,547.3	6,748.3	7,789.5	8,283.7	921.4	19.9	1,201.1	21.7	1,442.9	22.7	1,535.3	22.8
Foreign Currency Deposits	4,827.7	5,509.5	6,245.0	7,290.8	1,558.7	47.7	681.8	14.1	1,128.2	22.0	1,781.3	32.3
Sources of M2+												
Net Foreign Assets (NFA)	6,830.2	6,483.0	5,700.4	4,803.7	607.0	9.8	(342.2)	(5.1)	(1,382.4)	(19.5)	(1,679.3)	(25.9)
BOG	5,324.0	5,832.2	5,972.7	4,988.2	86.9	1.7	508.2	9.5	62.2	1.1	(844.0)	(14.5)
DMBs	1,506.2	650.8	(272.3)	(184.5)	520.1	52.7	(855.4)	(56.8)	(1,444.6)	(123.2)	(835.4)	(128.3)
Net Domestic Assets	11,669.9	16,476.8	21,236.6	24,410.3	3,559.4	43.9	4,806.9	41.2	5,698.8	36.7	7,933.5	48.1
Claims on Government (net)	5,388.8	9,104.6	11,326.8	13,668.1	1,546.1	40.2	3,715.8	69.0	3,610.7	46.8	4,563.5	50.1
BOG	1,920.2	4,694.7	5,306.2	8,027.6	706.3	58.2	2,774.5	144.5	1,166.7	28.2	3,332.9	71.0
DMBs	3,468.6	4,409.9	6,020.6	5,640.5	839.8	31.9	941.3	27.1	2,444.0	68.3	1,230.6	27.9
Claims on Public Sector	1,416.5	1,975.3	4,208.6	3,942.2	281.5	24.8	558.8	39.5	2,616.9	164.4	1,966.9	99.6
BOG	348.5	410.0	2,070.6	1,707.7	275.0	374.2	61.5	17.6	1,967.1	1,899.7	1,297.7	316.5
DMBs	1,068.0	1,565.3	2,138.1	2,234.5	6.5	0.6	497.3	46.6	649.9	43.7	669.2	42.8
Claims on Private Sector	9,667.1	12,635.3	15,286.7	17,636.4	2,918.6	43.2	2,968.3	30.7	3,362.0	28.2	5,001.0	39.6
BOG	278.9	451.6	529.5	532.5	22.3	8.7	172.7	61.9	82.2	18.4	81.0	17.9
DMBs	9,388.2	12,183.8	14,757.2	17,103.8	2,896.3	44.6	2,795.6	29.8	3,279.8	28.6	4,920.1	40.4
Other Items (Net) (OIN) \2	(4,802.5)	(7,238.5)	(9,585.5)	(10,836.4)	(1,186.8)	32.8	(2,436.0)	50.7	(3,890.8)	68.3	(3,597.9)	49.7
o/w BOG OMO (Sterilisation)	(142.1)	(1,408.9)	(1,125.8)	(852.6)	868.2	(85.9)	(1,266.8)	891.6	(261.2)	30.2	556.3	(39.5)

savings & time deposits increased by 38.5 per cent (GH¢2,396.6 million) and 22.8 per cent (GH¢1,535.3 million) respectively from 34.4 per cent (GH¢1,594.6 million) and 21.7 per cent (GH¢1,201.1 million) recorded for quarter one of 2013. Foreign currency deposits also, increased significantly from 14.1 per cent (GH¢681.8 million) to 32.3 per cent (GH¢1,781.3 million) at the end of the review period. Currency with the non-bank public on the other hand decreased significantly to 12.1 per cent (GH¢541.0 million) on a year-on-year basis from a 28.2 per cent (GH¢982.2 million) growth recorded for the corresponding period in 2013.

4.2 Sources of Change in M2+

The growth in M2+ in the review period emanated mainly from the Net Domestic Assets (NDA) of the banking system. The NDA went up by 48.1 per cent (GH¢7,933.5 million). Both Bank of Ghana and the Deposit Money Banks (DMBs) contributed to the growth in the NDA of the banking industry during the period. The increase in the NDA was however moderated by a 25.9 per cent (GH¢1,679.3 million) decrease in Net Foreign Assets (NFA). The decline in the NFA was mainly on account of negative growth in the DMBs' NFA by 128.3 per cent (GH¢835.4 million). For the same period in 2013, the NFA decreased by 5.1 per cent (GH¢347.2 million) driven mainly by the DMBs' NFA which decreased by 56.8 per cent (GH¢855.4 million).

The growth in the NDA of the banking system in the first quarter of 2014 reflected in most of its components. Net Claims on Government, Claims on the Public Sector and Claims on the Private Sector went up by 50.1 per cent (GH¢4,563.5 million), 99.6 per

Chart 4.1: Inflation and Liquidity (%)

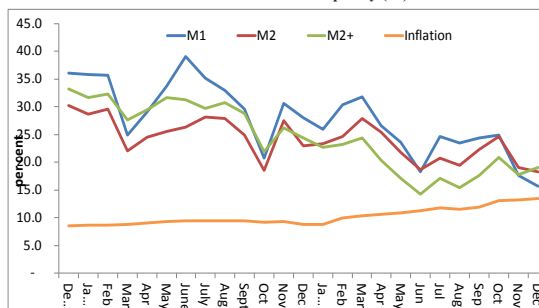


Chart 4.2: Sectoral Allocation of Annual Credit to the Private Sector (%; 2012-2014)

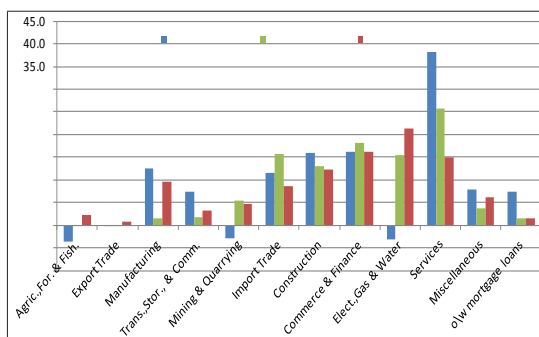
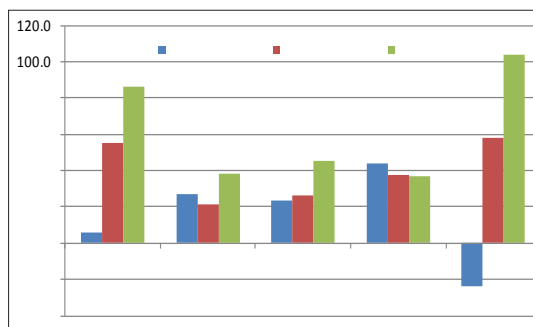


Chart 4.3: Allocation of Annual Flow of Credit to the Private Sector by Borrower (GH¢'M)



cent (GH¢1,966.9 million) and 39.6 per cent (GH¢5,001.0 million) respectively. Other Items Net (OIN) however, declined by 49.7 per cent (GH¢3,597.9 million) to moderate the increase in the NDA. Comparatively, the NDA grew by 41.2 per cent (GH¢4,806.9 million) at the end of the first quarter of 2013 reflecting increases in Claims on Government, Claims on the Public Sector and Claims on the Private Sector by 69.0 per cent (GH¢3,715.8 million), 39.5 per cent (GH¢558.8 million), 30.7 per cent (GH¢2,968.3 million) respectively and a decrease in the OIN by 50.7 per cent (GH¢2,436.0 million).

4.3 Developments in Banks Credit

The first quarter of 2014 saw the nominal annual growth rate of banks outstanding credit to the public and private institutions increase on year-on-year terms. Credit grew by 40.6 per cent (GH¢5,607.8 million) in the review period compared with a growth of 31.3 per cent (GH¢3,288.1 million) registered for the corresponding period in 2013.

Outstanding credit to public and private institutions stood at GH¢19,410.9 million at the end of the review period compared with GH¢13,803.1 million recorded for the corresponding period in 2013. In real terms, total credit to both public and private institutions grew to 26.1 per cent in the review period from 20.9 per cent in quarter one of 2013. Credit to the private sector accounted for 88.1 per cent of the total outstanding credit at the end of March 2014 compared with 88.3 per cent for the corresponding period in 2013.

4.3.1 Distribution of Outstanding Credit to the Private Sector

Outstanding credit to the private sector in-

creased during the review period. The nominal growth rate went up to 40.4 per cent (GH¢4,920.1 million) as at the end of the first quarter of 2014, up from 29.8 per cent (GH¢2,795.6 million) recorded for the corresponding period in 2013. Outstanding credit to the private sector as at the end of the review quarter stood at GH¢17,103.8 million.

In real terms, the annual growth rate of outstanding credit to the private sector, increased to 25.0 per cent at the end of the first quarter of 2014 compared with 19.4 per cent in quarter one of 2013.

In terms of holders of credit, “Others” and “Foreign Enterprises” had the highest annual growth rates in the flow of credit to the private sector registering rates of 103.7 per cent and 86.4 per cent respectively. “Indigenous Enterprises” and “Households” however registered relatively lower growth rates of 38.6 per cent and 36.7 per cent respectively.

4.4 Sources and Uses of Banks’ Funds

Banks deployed 49.0 per cent (GH¢19,410.9 million) of their funds in credit. The rest of the funds were distributed among Investment in Government Securities, Foreign Assets, Balances with BOG and Other Assets. Funds deployed in Bank Credit increased from GH¢3,937.5 million (44.7%) registered at the end of 2013 to GH¢5,607.8 million (49.0%) at the end of the first quarter of 2014. This may be compared with an increase of GH¢3,288.1 million (55.0%) registered in the first quarter of 2013.

Trends in Investment in Government securities exhibited a declining trend for both the short-term and medium/long-term securities. Banks total investment in Government

of Ghana securities declined by 13.0 per cent (GH¢1,490.2 million) in the first quarter of 2014 compared with an increase of 28.6 per cent (GH¢746.2 million) recorded at the end of December 2013 and a growth of 20.8 per cent (GH¢1,244.2 million) in the corresponding period in 2013. The deployment of funds into foreign assets which stood at GH¢2,805.9 million at the end of the fourth quarter of 2013, increased marginally by 0.5 per cent to end the first quarter of 2014 at GH¢3,170.3 million. Other areas of deployment were Balances with the Bank of Ghana and Other Assets, which increased by GH¢847.3 million (7.4%) and GH¢2,558.0 million (22.4%) respectively.

The assets of banks continued to be funded mainly from deposit mobilization which in turn was driven by domestic deposits. The year-on-year growth in domestic deposits decreased from 44.9 per cent (GH¢2,683.0 million) recorded in the first quarter of 2013 to 33.1 per cent (GH¢3,791.8 million) in the first quarter of 2014. Other sources of funds were Balances due to Non-residents (GH¢1,771.8 million or 15.5%), Reserves (GH¢1,351.9 million or 11.8%) and Other Liabilities (GH¢2,443.5 million or 21.4%) which comprised: margin deposits, cheques for clearing, borrowing from other resident banks, interest, suspense etc.

Table 4.2: Sectoral Distribution of DMBs' Outstanding Credit (GH¢' million)

	Mar-12	Mar-13	Dec-13	Mar-14	Quarter-On-Quarter Variation							
					As at end-Mar 2012		As at end-Mar 2013		As at end-Dec 2013		As at end-Mar 2014	
					Abs	Per Cent	Abs	Per cent	Abs	Per cent	Abs	Per cent
a Public Sector	1,126.8	1,619.4	2,205.8	2,307.1	26.8	2.4	492.5	43.7	657.7	42.5	687.7	42.5
b Private Sector	9,388.2	12,183.8	14,757.2	17,103.8	2,896.3	44.6	2,795.6	29.8	3,279.8	28.6	4,920.1	40.4
Agric, For. & Fish	549.3	439.4	535.9	564.2	110.7	25.3	(110.0)	(20.0)	(6.1)	(1.1)	124.8	28.4
Export Trade	127.8	110.6	130.6	165.6	53.6	72.3	(17.2)	(13.5)	(4.6)	(3.4)	55.0	49.8
Manufacturing	932.2	1,199.8	1,466.5	1,751.2	64.8	7.5	267.6	28.7	48.6	3.4	551.5	46.0
Trans., Stor., & Comm.	414.9	595.0	674.0	772.4	124.0	42.6	180.2	43.4	53.4	8.6	177.4	29.8
Mining & Quarrying	402.5	289.0	448.2	567.0	195.9	94.8	(113.5)	(28.2)	176.6	65.0	277.9	96.2
Import Trade	895.0	1,198.6	1,521.3	1,637.0	412.1	85.3	303.6	33.9	515.5	51.3	438.3	36.6
Construction	783.0	1,191.4	1,480.0	1,828.6	232.3	42.2	408.3	52.1	426.4	40.5	637.2	53.5
Commerce & Finance	1,489.7	2,297.1	2,424.2	2,732.2	491.4	49.2	807.4	54.2	597.5	32.7	435.1	18.9
Elect., Gas & Water	695.1	609.4	1,196.9	1,681.9	334.2	92.6	(85.7)	(12.3)	510.1	74.3	1,072.4	176.0
Services	2,258.3	3,259.9	3,730.0	4,041.4	660.2	41.3	1,001.6	44.4	842.1	29.2	781.5	24.0
Miscellaneous	840.4	993.6	1,149.6	1,362.4	217.0	34.8	153.1	18.2	120.4	11.7	368.8	37.1
c Grand Total	10,515.0	13,803.1	16,963.0	19,410.9	2,923.1	38.5	3,288.1	31.3	3,937.5	30.2	5,607.8	40.6

Table 4.3: Sources and Uses of Banks' Funds (GH¢' million)

					Amount in GH¢' million							
					Variation (Quarter-On-Quarter)							
					As at end-Dec 2011		As at end-Dec 2012		As at end-Sept 2012		As at end-Dec 2013	
	Mar-12	Mar-13	Dec-13	Mar-14	Abs	% of Change	Abs	% of Change	Abs	% of Change	Abs	% of Change
Source of Funds												
Total Deposits	14,856.0	18,220.8	21,013.2	23,793.8	3,400.2	75.3	3,364.8	56.3	3,586.9	40.7	5573.0	48.7
Domestic	10,028.3	12,711.3	14,768.2	16,503.0	1,841.5	40.8	2,683.0	44.9	2,458.7	27.9	3791.8	33.1
Demand Deposits	4,481.0	5,962.9	6,978.7	8,219.3	920.1	20.4	1,481.9	24.8	1,015.8	11.5	2256.4	19.7
Savings Deposits	2,709.2	3,425.8	3,787.5	4,047.4	737.0	16.3	716.6	12.0	441.6	5.0	621.6	5.4
Time Deposits	2,838.1	3,322.6	4,002.0	4,236.3	184.3	4.1	484.5	8.1	1,001.3	11.4	913.7	8.0
Foreign Currency	4,827.7	5,509.5	6,245.0	7,290.8	1,558.7	34.5	681.8	11.4	1,128.2	12.8	1781.3	15.6
Credit from BOG		102.7	141.8	333.9	184.6	-35.2	-0.8	39.1	0.7	158.8	1.8	42.8
0.4												
Balances Due to Non-Resident Banks	780.4	1,583.1	3,078.2	3,354.9	13.1	0.3	802.7	13.4	2,123.6	24.1	1771.8	15.5
Capital	1,678.2	2,199.9	2,382.2	2,456.6	256.8	5.7	521.7	8.7	200.8	2.3	256.7	2.2
Reserves	1,558.0	2,207.0	2,952.3	3,559.0	417.7	9.3	649.0	10.9	1,096.6	12.5	1351.9	11.8
Other Liabilities*		3,773.8	4,377.8	6,469.9	6,821.3	461.6	10.2	604.0	10.1	1,638.4	18.6	2443.5
21.4												
Total	22,749.0	28,730.4	36,229.7	40,170.2	4,514.2		5,981.3		8,805.1		11,439.8	
Uses of Funds												
Bank Credit	10515.0	13,803.1	16,963.0	19,410.9	2,923.1	64.8	3,288.1	55.0	3,937.5	44.7	5607.8	49.0
o/w Private Sector Credit	9388.2	12,183.8	14,757.2	17,103.8	2,896.3	64.2	2,795.6	46.7	3,279.8	37.2	4920.1	43.0
Investment in Government Securities	4425.4	5,669.6	7,504.1	7,159.8	990.8	21.9	1,244.2	20.8	2,514.1	28.6	1490.2	13.0
Short Term	1505.8	1,220.9	1,714.3	1,512.6	481.5	10.7	-284.8	-4.8	321.1	3.6	291.7	2.5
Medium/Long term	2919.7	4,448.7	5,789.8	5,647.2	509.3	11.3	1,529.0	25.6	2,193.0	24.9	1198.5	10.5
Foreign Assets	2286.6	2,233.9	2,805.9	3,170.3	533.2	11.8	-52.7	-0.9	679.0	7.7	936.5	8.2
Balances with BOG	2019.9	3,104.1	3,645.5	3,951.4	-179.8	-4.0	1,084.2	18.1	315.8	3.6	847.3	7.4
Other Assets**	3502.1	3,919.6	5,311.2	6,477.6	246.9	5.5	417.5	7.0	1,358.7	15.4	2558.0	22.4
Total	22,749.0	28,730.4	36,229.7	40,170.2	4,514.2		5,981.3		8805.1		11,439.8	
*Includes margin deposits, cheques for clearing, interest in suspense, borrowings from other resident banks and other unclassified liabilities.												
**Includes real estate and equipment and other unclassified assets												

4.5 The Money Market

4.5.1 Interest Rate Trends

Developments in interest rates on the money market for the first quarter of 2014 showed a decline in rates on year-on-year basis and an upward trend on year-to-date basis.

The Bank of Ghana Policy Rate was increased on year-on-year basis, by 300 basis points from 15.00 per cent registered at the end of the first quarter of 2013. On year-to-date basis

the increased in the policy rate was 200 basis points from 16.00 per cent registered at the end of quarter four of 2013. The 28-day bill witnessed an increase in its rate by 106 basis points from 22.06 per cent recorded at the end of quarter one of 2013 to 23.12 per cent at the end of the review period. On year-to-date basis, rates on the 28-day bill increased by 333 basis points. The rates on the 56-day bill and the 270-day bill however decreased over the review quarter. The 56-day bill's rate decreased by 31 basis points from 23.70 per

cent at the end of quarter one in 2013 to 23.37 per cent while that of the 270-day BoG bill decreased by 381 basis points from 25.39 per cent to 21.58 per cent during the period.

The interest equivalent on the 91-day bill went up marginally by 3 basis points, year-on-year, to end the quarter at 22.89 per cent from 22.86 per cent in quarter one of 2013. For the 182-day bill however, it went down by 175 basis points to 21.32 per cent from 23.07 per cent recorded in quarter one of 2013. These are relatively modest changes compared with the same period in 2013 which saw the 91-day and 182-day bills interest equivalent rates go up by 1,056 and 1,045 basis points respectively. The rate on the one-year note decreased by 20 basis points to 22.50 per cent at the end of the first quarter of 2014 from 22.70 per cent in the corresponding quarter of 2013.

For the medium-term securities, the rate on the 5-year note went down from 23.00 per cent at the end of quarter one of 2013 to 19.04 per cent at the end of the review quarter. The 2-year note increased by 30 basis points from 22.70 per cent to 23.0 per cent while the rate on the 3-year note increased by 600 basis points from 17.0 per cent to 23.00 per cent year-on-year. During the review quarter, the interbank weighted average rate decreased by 149 basis points from 19.38 per cent recorded at the end of the first quarter in 2013 to 17.89 per cent at the end of the first quarter of 2014. This can be compared with that of 2013 which witnessed an increase of 812 basis points year-on-year; from 11.26 per cent to 19.38 per cent.

The Deposit Money banks' average 3-month time deposit rate increased by 25 basis points year-on-year, from 12.25 per cent to 12.50 per cent at the end of the first quarter of 2014. Comparatively, it increased by 450 basis

Chart 4.4: The Yield Curve (%)

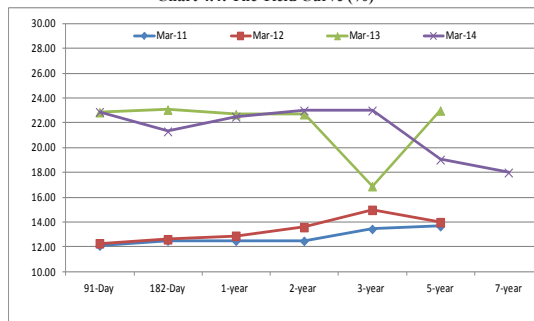


Chart 4.5: Spread between Nominal Savings and Lending Rates

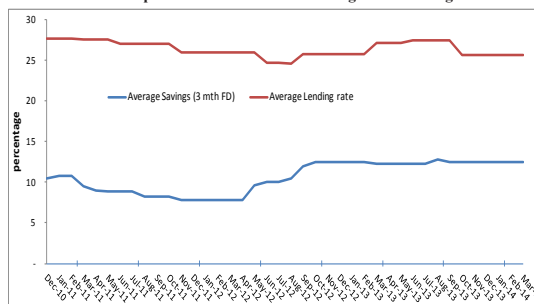
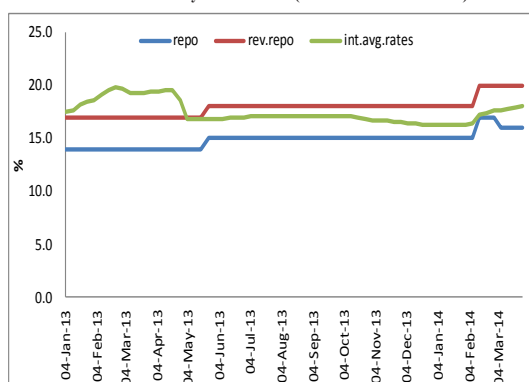


Chart 4.6: Money Market Rate (Jan-2013 and Mar-2014)



points for the same period in 2013. The Savings rate also gained 50 basis points year-on-year to settle at 5.50 per cent at the end of the review quarter.

The average lending rate however decreased by 157 basis points year-on-year, from 27.13 per cent in the first quarter of 2013 to 25.56 per cent at the end of the first quarter of 2014. This compares with a decline of 121 basis points year-on-year for the same period in 2013. The spread between the borrowing and lending rates also declined by 182 basis points during the review quarter. It decreased from 14.88 per cent recorded in quarter one of 2013 to 13.06 per cent at the end of quarter one of 2014.

The average base rate of banks also increased by 164 basis points year-on-year, from 21.48 per cent in 2013 to 23.12 per cent at the end of the first quarter in 2014. Comparatively however, the average base rate decreased by 59 basis points for the same period during the previous year.

4.5.2 Settlement of Interbank Transactions

The volume of transactions settled through the Ghana Interbank System (GIS) during the first quarter of 2014 totaled 157,570 and was valued at GH¢137.2 million. This showed a decrease of 7.2 per cent in volume of transactions and 14.3 per cent in value below the fourth quarter of 2013. Compared with transactions settled during the first quarter of 2013, there was a 24.6 per cent and 46.9 per cent increase in volume and value terms respectively. On average, a total of 2,582 transactions were settled daily through the GIS, valued at GH¢2,248.3 million during the quarter under review, compared with a total of 2,695 cheques valued at GH¢2,557.7 million during the fourth quarter in 2013. During the same

period of the previous year, a total of 2,072 transactions were settled daily through the GIS, valued at GH¢1,530.2 million.

Cheques Cleared

The volume of cheques cleared during the first quarter of 2014 totalled 1,774,279 valued at GH¢24,097.1 million. This represented 1.8 per cent increase in volume terms and 2.9 per cent increase in value terms compared with levels recorded in the fourth quarter of 2013. When compared with the first quarter of 2013, cheques cleared in the first quarter of 2014 showed an increase of 7.9 per cent in volume and 37.8 per cent in value terms respectively.

On daily basis, an average of 28,617 cheques valued at GH¢388.7 million were cleared during the period under review, compared with 27,593 cheques valued at GH¢324.3 million cleared daily during the fourth quarter of 2013. This may be compared with a total of 26,957 cheques cleared daily at a value of GH¢286.8 million in the first quarter of 2013.

4.5.3 Money Market Liquidity

Compared with the fourth quarter of the previous year, repo trading during the first quarter declined significantly while reverse repo trading was on the upside. Repo amount traded stood at GH¢8,328.4 million, a 74.5 per cent decrease from the previous quarter's amount. The amount of reverse repos traded on the other hand increased by 56.4 per cent to GH¢4,313.5 million during the period. Compared with the same quarter of the previous year, repo traded during the period under review had increased by 78.4 per cent and reverse repo also increased marginally by 1.3 per cent. Repos were conducted at 15 per cent, 16 per cent and 17 per cent respectively during the three-month period while reverse re

pos were traded at 18 per cent and 20 per cent within the period.

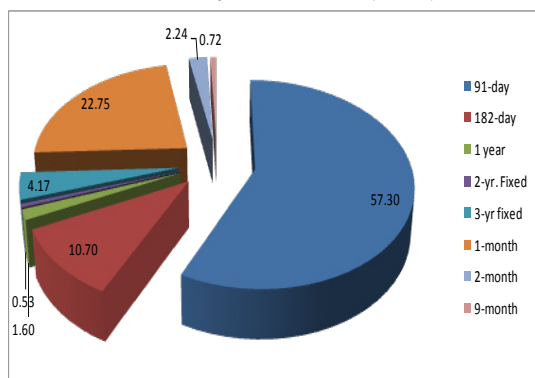
On the interbank market, values of trade ranged between GH¢2,413.0 million and GH¢1,207.6 million at rates ranging from 18.07 per cent and 16.28 per cent. During the fourth quarter of 2013, values of trade ranged from GH¢1,710.5 million and GH¢868.1 million with weighted average rates ranging from 17.06 per cent and 16.28 per cent.

4.5.4 Tender Results

Total sales at the auction during the first quarter totaled GH¢9,692.8 million with maturities totalling GH¢9,097.8 million. This resulted in a net sale of GH¢594.9 million out of which an amount of GH¢569.7 million was used to finance government's activities while there was a withdrawal through Bank of Ghana's OMO activities to the tune of GH¢25.2 million.

The 91-day bill continued its dominance on the money market accounting for 57.3 per cent of total sales.

Chart 4.7: Analysis of Tender Results (2014 Q1)



4.6 Currency Markets

4.6.1 International Currency Market

The review quarter started with gloomy outlook of the global economy with jitters in the currency market following the takeover of the Crimea region of Ukraine by Russia. Currencies of emerging markets slumped when the Federal Reserve Bank (Fed) continued to wind down its extraordinary stimulus measures. Safe haven currencies, especially the yen held sway at the expense of high yielding but risky currencies.

The US dollar held steady at the beginning of the review period following strong growth of the of the US economy. The US currency however depreciated quite significantly in February pressurized by slow employment growth on account of a prolonged winter and sluggish factory sales. The dollar picked up strength originally in March as the US economy began to bounce back slightly and the Fed signalled interest rates rise. On the whole, the greenback depreciated by 0.89 per cent and 2.06 per cent against the pound sterling and the yen respectively, but appreciated by 0.04 per cent against the euro.

The pound sterling struggled from the onset of the year as reports indicated stagnation of the UK economy. It however bounced back strongly from February with soaring investor sentiments and rising retail sales. With hints of further recovery of the economy, interest rates picked up. The pound therefore strengthened against the major currencies in the latter part of the review quarter. It appreciated by 0.97 per cent and 0.86 per cent against the dollar

and the euro respectively. It was however flat against a strong yen.

The euro was down on account of weak economic sentiments in the euro zone. The common currency plunged during the review period on concerns of rising inflation in the zone and signals from officials of ECB that the Central Bank would consider negative deposit rates and a move toward outright quantitative easing. The euro depreciated by 0.03 per cent, 0.79 per cent and 2.9 per cent against US dollar, the pound sterling and the yen respectively during the quarter.

The yen held firm in the review period, as investors kept their distance from riskier currencies, amid worries about sluggish global economic growth as and tensions over Russia's seizure of the Crimea region of Ukraine. The yen appreciated by 1.98 per cent, 1.07 per cent and 1.98 per cent against the US dollar, the pound sterling and the euro respectively.

4.6.2 Domestic Currency Market

At the beginning of the review period the Ghana cedi struggled in the face of intense foreign exchange demand and speculation in the domestic currency market. From the official sources, demand for foreign exchange for loan repayments, oil importation and non-oil imports were comparatively high while demand by traders in the informal sector remained high. These developments resulted in the weakening of the Ghana cedi in the domestic currency market. However, the pace of depreciation was held slightly in check in March 2014 by new forex policy measures introduced by the Central Bank.

In the **Inter-Bank Market**, the Ghana cedi continued to trade very weak against the ma-

jor currencies, a phenomenon observed from the fourth quarter of the preceding year and intensified during the review quarter. For the review quarter, the Ghana cedi depreciated by an unprecedented 17.62 per cent against the US dollar, 17.45 per cent against the pound sterling and 15.07 per cent against the euro.

On the **Forex Bureaux Market** the performance of the Ghana cedi during the quarter mirrored that of the inter-bank market. It depreciated against all the major currencies and recorded cumulative depreciations of 12.5 per cent, 14.3 per cent and 13.5 per cent against the US dollar, the pound sterling and the euro respectively.

Bilateral Real Exchange Rate Movement

For the first quarter of the year the bilateral real exchange rate of the Ghana cedi against the US dollar, the main reserve and intervention currency of the country was competitive as it recorded continuous depreciation from January through March. The bilateral Real exchange rate depreciated by 22.17 per cent during the review quarter. The depreciation was on account of continuous nominal exchange rate depreciation recorded during the quarter as well as the relative higher growth of the CPI during the period.

Foreign Exchange Transaction Market

The foreign exchange transaction market recorded a decrease in volume of purchases for the quarter. Total purchases decreased by 25.6 per cent to US\$1,638.34 million in the quarter under review. The decrease was observed mainly from sales made by the Bank of Ghana to the banking system which decreased by 50.87 per cent to US\$639.3 million in the first

quarter of 2014 even though there was an increase in the DMB's purchases of 11.90 per cent.

Analysis of the Inter-Bank Dealings Market

Purchases in the inter-bank dealings market improved significantly by 14.45 per cent from US\$799.8 million in the fourth quarter of the preceding year to US\$915.5 million in the first quarter of 2014.

During the review quarter, twenty-four banks participated but four (4) banks dominated the market. The four banks, Stanchart, Barclays Bank, Ecobank and Stanbic bank captured 56.9 per cent share of the market while the remaining eighteen banks held 43.1 per cent share of the market.

For the currencies that were traded on the market, the US dollar maintained its share of the market of 89.6 per cent. The shares of the Euro

Table 4.4: International Market Exchange Rate Movements

	US\$ / £ Movements			US\$ / € Movements			US\$ / ¥ Movements		
	Monthly	Year-to-Date		Monthly	Year-to-Date		Monthly	Year-to-Date	
Dec '12	1.6182	-1.0	-4.0	1.3191	-1.5	-1.8	0.0116	4.3	12.1
2013									
Jan	1.5792	2.5	2.5	1.3555	-2.7	-2.7	0.0110	5.5	5.5
Feb	1.5190	4.0	6.5	1.3117	3.3	0.6	0.0109	0.9	6.4
Mar	1.5195	0.0	6.5	1.2804	2.4	3.0	0.0106	2.8	9.4
Apr	1.5557	-2.3	4.0	1.3168	-2.8	0.2	0.0103	2.9	12.6
May	1.5167	2.6	6.7	1.2971	1.5	1.7	0.0100	3.0	16.0
Jun	1.5209	-0.3	6.4	1.3010	-0.3	1.4	0.0101	-1.0	14.9
Jul	1.5148	0.4	6.8	1.3223	-1.6	-0.2	0.0102	-1.0	13.7
Aug	1.5473	-2.1	4.6	1.3196	0.2	0.0	0.0102	0.0	13.7
Sep	1.6155	-4.2	0.17	1.3497	-2.2	-2.27	0.0102	0.0	13.73
Oct	1.6051	0.6	0.82	1.3594	-0.7	-2.96	0.01019	0.1	13.84
Nov	1.6321	-1.7	-0.85	1.3612	-0.1	-3.1	0.0098	4.0	18.37
Dec	1.6528	-1.3	-2.09	1.3787	-1.3	-4.3	0.0095	3.2	22.11
2014									
Jan	1.6472	0.3	0.34	1.3553	1.7	1.73	0.0098	-3.1	-3.06
Feb	1.6708	-1.4	-1.08	1.3803	-1.8	-0.12	0.0098	0.0	-3.06
Mar	1.6676	0.2	-0.89	1.3782	0.2	0.04	0.0097	1.0	-2.06

Depreciation (-) / Appreciation (+), Source: The Economist

Table 4.5: Interbank Market Exchange Rate Movements

	Movement								
	GH¢/US\$	Monthly	Year-to-Date	GH¢/GBP	Monthly	Year-to-Date	GH¢/Euro	Monthly	Year-to-Date
Dec '12	1.8800	-0.1	-17.5	3.0574	-1.9	-18.4	2.4769	-1.2	-14.9
2013									
Jan	1.8840	-0.2	-0.2	3.0237	1.1	1.1	2.5646	-3.4	-3.4
Feb	1.8864	-0.1	-0.3	2.9065	4.0	5.2	2.5108	2.1	-1.4
Mar	1.9010	-0.8	-1.1	2.9229	-0.6	4.6	2.4760	1.4	0.0
Apr	1.9126	-0.6	-1.7	3.0208	-3.2	1.2	2.5235	-1.9	-1.8
May	1.9408	-1.5	-3.1	2.978	1.4	2.7	2.5691	-1.8	-3.6
Jun	1.9469	-0.3	-3.4	3.0919	-3.7	-1.1	2.6506	-3.1	-6.6
Jul	1.9494	-0.1	-3.6	3.1089	-0.5	-1.7	2.7228	-2.7	-9.0
Aug	1.9559	-0.3	-3.9	3.2290	-3.7	-5.3	2.8452	-4.3	-12.9
Sep	1.9608	-0.2	-4.12	3.3958	-4.9	-9.97	2.8829	-1.3	-14.1
Oct	2.0291	-3.4	-7.35	3.3890	0.2	-9.78	2.9688	-2.9	-16.57
Nov	2.0822	-2.6	-9.71	3.5196	-3.7	-13.13	2.9715	-0.1	-16.6
Dec	2.2000	-5.4	-14.55	3.6715	-4.1	-16.73	3.0982	-4.1	-20.05
2014									
Jan	2.3864	-7.8	-7.81	3.9160	-6.2	-6.24	3.2469	-4.6	-4.58
Feb	2.5243	-5.5	-12.85	4.2197	-7.2	-12.99	3.4676	-6.4	-10.65
Mar	2.6707	-5.5	-17.62	4.4478	-5.1	-17.45	3.6479	-4.9	-15.07

Depreciation (-) / Appreciation (+)

Table 4.6: Forex Bureaux Exchange Rate Movements

End Period	Movement			Movement			Movement		
	GH¢/US\$	Monthly	Year-to-Date	GH¢/GBP	Monthly	Year-to-Date	GH¢/Euro	Monthly	Year-to-Date
Dec '12	1.9628	-1.6	-15.4	3.1060	-1.6	-18.0	2.5550	-3.4	-15.5
2013									
Jan	1.9359	1.4	1.4	3.0777	0.9	0.9	2.5627	-0.3	-0.3
Feb	1.9389	-0.2	1.2	2.9728	3.5	4.5	2.5755	-0.5	-0.8
Mar	1.9443	-0.3	1.0	2.9241	1.7	6.2	2.5491	1.0	0.2
Apr	1.9689	-1.2	-0.3	3.0205	-3.2	2.8	2.5800	-1.2	-1.0
May	2.0014	-1.6	-1.9	3.0350	-.05	2.3	2.5996	-0.8	-1.7
Jun	2.0877	-4.1	-6.0	3.1840	-4.7	-2.4	2.7209	-4.5	-6.1
Jul	2.1114	-1.1	-7.04	3.1932	-0.3	-2.7	2.7414	-0.7	-6.8
Aug	2.1277	-0.8	-7.8	3.2514	-1.8	-4.5	2.7918	-1.8	-8.5
Sep	2.1637	-1.7	-9.3	3.4109	-4.7	-8.9	2.8755	-2.9	-11.1
Oct	2.2044	-1.8	-10.96	3.4986	-2.5	-11.2	2.9955	-4.0	-14.71
Nov	2.3136	-4.7	-15.2	3.6896	-5.2	-15.8	3.0959	-3.2	-17.5
Dec	2.3457	-1.4	-16.3	3.7641	-2.0	-17.5	3.1664	-2.2	-19.3
2014									
Jan	2.4505	-4.3	-4.3	4.0005	-5.9	-5.9	3.2982	-4.0	-4.0
Feb	2.5727	-4.7	-8.8	4.2459	-5.8	-11.3	3.4932	-5.6	-9.4
Mar	2.6796	-4.0	-12.5	4.3946	-3.4	-14.3	3.6586	-4.5	-13.5

Depreciation (-) / Appreciation (+)

Table 4.7: Foreign Exchange Transaction Market, (US\$' million)

	Purchases					Total	Percentage Change	Cumulative	Year-On-Year	Sales			Total
	BOG	Banks	InterBank	F. Bureau						InterBank	F. Bureau		
2013													
Jan	401.39	393.30	794.69	27.35		822.04	-1.91	822.04	-26.3	819.12	27.65		846.77
Feb	242.14	345.59	587.73	27.10	*	614.83	-25.21	1,436.87	-12.2	724.24	27.25	*	751.49
Mar	327.37	404.32	731.69	27.09	*	758.78	23.41	2,195.65	-14.0	720.91	27.30	*	748.21
Q1	970.90	1,143.21	2,114.11	81.54		2,195.65	-15.48		-18.6	2,264.27	82.20		2,346.47
Oct	712.36	299.59	1,011.95	27.14	*	1,039.09	3.70	7,564.90	33.8	575.80	27.34	*	603.14
Nov	322.35	278.18	600.53	27.13	*	627.66	-39.59	8,192.56	-36.2	505.81	27.34	*	533.15
Dec	266.42	242.16	508.58	27.14	*	535.72	-14.65	8,728.28	-36.1	470.28	27.34	*	497.62
Q4	1,301.13	819.93	2,121.06	81.41	*	2,202.47	-7.72	10,930.75	-15.2	1,551.89	82.03	*	1,633.92
2014													
Jan	289.69	256.25	545.94	27.14	*	573.08	6.97	573.08	-30.3	454.94	27.34	*	482.28
Feb	177.95	315.28	493.23	27.13	*	520.36	-9.20	1,093.44	-15.4	447.30	27.34	*	474.64
Mar	171.67	345.99	517.66	27.14	*	544.80	4.69	1,638.24	-28.2	468.85	27.34	*	496.19
Q1	639.31	917.52	1,556.83	81.41	*	1,638.24	-25.62		-25.4	1,371.09	82.03	*	1,453.12

and the pound sterling were 6.4 per cent and 3.7 per cent respectively

4.7 The Stock Market

4.7.1 GSE All-Share Index (GSE-CI)

Activity on the Ghana Stock Exchange in the first quarter of 2014 indicated that despite a relatively slow start in January, the index rallied to register positive growth in the first quarter of the year.

The GSE posted year-to-date growth of its

composite index of 11.2 per cent (241 points) at the end of the first quarter of 2014 compared with 44.5 per cent (533.8 points) growth recorded at the end of the first quarter of 2013. The GSE Financial Stock Index (GSE-FI) also registered a first quarter growth of 17.1 per cent compared to a growth of 49.2 per cent for the same period in 2013. The gains registered by both key indicators reflected positive investor sentiments driven by 2013 earnings.

However, developments in the capital market in the review period indicated a slowdown in activity compared to the corresponding quarter a year ago due to increased inflationary expectations, a sustained depreciation of the local currency and attractive money market rates in the period.

4.7.2 Sectoral Performance

Activity on the exchange during the review quarter was relatively subdued compared with the same period in 2013. Three of the nine sectors registered positive gains in value to help the benchmark indicators stay in positive territory. The gains in these indices were however moderated by losses registered by four other sectors. The Mining and the ICT sectors indices remained virtually unchanged for the review period. The Finance sector led the way for gainers with a 305.9 per cent upward movement followed by the Distribution sector (14.9%) and the Food & Beverage sector which registered a marginal gain of 1.6 per cent. The Petroleum, Agriculture and Manufacturing sectors and the Exchange Traded Fund registered losses of 13.5 per cent, 3.4 per cent, 2.7 per cent and 12.0 per cent respectively.

4.7.3 Market Performance

Volume of shares traded for the first quarter of 2014 stood at 41.0 million shares valued at GH¢64.7 million, compared with 68.1 million shares valued at GH¢71.5 million exchanged during the corresponding period in 2013. For the period January to March 2014, twelve equities experienced price gains while another twelve experienced negative price movements. The rest traded virtually flat on the exchange. SCB Limited led the list of advancers with an appreciation of 33.7 per cent in share price followed closely by SG (33.3%), SIC (33.3%)

Chart 4.8: Monthly Changes in Share Prices (% , 2014)

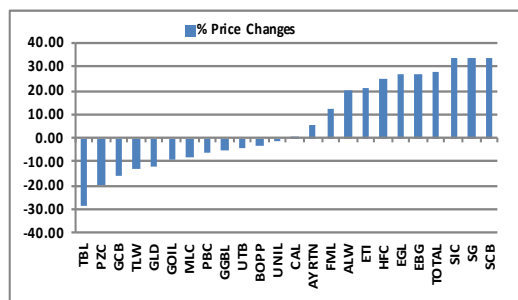
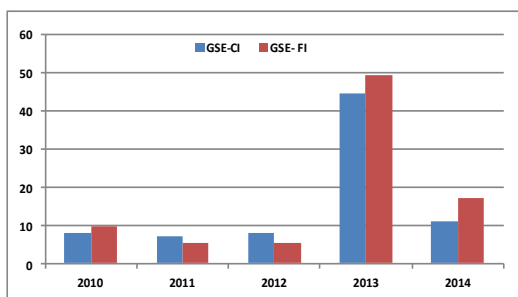


Chart 4.9: GSE Composite-Index (GSE-CI) (2010-2014)



and Total (28.1%). TBLI limited however lost 28.6 per cent of its value per share to stay at the bottom of the losers.

4.7.4 Market Capitalisation

The GSE closed the first quarter of 2014 with a market capitalisation of GH¢58,684.4 million compared with GH¢62,128.8 million at the beginning of the year indicating a negative growth of 4.1 per cent. The decline in market capitalisation was mainly driven by the Petroleum (which declined by 13.5%), Agriculture (-3.4%) and Manufacturing (-2.7%) sectors as well as the ETFund (-13.5%). Contribution to growth in market capitalisation from the Finance, Distribution and Food & Beverages sectors however helped in moderating the de

cline in total market capitalisation. There were no new rights issues recorded during the period.

4.7.5 Bond Market

The total value of Government of Ghana Bonds (GoG) listed on the Accra bourse at the end of the first quarter of 2014 stood at GH¢10,032.3

million. Comparatively, the total value of listed GoG bonds for the corresponding period of 2013 was GH¢7,079.5 million. Also listed on the bourse for the review period was a US\$1.0 billion Eurobond. Secondary trades in GoG bonds on the exchange amounted to GH¢337.4 million for March 2014.

Table 4.8: Sectors Contribution to the Growth in GSE-CI

MONTH	SECTOR									GSE-CI
	F&B	MAN	FINANCE	DISTR	MINING	IT	AGRIC	OIL	ETFund	
Dec-13	2468.7	1870.1	1786.6	2074.06	145.41	35.1	642.0	112.8	83.2	2,145.2
Feb-14	2514.2	1821.1	2168.3	2064.67	145.41	35.1	630.0	100.0	73.2	2,420.9
Mar-14	2507.2	1819.5	2092.5	2382.15	145.41	35.1	620.0	97.6	73.2	2,386.3
Monthly Change										
ABS	-7.02	-1.61	-75.80	317.47	0.00	0.00	-10.00	-2.42	0.00	-34.57
(%)	-0.28	-0.09	-3.50	15.38	0.00	0.00	-1.59	-2.42	0.00	-1.43
Qtr Change										
ABS	38.48	-50.56	305.86	308.08	0.00	0.00	-22.00	-15.26	-9.97	241.14
(%)	1.56	-2.70	17.12	14.85	0.00	0.00	-3.43	-13.52	11.98	11.24

Table 4.9: Stock Market Performance

MONTH	SECTOR									GSE-CI
	F&B	MAN	FINANCE	DISTR	MINING	IT	AGRIC	OIL	ETFund	
Dec-13	2120.38	1335.73	9356.75	891.19	15602.80	3.76	111.71	31725.60	10.45	61158.29
Feb-14	2159.46	1300.77	11222.09	887.15	15602.80	3.76	109.62	28115.88	9.20	59410.63
Mar-14	2153.43	1299.62	11048.57	1023.56	15602.80	3.76	107.88	27435.66	9.20	58684.40
Monthly Change										
ABS	-6.03	-1.15	-173.51	136.41	0.00	0.00	-1.74	-680.22	0.00	-726.23
(%)	-0.28	-0.09	-1.55	15.38	0.00	0.00	-1.59	-2.42	0.00	-1.22
Qtr Change										
ABS	33.05	-36.11	1691.82	132.38	0.00	0.00	-3.83	-4289.94	-1.25	-2473.89
(%)	1.56	-2.70	18.08	14.85	0.00	0.00	-3.43	-13.52	11.98	-4.05

5. Fiscal Developments

Fiscal developments in the first quarter of 2014 resulted in a slightly lower deficit compared with the corresponding quarter in 2013 and were within the programmed level. The

domestic primary balance recorded a surplus equivalent to 1.1 per cent of GDP higher than the targeted surplus of 0.6 per cent of GDP.

Table 5.1: Fiscal Indicators (GH¢' million)

	2012	2013		2014	
	Prov. Q1	Prov. Q1	Prov. Q4	Prov. Q1	Prog Q1
Tax Revenue Including Oil	2,788.87	2,923.34	4,181.14	4,260.75	4,356.22
% of GDP	3.72	3.13	4.47	4.04	4.13
Non tax Revenue	517.66	1,567.69	1,042.48	1,181.70	1,135.14
% of GDP	0.69	1.68	1.12	1.12	1.08
Total revenue and grants	3,924.78	4,758.66	5,390.27	5,558.25	5,787.81
% of GDP	5.24	5.09	5.77	5.27	5.49
Compensation of Employees	1,617.27	1,892.44	2,645.38	2,244.82	2,630.49
% of GDP	2.16	2.02	2.83	2.13	2.49
Interest Payments	335.85	961.58	1,111.88	1,399.46	1,387.90
per cent of GDP	0.45	1.03	1.19	1.33	1.32
Non-Financial Assets (Capital Expenditure)	730.81	922.91	899.03	665.67	1,299.11
% of GDP	0.97	0.99	0.96	0.63	1.23
Total Expenditure & net lending	4,321.42	5,135.74	7,551.59	5,735.55	7,354.87
per cent of GDP	5.77	5.50	8.08	5.44	6.97
Overall Budget Balance	-1,056.56	-2,473.98	-1,927.65	-2,215.98	-2,457.91
per cent of GDP	-1.41	-2.65	-2.06	-2.10	-2.33
Domestic Expenditure	2,541.65	4,407.84	5,691.64	4,372.74	4,911.78
per cent of GDP	3.39	4.72	6.09	4.14	4.66
Domestic Primary Balance	813.72	91.23	-414.93	1,130.57	619.70
per cent of GDP	1.09	0.10	-0.44	1.07	0.59
Stock of Domestic Debt	12,712.66	19,886.91	26,665.75	27,197.32	27,197.32
per cent of GDP	16.96	21.28	28.53	25.78	25.78
Nominal GDP (Including Oil)	74,959.00	93,461.00	93,461.00	105,503.60	105,503.60
Nominal GDP (Excluding Oil)	71,627.00	89,545.00	89,545.00	97,270.70	97,270.70

Source: Bank of Ghana

5.1 Government Revenue

Government receipts (including grants) for the review quarter amounted to GH¢5,558.3 million (5.3% of GDP) lower than the budgeted estimate of GH¢5,787.8 million (5.5% of GDP), but higher than the GH¢4,758.7 million (5.1% of GDP) recorded for the corresponding quarter in 2013. This was made up of tax revenue of GH¢4,260.8 million (76.7%), social security contributions of GH¢60.9 million (1.1%), non-tax revenue of (GH¢1,181.7 million, 21.3%) and GH¢54.9 million (0.9%) from grants. The shortfall in government receipts was mainly the result of non-disbursement of grants from Ghana's development partners coupled with the lower-than-budgeted tax revenues on account of low volumes of imports and decline in commodity prices, among others.

Non-tax receipts were 4.1 per cent higher than the budgeted target of GH¢1,135.1 million (1.1% of GDP), but below the figure of GH¢1,567.7 million (1.7% of GDP) recorded for the corresponding quarter in 2013. Grants disbursement of US\$54.9 million fell short of the budgeted targeted of GH¢256.3 million by 78.6 per cent.

Income and Property Tax

Taxes from income and property during the first quarter amounted to GH¢2,015.3 million exceeding the target of GH¢1,871.9 million by 7.7 per cent. Personal income taxes of GH¢695.9 million together with taxes from corporate sources of GH¢658.3 million, accounted for 67.2 per cent of total taxes on Income and Property. The positive variance was the result of the higher-than-budgeted receipts from company taxes on oil and royalties re-

ceived from oil and minerals. The performance of this tax type was however moderated by the less-than-budgeted-for taxes obtained from companies, especially mining companies as a result of the declining world market price of gold leading to dwindling production levels.

Domestic Goods and Services

Domestic goods and services tax of GH¢1,420.5 million was 12.6 per cent below the budget target. This tax component comprised, excises (excise duty and petroleum tax) of GH¢177.3 million, VAT collections of GH¢994.9 million, National Health Insurance Levy (NHIL) of GH¢165.5 million and GH¢82.8 million from Communication Service Tax.

With the exception of the Communication Service Tax (CST), all the major components of this tax type performed below their respective targets. In particular, VAT collections were 10.9 per cent lower than the budgeted target. Both the domestic (GH¢391.6 million) and external (GH¢603.3 million) components of VAT were below their respective targets of GH¢430.9 million and GH¢686.0 million respectively. The performance of VAT was adversely affected by the delay in the implementation of this tax type on Financial Services and Real Estates.

The CST performed more than expected due to the relatively high compliance rate achieved as a result of improved monitoring.

Petroleum taxes totalling GH¢141.6 million, which constituted 79.9 per cent of excises for the quarter, fell short of the programmed level by 30.5 per cent. Reasons for this shortfall include the non-achievement of targeted volumes

Table 5.2: Government Revenue (GH¢' million)

	2012	2013		2014	
	Prov. Q1	Prov. Q1	Prov. Q4	Prov. Q1	Prog Q1
TAX REVENUE	2,788.87	2,923.34	4,181.14	4,260.75	4,356.22
(% of GDP)	3.72	3.13	4.47	4.04	4.13
TAXES ON INCOME & PROPERTY	1,118.92	1,190.55	1,828.48	2,015.29	1,871.93
Personal	454.90	442.36	631.61	695.89	655.89
Self Employed	36.68	34.44	54.12	53.22	65.70
Companies	459.47	413.92	734.63	658.32	720.05
Company Taxes on Oil	0.00	77.61	86.40	256.63	102.98
Others	167.87	222.22	321.72	351.24	327.30
Other direct taxes / 1	138.34	205.71	265.82	306.02	244.63
o/w Royalties from Oil	50.88	60.99	110.81	143.04	58.23
o/w Mineral Royalties	68.34	102.66	113.45	133.23	110.89
NRL (Arrears)	0.00	0.00	0.01	0.00	0.00
NFSL	16.00	0.07	31.94	33.75	59.34
Airport Tax	13.53	16.44	23.95	11.46	23.33
TAXES ON DOMESTIC GOODS AND SERVICES	1,008.36	1,086.37	1,308.01	1,420.46	1,624.88
Excises	182.25	141.67	186.24	177.27	286.91
Excise Duty	47.33	50.59	37.09	35.68	83.08
Petroleum Tax	134.92	91.08	149.15	141.59	203.83
VAT	666.57	761.23	899.26	994.92	1,116.86
Domestic	272.10	303.11	341.62	391.60	430.90
External	394.47	458.12	557.64	603.33	685.95
National Health Insurance Levy (NHIL)	139.02	149.88	169.22	165.50	170.02
Customs Collection	84.60	93.10	112.69	106.56	114.55
Domestic Collection	54.42	56.77	56.54	58.93	55.47
Communication Service Tax	20.52	33.59	53.29	82.76	51.09
TAXES ON INTERNATIONAL TRADE	661.59	646.43	1,044.65	842.99	859.41
Imports	418.03	494.16	669.52	624.62	671.42
Import duty	418.03	494.16	669.52	624.62	671.42
Exports	63.17	0.00	100.00	0.00	0.00
Cocoa	63.17	0.00	100.00	0.00	0.00
Import Exemptions	180.39	152.27	275.12	200.38	188.00
SOCIAL CONTRIBUTIONS	48.84	8.03	53.09	60.87	40.13
SSNIT Contribution to NHIL	48.84	8.03	53.09	60.87	40.13
NON-TAX REVENUE	517.66	1,567.69	1,042.48	1,181.70	1,135.14
Retention	315.63	837.18	649.44	643.13	910.15
Lodgement	202.03	730.51	393.04	538.57	224.99
Fees & Charges	70.16	73.37	106.41	167.79	35.79
Dividend/Interest & Profits from Oil	131.86	156.91	286.63	370.74	150.59
Surface Rentals from Oil	0.00	0.24	0.00	0.05	0.29
Gas Receipts	0.00	0.00	0.00	0.00	7.13
Dividend/Interest & Profits (Others)	0.00	500.00	0.00	0.00	31.19
DOMESTIC REVENUE	3,355.37	4,499.06	5,276.70	5,503.31	5,531.49
GRANTS	569.41	259.60	113.56	54.94	256.32
Project Grants	303.66	38.20	0.00	52.17	256.32
Programme Grants	265.76	14.06	113.56	2.23	0.00
HIPC Assistance (multilaterals)	0.00	135.19	0.00	0.00	0.00
Multilateral Debt Relief Initiative (MDRI)	0.00	72.15	0.00	0.00	0.00
World Bank	0.00	72.15	0.00	0.00	0.00
TOTAL REVENUE & GRANTS	3,924.78	4,758.66	5,390.27	5,558.25	5,787.81

Source: Bank of Ghana

especially for premium and gas oil and the delay in the implementation of the petroleum excise rate.

International Trade Taxes

International trade taxes for the quarter under review summed up to GH¢825.0 million

higher than the GH¢646.4 million recorded for first quarter of 2013, but below the budget target of GH¢859.4 million. Total import duty realised of GH¢624.6 million, during the quarter was 7.0 per cent below the budgeted target. Import exemptions however exceeded the programmed figure by 6.6 per cent. The underperformance of import duty was attributed to a number of factors including lower than targeted volume of imports and higher than programmed exemptions granted.

5.2 Government Expenditures

In the first quarter, government expenditure (including net lending) amounted to GH¢5,735.6 million (5.4% of GDP) compared with a target of GH¢7,354.9 million (7.0% of GDP) and GH¢5,135.7 million (5.5% of GDP) recorded during the corresponding quarter in 2013.

Of the total payments, recurrent expenditure was GH¢5,069.9 million (88.4%), while capital expenditure amounted to GH¢665.7 million (11.6%). All components of non-interest expenditure, with the exception of tax expenditure were within their respective programmed limits. Compensation of employees, which constituted the largest non-interest item accounted for nearly 40 per cent of the total expenditure for the quarter.

Compensation of Employees

Compensation of Employees comprising wages and salaries and social security contributions amounted to GH¢2,244.8 million; 14.7 per cent lower than the programmed target of GH¢2,630.5million, but higher than the GH¢1,892.4 million recorded for a similar period of 2013. Social security contributions

constituted 8.0 per cent of total compensation of public sector employees.

Interest Payments

Interest payments for the period totalled GH¢1,399.5 million and was GH¢11.6 million in excess of the programmed target. Of this amount, 81.3 per cent were domestic interest payments which exceeded its target by 5.8 per cent (GH¢62.1 million).

Grants to Other Government Units

Grants to Other Government Units amounted to GH¢1,080.9 million falling below the budgeted target of GH¢1,695.9 million. These grants were made up of transfers to statutory funds such as the National Health Fund (GH¢246.3 million), the Petroleum Related Fund (GH¢1.3 million), the Road Fund (GH¢52.0 million) as well as Retention of IGFs by MDAs (GH¢643.1 million) and Transfer to GNPC from Oil Revenue (GH¢138.2 million). With the exception of transfers into the Education Trust Fund, the Road Fund, the Petroleum Related Fund and the District Assembly Common Fund, all the other sub-components of this expenditure item exceeded their respective targets.

Acquisition of Non-Financial Assets (i.e. Capital Expenditure)

Government acquisition of non-financial assets during the review quarter amounted to GH¢665.7 million, of which GH¢4.0 million was financed from domestic sources and GH¢661.7 million from foreign sources. This outlay was 48.8 per cent below the target of GH¢1,299.1 million for the quarter and constituted 11.6 per cent of total government expenditure.

Other Expenditures

With the exception of tax expenditure (GH¢200.4 million), all other components

of government expenditure including use of goods and services (GH¢143.2 million) and social benefits (GH¢1.1 million) fell below their respective programmed targets.

Table 5.3: Government Expenditure (GH¢' million)

	2012	2013		2014	
	Prov. Q1	Prov. Q1	Prov. Q4	Prov. Q1	Prog Q1
Compensation of Employees	1,617.27	1,892.44	2,645.38	2,244.82	2,630.49
Wages & Salaries	1,457.57	1,741.51	2,231.51	2,065.65	2,229.27
Social Contributions	159.71	150.93	413.87	179.17	401.23
Pensions	94.07	105.65	176.93	136.26	168.25
Gratuities	12.01	45.28	54.47	42.91	52.90
Social Security	53.63	0.00	182.47	0.00	180.07
Use of Goods and Services	80.57	90.41	281.47	143.23	148.00
o/w Recurrent Expenditure share of ABFA from Oil (30% of ABFA)	0.00	26.36	24.73	0.00	0.00
Interest Payments	335.85	961.58	1,111.88	1,399.46	1,387.90
Customs Collection	284.22	892.42	944.92	1,138.32	1,076.20
External (Due)	51.64	69.16	166.96	261.14	311.70
Subsidies	332.67	0.00	855.96	0.00	0.00
Subsidies to Utility Companies	185.69	0.00	796.96	0.00	0.00
Subsidies on Petroleum Products	146.98	0.00	59.00	0.00	0.00
Grants to Other Government Units	762.31	1,115.96	1,367.05	1,080.92	1,695.94
National Health Fund (NHF)	98.30	143.76	264.95	246.27	210.15
Education Trust Fund	85.35	0.00	84.96	0.00	164.87
Road Fund	40.24	51.98	37.90	51.98	48.19
Petroleum Related Fund	1.02	1.31	5.64	1.31	1.35
Dist. Ass. Common Fund	137.38	0.00	186.42	0.00	290.60
Retention of Internally-generated Funds (IGFs)	315.63	837.18	649.44	643.13	910.15
Transfer to GNPC from Oil Revenue	84.39	81.72	137.75	138.23	70.62
Social Benefits	0.00	0.17	0.32	1.08	5.44
Lifeline consumers of electricity	0.00	0.17	0.32	1.08	5.44
Other Expenditure	461.93	152.27	390.50	200.38	188.00
Reserve Expenditure Vote	281.54	0.00	115.37	0.00	0.00
Tax Expenditure (Exemptions)	180.39	152.27	275.12	200.38	188.00
Acquisition of Non-Financial Assets	730.81	922.91	899.03	665.67	1,299.11
Domestic financed	88.21	47.47	552.02	3.97	139.78
Assets	88.21	47.47	552.02	3.97	139.78
o/w Capital Expenditure share of ABFA from Oil (70% of ABFA)	67.10	-	210.91	-	-
o/w Capital Market Borrowing Expenditure	0.00	0.00	0.35	0.00	0.00
Net Lending	0.00	0.00	0.00	0.00	0.00
Foreign financed	642.60	875.43	347.01	661.70	1,159.32
HIPC financed expenditure	0.00	0.00	0.00	0.00	0.00
MDRI financed expenditure	0.00	0.00	0.00	0.00	0.00
TOTAL EXP. & NET LENDING	4,321.42	5,135.74	7,551.59	5,735.55	7,354.87

Source: Bank of Ghana

5.3 Financing

As a result of government budgetary operations, the overall budget balance on cash basis, including divestiture and discrepancy was a deficit of GH¢2,216.0 million (2.1% of GDP) compared with a target of GH¢2,457.9 million (2.3% of GDP). The deficit was financed from a net foreign inflow of GH¢466.0 million and GH¢2,168.3 million sourced from the domestic banking sector.

5.4 Domestic Debt

5.4.1 Composition of Domestic Debt

The stock of domestic debt at the end of the first quarter of 2014 stood at GH¢27,197.3 million, indicating an increase of 2.0 per cent (GH¢531.6 million) over the stock at the end of the fourth quarter of 2013. The increase in domestic debt stock reflected mainly in the short-term securities, which grew by 5.9 per cent (GH¢519.5 million). Medium-term in

Table 5.4: Government Financing (GH¢' million)

	2012	2013		2014	
	Prov. Q1	Prov. Q1	Prov. Q4	Prov. Q1	Prog Q1
Overall balance (commitment)	-396.64	-377.07	-2,161.33	-177.30	-1,567.06
(% of GDP)	-0.53	-0.40	-2.31	-0.17	-1.49
Road Arrears (net change)	0.00	-120.00	0.00	-153.31	-99.34
o/w Commitments & certs for works done	0.00	-120.00	0.00	-153.31	-99.34
Non-road Arrears	-1,461.24	-867.80	-167.39	-1,187.02	-687.38
o/w other outstanding payments/deferred payments	-1,422.44	-867.80	-167.39	-1,029.05	-687.38
o/w Wage arrears	-480.05	-303.72	-218.68	-271.66	-367.01
o/w DACF	0.00	0.00	0.00	-60.00	0.00
o/w GETF	-38.80	0.00	0.00	-97.96	0.00
Tax Refunds	-40.93	-39.55	-46.90	-46.35	-120.66
Overall balance (cash)	-1,898.81	-1,404.42	-2,375.62	-1,563.98	-2,474.44
(% of GDP)	-2.53	-1.50	-2.54	-1.48	-2.35
Discrepancy	842.25	-1,069.56	447.96	-652.01	16.52
Overall balance (incl. Divestiture and Discrepancy)	-1,056.56	-2,473.98	-1,927.65	-2,215.98	-2,457.91
(% of GDP)	-1.41	-2.65	-2.06	-2.10	-2.33
Financing	1,056.56	2,473.98	1,927.65	2,215.98	2,457.91
Foreign (net)	315.92	593.00	104.52	466.02	695.11
Borrowing	426.49	837.23	347.01	608.99	903.00
Project loans	338.94	837.23	347.01	608.99	903.00
Programme loans	87.55	0.00	0.00	0.00	0.00
Sovereign Bond	-110.57	0.00	0.00	0.00	0.00
Amortisation (due)		-244.24	-242.50	-142.97	-207.89
Domestic (net)	740.64	1,983.33	1,951.94	2,168.33	1,765.73
Banking	208.34	1,135.78	761.58	2,341.39	289.39
Bank of Ghana	-22.81	302.48	217.21	2,721.41	289.39
Comm. Banks	231.14	833.30	544.36	-380.03	0.00
Non-banks	532.30	847.55	1,083.00	-173.05	1,575.23
Other Domestic	0.00	0.00	107.36	0.00	-98.88
Other Financing	0.00	-20.15	-46.35	-35.62	-27.23
clawback from TOR	0.00	0.00	0.00	0.00	0.00
Other domestic financing	0.00	-20.15	-46.35	-35.62	-27.23
Ghana Petroleum Funds	-82.20	-82.46	-82.46	-382.76	74.30
Transfer to Ghana Petroleum Funds		-82.20	-82.46	-382.76	-22.37
o/w Stabilisation Fund		-57.54	-57.72	-267.93	0.00
o/w Heritage Fund		-24.66	-24.74	-114.83	-22.37
Transfer from Stabilisation Fund		0.00	0.00	0.00	96.68
Contingency Fund		0.00	0.00	0.00	-50.00

Source: Bank of Ghana

struments also grew by GH¢12.1 million during the period under review. The long-term securities, however, remained unchanged at the previous quarter's level.

The distribution of the domestic debt with respect to maturity term has also changed slightly. As at end of the first quarter of 2014 the composition of domestic debt were as follows: short-term debt (34.3%), medium-term (46.3%) and long-term instruments (19.4%) compared with their corresponding shares of 33.0 per cent, 47.2 per cent and 19.8 per cent in the fourth quarter of 2013.

5.4.2 Holdings of Domestic Debt

Bank of Ghana's holding of domestic debt

at the end of the first quarter of 2014 was GH¢7,324.2 million, representing 26.9 per cent of the total. The Deposit Money Banks (DMBs) held GH¢7,305.9 million (26.9%), a decrease of 5.0 percentage points over their holdings at the end of the fourth quarter of 2013. SSNIT held GH¢708.7 million (2.6%), Insurance companies GH¢53.2 million (0.2%), National Pension Regulatory Authority (NPRA) of GH¢72.6 million (0.3%), "Other holders" of GH¢11,732.7 million (43.1%).

Comparative holdings at the end of the fourth quarter of 2013 for DMBs, SSNIT, Insurance companies, NPRA and "Other holders" were 28.8 per cent, 2.7 per cent, 0.2 per cent, 0.3 per cent and 44.5 per cent respectively.

Table 5.5: Stock of Domestic Debt (GH¢ million)

	2012	2013			2014
	Q1	Q2	Q3	Q4	Q1
91-Day Treasury Bill	3,108.1	3,077.1	2,992.3	4,620.4	5,419.7
182-Day Treasury Bill	1,429.8	1,313.7	1,656.0	2,028.7	2,058.1
1-Year Treasury Note	1,263.9	1,441.7	2,139.6	2,157.3	1,848.1
A. Short-Term Instruments	5,801.8	5,832.6	6,787.9	8,806.4	9,325.9
2-Year Fixed Treasury Note	2,687.3	3,276.3	3,432.1	3,643.5	3,654.8
3-Year Fixed Treasury Note	5,125.3	5,398.1	4,817.2	4,817.2	4,818.0
3-Year Stock (SBG)	29.9	29.9	29.9	29.9	29.9
3-Year Stock (SSNIT)	529.4	529.4	529.4	529.4	529.4
3-Year Floating Treasury Note (SADA-UBA)	202.5	202.5	202.5	202.5	202.5
5-Year GOG Bond	1,667.9	1,667.9	2,317.9	2,317.9	2,317.9
5-Year Golden Jubilee Bond	20.9	0.6	0.0	0.0	0.0
7-Year GOG Bond	0.0	0.0	101.6	201.7	201.7
GOG Petroleum Finance Bond	80.0	80.0	80.0	80.0	80.0
TOR Bonds	682.0	682.0	682.0	682.0	682.0
NPRA Stocks	183.4	183.4	72.6	72.6	72.6
B. Medium-Term Instruments	11,208.8	12,050.3	12,265.2	12,576.8	12,588.9
Long term Government Stocks	2,377.1	2,377.1	4,811.0	4,811.0	4,811.0
Telekom Malaysia Stocks	109.5	109.5	109.5	109.5	109.5
Revaluation Stock	388.7	388.7	388.7	361.1	361.1
Others Government Stocks	1.0	1.0	1.0	1.0	1.0
C. Long-Term Instruments	2,876.3	2,876.3	5,310.2	5,282.5	5,282.5
TOTAL (A+B+C)	19,886.9	20,759.2	24,363.3	26,665.8	27,197.3

Source: Bank of Ghana

Table 5.6: Holdings of Domestic Debt (GH¢' million)

	2012	2013			
	Q4	Q1	Q2	Q3	Q4
A. Banking system	9,475.1	9,499.6	12,875.9	13,967.5	14,630.2
Bank of Ghana	3,631.8	3,651.8	6,171.9	6,280.2	7,324.2
Deposit Money Banks	5,843.3	5,847.8	6,704.0	7,687.3	7,305.9
B. Nonbank sector	10,411.8	11,259.6	11,487.4	12,698.2	12,567.2
SSNIT	772.2	762.8	777.1	707.5	708.7
Insurance Companies	58.3	47.0	39.0	48.5	53.2
NPRA	183.4	183.4	72.6	72.6	72.6
Other Holders	9,397.8	10,266.5	10,598.7	11,869.6	11,732.7
TOTAL (A+B)	19,886.9	20,759.2	24,363.3	26,665.8	27,197.3

Source: Bank of Ghana

6. Balance of Payments Developments

6.1 International Trade and Finance

Preliminary estimates for the first quarter of 2014 show that Ghana's balance of payments registered a deficit of US\$852.6 million com-

pared with a deficit of US\$132.2 million recorded in the first quarter of 2013. This development was due to lower net foreign capital inflows.

Table 6.1: Balance of Payments (US\$' million)

	2011 Q4	2012 Q4	2013 Q4	Q4' 2012/13	
				Absolute	% Change
CURRENT ACCOUNT	-986.6	-1,112.3	-953.0	159.3	-14.3
Merchandise Exports (f.o.b.)	4,118.1	3,919.2	3,537.8	-381.4	-9.7
Cocoa beans and products	1,143.5	766.7	877.9	111.2	14.5
Gold	1,766.1	1,462.1	1,073.5	-388.6	-26.6
Timber products	29.2	39.4	38.5	-0.9	-2.2
Oil	700.1	1,108.7	951.7	-157.0	-14.2
Others (including non-traditionals)	479.2	542.3	596.3	54.0	9.9
Merchandise Imports (f.o.b.)	-4,117.9	-4,238.5	-3,674.3	564.2	-13.3
Non-oil	-3,484.5	-3,259.7	-2,812.6	447.1	-13.7
Oil	-633.5	-978.8	-861.7	117.1	-12.0
Trade Balance	0.2	-319.3	-136.5	182.8	-57.3
Services (net)	-1,080.9	-975.0	-691.0	284.0	-29.1
Receipts	516.6	494.7	363.6	-131.1	-26.5
Payments	-1,597.5	-1,469.7	-1,054.6	415.1	-28.2
Income (net)	-913.1	-254.9	-606.8	-351.9	138.1
Receipts	5.5	86.3	30.9	-55.4	-64.2
Payments	-918.6	-341.2	-637.7	-296.5	86.9
Current Transfers (net)	1,007.2	436.9	481.3	44.4	10.2
Official	140.3	7.5	1.0	-6.5	-86.7
Private	866.9	429.4	480.3	50.9	11.9
Services, Income and Current Transfer (net)	-986.8	-792.9	-816.5	-23.6	3.0
CAPITAL & FINANCIAL ACCOUNT	156.7	1,231.6	222.2	-1,009.4	-82.0
Capital Account (net)	79.4	19.6	114.9	95.3	485.3
Capital Transfers	79.4	19.6	114.9	95.3	485.3
Financial Account (net)	77.3	1,211.9	107.3	-1,104.6	-91.1
Direct Investments	897.5	549.7	987.5	437.8	79.6
Portfolio Investments	23.6	81.3	-97.5	-178.8	-219.9
Other Investments	-843.8	580.9	-782.7	-1,363.6	-234.7
Of Which					
Official Capital (net)	194.3	432.1	151.6	-359.5	-83.2
Sovereign bond					
Other Private Capital (net)	-70.3	-227.3	-225.1	86.4	-38.0
Short-term capital (net)	-961.8	418.7	-556.5	430.4	102.8
Government Oil Investments (net)	-6.0	-42.6	-152.7	-66.6	156.4
ERRORS AND OMISSIONS	-426.6	-251.5	-121.8	-131.9	52.4
OVERALL BALANCE	-1,256.5	-132.2	-852.6	-552.0	417.6
FINANCING	1,256.5	132.2	852.6	552.0	417.6
Changes in International Reserves	1,256.5	132.2	852.6	552.0	417.6
*Provisional					

6.2 The Current Account

The current account deficit for the first quarter of 2014 dropped by 14.3 per cent to US\$953.0 million from a deficit of US\$1,112.3 million in the first quarter of 2013. The narrowing of the current account deficit was as a result of a lower trade deficit (resulting from decrease in merchandise imports) and net outflows in the payments for services coupled with an improvement in net inflow of remittances during the period under review. However, the deficit in investments income in 2014 worsened compared with the same period of 2013.

6.2.1 Merchandise Trade

During the period under review, the trade balance improved to a deficit of US\$136.5 million from a deficit of US\$319.3 million recorded in 2013. The improvement in the trade balance was driven by a significant reduction in merchandised imports.

Merchandise Exports

Total exports of goods and services of US\$3,537.8 million during the review quarter indicated a decline of 9.7 per cent over exports for the same period of 2013. The decline in exports was mainly on account of significant reduction in earnings from gold and oil.

Gold exports dipped by 26.6 per cent to US\$1,073.5 million in the review period. This development was due to both price and volume effects; the volume fell by 7.5 per cent to 832,615 fine ounces while average realized price also declined by 20.6 per cent to US\$1,289.2 per fine ounce.

Earnings from cocoa beans and products exported during the period, went up by 14.5 per

cent to US\$877.92 million. Cocoa beans exports rose by 13.3 per cent to US\$703.0 million due to volume effect; while volumes went up by 15.8 per cent to 294,070 metric tonnes, the average realized price on the other hand fell marginally by 2.1 per cent to US\$2,393.1 per metric tonne. The value of exports of cocoa products increased by 19.5 per cent to US\$174.2 million on account of both price and volume changes. The volume increased by 14.2 per cent to 56,557 tonnes while the average realized price rose by 4.6 per cent to US\$3,079.8 per metric tonne.

Earnings from crude oil exports for the first quarter of 2014 was estimated at US\$951.7 million, indicating a decline by 14.2 per cent from the outturn of the first quarter of 2013. The volume of crude oil exports dipped significantly by 12 per cent in 2013, while the average realized price also declined by 2.5 per cent to US\$108 per barrel.

The value of exports of timber products decreased by 2.3 per cent to US\$38.5 million. The average realized price decreased by 2.5 per cent to US\$598.0 per cubic metre tonne while the volume rose by 0.2 per cent to 64,300 cubic metres.

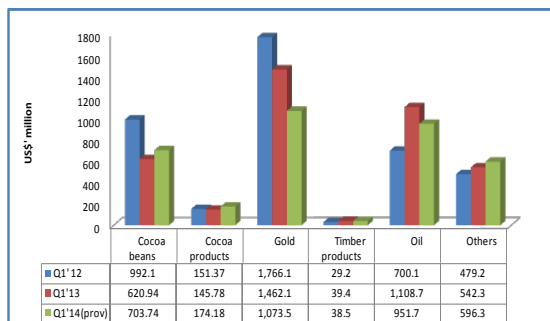
Receipts from Other exports (including non-traditional exports) increased by 10.0 per cent to US\$596.3 million in the first quarter of 2013.

Top Ten Non – Traditional Exports

The value of the top ten non-traditional commodities exported during the period under review amounted to US\$197.2 million compared to US\$141.91 million recorded for the same period of 2013. Among the top ten non-

traditional goods exported were palm kernel oil, prepared or preserved tuna, palm oil and its fractions, cashew nuts, tableware, kitchenware and other household articles, sesame seeds and other fresh fruits.

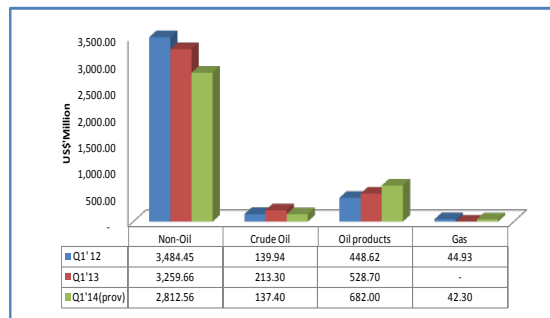
Chart 6.1: Developments in Merchandise Exports (US\$' million)



Merchandise Imports

The value of total merchandise imports went down by 13.3 per cent to US\$3,674.3 million in the first quarter of 2014. This was mainly on account of 13.7 per cent decline in imports of non-oil and 12.0 per cent decline in oil imports during the period.

Chart 6.2: Developments in Merchandise Imports (US\$' million)



Oil and Gas Imports

During the first three months of 2014, oil imports (including crude, gas and refined products) went down by 12 per cent to US\$861.7 million from US\$978.8 million in the first quarter of 2013. The value of crude oil imported by VRA decreased by US\$75.9 million to US\$137.4 million. The average realized price dipped by 0.4 per cent to US\$117.1 per barrel and quantity also decreased by 35.3 per cent to 1,173,165 barrels during the review period. Imports of refined oil products also decreased by 10.9 per cent to US\$682.0 million in 2014. There was US\$42.3 million worth of gas importation by VRA during the first quarter of 2014.

Non – Oil Imports

The expenditure on Non-oil imports dropped by 13.7 per cent to US\$2,812.6 million (fob) in the first quarter of 2014 compared to US\$3,259.7 million in 2013. The decline in the value of non-oil imports was reflected in all the broad economic categories suggesting a slowed down in economic activity during the review period.

The value of Imports of Capital goods declined by 29.6 per cent to US\$532.3 million in 2014 compared with US\$823.8 million in the corresponding period of 2013. Capital goods in the form industrial transports declined by 32.2 per cent to US\$165.7 million, while capital goods excluding transports also fell by 28.5 per cent to US\$414.5 million during the review period.

The value of **consumption goods** imported also declined by 11.1 per cent to US\$630.5 million in 2014 from US\$772.8 million in the

corresponding period of 2013. This was mainly due to decreases in imports of durable consumer goods (6.0%), food and beverages processed for household consumption (15.3%), Transport Equipment, non-industrial (39.4%), Food and Beverages, primary, for consumption (3.9%)

The value of Intermediate goods imports decreased by 6.2 per cent to US\$1,430.5 million in 2014 from US\$2,664.8 million recorded in 2013. This was mainly on account of decreases in imports of processed industrial supplies (6.2%) to US\$993.3 million, capital goods – spare parts and accessories (28.9%) to US\$169.1 million, primary industrial supplies (60.9%) to US\$38.6 million, Transport equipment-parts and accessories (8.3%) to US\$92.1 million and primary food and beverages for industry (6.0%) to US\$69.9 million during the review period.

Total expenditure on imports of other goods, also dipped by 18.2 per cent to US\$219.3 million in 2014. The decline was attributed to the fall in the value of imported passenger cars to US\$235.5 million in quarter one of 2014 from US\$289.6 million in 2013.

Top Ten Non – Oil Imports

The total value of the top ten non-oil merchandise imports for the period January to March 2014 amounted to US\$729.94 million compared to US\$814.25 million recorded a year ago. Key items included motor vehicles for the transport of persons and goods, palm oil and its fractions, cement clinker, frozen fish, wheat and meslin, rice and sugar.

6.2.2 Direction of Trade Destination of Exports

South Africa continued to maintain its position as the leading recipient of Ghana's exports with a share of 22.8 per cent. The other countries that absorbed most of Ghana's exports were Switzerland (9.0%), United Arab Emirates (8.2%), Netherlands (7.4%), Italy (7.3%), France (5.1%), India (4.8%), Taiwan (3.0%), Liberia (2.8%) and Portugal (2.6%).

By region, the European Union received the largest share of 31.6% of Ghana's total exports. The other recipients were the Rest of Africa (23.4%), Far East (12.7%), Other Economies (11.2%), Other European countries (10.2%), ECOWAS (9.4%) and North America (1.5%).

Origin of Imports

China maintained its dominance as the leading source of Ghana's imports with a share of 14.1 per cent of the country's total imports. Other major sources of imports were Netherlands (11.5%), United States (5.7%), Belgium (4.8%), Benin (4.4%), India (4.4%), United Kingdom (3.7%), Italy (2.8%), Germany (2.4%) and South Africa (2.4%).

In terms of geographical distribution, the European Union emerged as the leading source of imports accounting for 33.5 per cent of the total non oil imports. The Far East followed closely with a share of 29.5 per cent, ECOWAS (10.8%), Other Economies (8.5%), North America (7.7%), Other Europe (6.1%) and Rest of Africa (3.9%).

6.3 Services, Income and Transfers Account

During the period under review, the deficit on the Services, Income and Unilateral transfers' deteriorated by 3.0 per cent to US\$816.5 million in quarter one of 2014 from a deficit of US\$793.0 million in 2013. This was the result of higher net payments to the rest of the world in the income account which was moderated by higher inflows of private remittances. Income payments increased from US\$254.9 million in the first quarter of 2013 to US\$606.8 million in the corresponding quarter of 2014 whilst private remittance inflow also increased from US\$429.4 million to US\$480.3 million.

6.4 Capital and Financial Account

The surplus on the capital and financial account fell significantly by US\$1,009.4 million to US\$222.2 million in 2014. During the period the positive balance on the capital account increased from US\$19.6 million to US\$114.9 million.

The net inflow to the financial account worsened from US\$1,211.9 million in quarter one of 2013 to US\$107.3 million in 2014. This development was as result of net foreign capital outflows largely in the form of portfolio dis-investments and other investments namely official capital and short term investments

Direct Investments in Ghana

During the first quarter of 2014, foreign direct investments into Ghana by non-residents went up by 79.4 per cent from US\$549.7 million in 2013 to US\$987.5 million.

Portfolio Investment

Net portfolio investments inflows, primarily made up of investments in Government of Ghana bonds purchased by non-residents reversed from an inflow of US\$81.3 million in 2013 to an outflow of US\$97.5 million.

Other Investments

The balance on 'other investments' account deteriorated from a net inflow position of US\$580.9 million in the first quarter of 2013 to a net outflow of US\$782.7 million in the first quarter of 2014. This development was largely influenced by worsening in the net official inflows by US\$280.5 million, short term credit by US\$975.2 million and government oil investments by US\$110.1 million.

6.5 International Reserves

The stock of net international reserves (NIR) at the end of March 2014 was estimated at US\$1,872.4 million (using the new series); indicating a drawdown of US\$852.6 million from a stock position of US\$2,724.9 million at the end of December 2013.

The country's gross international reserves also decreased by US\$910.21 million to US\$4,721.9 million from a stock position of US\$5,632.2 million at the end of December 2013. This is sufficient to provide 2.7 months of imports cover compared to 2.8 and 3.1 months of imports cover as at March 2013 and December 2013 respectively.

Chart 6.3: Gross International Reserves (US\$ million)

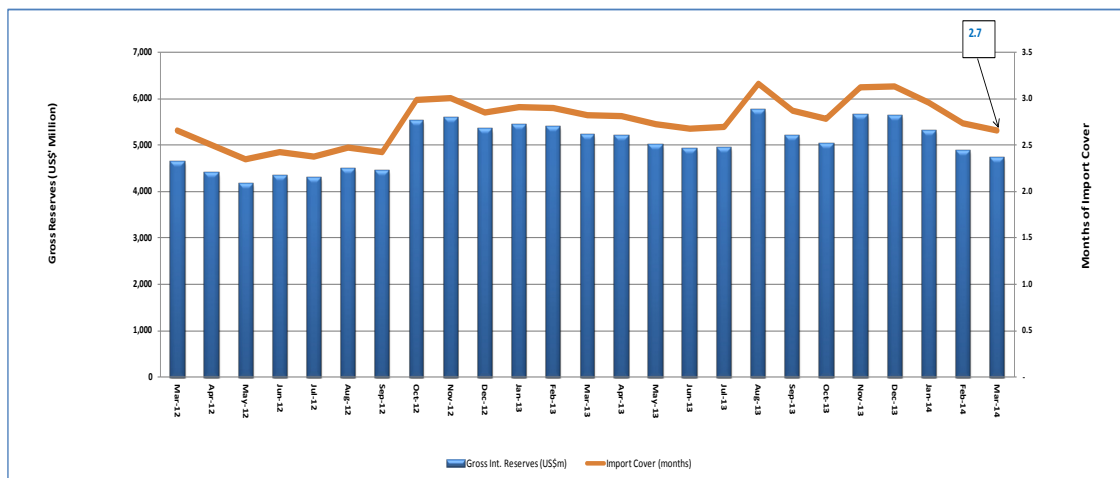


Table 6.2: Top Ten Imported Non-oil Goods: (Jan - Mar, 2013/2014)

Jan - Mar 2013			Jan - Mar 2014		
Description	US\$'M (fob)	% Distr.	Description	US\$'M (fob)	% Distr.
Capital	204.79	25.15	Capital	115.57	15.83
Motor Vehicles for the Transport of Goods	124.03	15.23	Motor Vehicles for the Transport of Goods	78.99	10.82
Self-Propelled Bulldozers, Excavators	80.76	9.92	Machines for the reception, conversion and	36.57	5.01
Consumption	196.29	24.11	Consumption	137.45	18.83
Rice	70.92	8.71	Frozen Fish	57.01	7.81
Poultry Cuts and Offal	44.06	5.41	Rice	42.16	5.78
Cane or Beet Sugar	40.93	5.03	Sugar	38.28	5.24
Frozen Fish	40.38	4.96	Intermediate	276.43	37.87
Intermediate	160.14	19.67	Palm Oil and its fractions	128.19	17.56
Spelt, Common Wheat and Meslin	66.78	8.20	Cement Clinkers	61.11	8.37
Cement Clinkers	53.10	6.52	Wheat and Meslin	52.68	7.22
Lead Waste and Scrap	40.26	4.94	Polyethylene	34.46	4.72
Other	253.04	31.08	Other	200.50	27.47
Motor Vehicles for the Transport of Persons	253.04	31.08	Motor Vehicles for the Transport of Persons	200.50	27.47
Grand Total	814.25	100.00	Grand Total	729.94	100.00

Table 6.3: Top Ten Exported Non-Traditional Exports: (Jan - Mar, 2013/2014)

Jan - Mar 2013			Jan - Mar 2014		
Description	Value US\$'M	% Distr.	Description	Value US\$'M	% Distr.
Prepared or Preserved Tuna, Skipjack and Atlantic Bonito	40.6	23.96	Palm Kernel or Babassu Oil (excl. crude) fractions	34.72	17.6
Parts of Machinery	25.71	18.1	Prepared or Preserved Tuna, Skipjack and Atlantic Bonito	31.83	16.1
Sesame (Sesamum) Seeds	17.42	12.3	Palm Oil and its fractions	27.61	14.0
Tableware, Kitchenware, other Household Articles and Toilet Articles	15.58	11.0	Cashew Nuts	17.92	9.1
Other Crude Palm Kernel or Babassu Oil and Fractions	12.12	8.5	Tableware, Kitchenware, other Household Articles and	17.15	8.7
Parts for Boring or Sinking Machinery	10.66	7.5	Sesamum Seeds	16.76	8.5
Cashew Nuts	10.09	7.1	Superphosphates	15.20	7.7
Amonium Nitrate	8.5	6.0	Aluminium, unwrought, not alloyed	14.31	7.3
Edible Nuts (excluding mixtures), fresh or dried	7.55	5.3	Technically specified natural rubber	11.60	5.9
Wine of Fresh Grapes (other than sparkling wine)	7.55	5.3	Fruit, fresh - other, nes	10.09	5.1
Total	141.91	100.00	Total	197.19	100.00

Table 6.4: Services, Income and Current Transfer (net) in US\$ millions

	Q1'2011	Q1'2012	Q1'2013	Q1'2014 prov	Q1'2011/12		Q1'2012/13		Q1'2013/14	
					Abs.	%change	Abs.	%change	Abs.	%change
Services (net)	-762.1	-1,080.9	-975.0	-691.0	-318.8	41.8	105.9	-9.8	284.0	-29.1
Freight and Insurance	-206.9	-267.7	-222.8	-188.9	-60.8	29.4	44.9	-16.8	33.9	-15.2
Other Services	-555.2	-813.2	-752.2	-502.1	-258.0	46.5	61.0	-7.5	250.1	-33.2
Income (net)	-249.0	-913.1	-254.9	-606.8	-664.1	266.6	658.2	-72.1	-351.9	138.1
Current Transfers (net)	757.4	1,007.2	436.9	481.3	249.8	33.0	-570.3	-56.6	44.4	10.2
Official	83.6	140.3	7.5	1.0	56.7	67.8	-132.8	-94.7	-6.5	-86.7
Private	673.8	866.9	429.4	480.3	193.1	28.7	-437.5	-50.5	50.9	11.9
Services, income and Current Transfers (net)	-253.8	-986.8	-793.0	-816.5	-733.0	288.8	193.8	-19.6	-23.5	3.0

Table 6.5: Capital and Financial Accounts (net) in US\$ millions

	Q1'2011	Q1'2012	Q1'2013	Q1'2014 prov	Q1'2011/12		Q1'2012/13		Q1'2013/14	
					Abs.	%change	Abs.	%change	Abs.	%change
Capital and Financial Accounts	516.5	156.7	1,231.5	222.2	-359.8	-69.7	1,074.8	685.9	-1,009.3	-82.0
Capital transfers	128.0	79.4	19.6	114.9	-48.6	-38.0	-59.8	-75.3	95.3	486.2
Financial Account	388.5	77.3	1,211.9	107.3	-311.2	-80.1	1,134.6	1,467.8	-1,104.6	-91.1
Foreign Direct Investments	781.6	897.5	549.7	987.5	116.0	14.8	-347.8	-38.8	437.8	79.6
Portfolio Investments	108.6	23.6	81.3	-97.5	-85.1	-78.3	57.7	244.8	-178.8	-219.9
Other Investments	279.9	-843.8	580.9	-782.7	-1,123.7	-401.5	1,424.7	-168.8	-1,363.6	-234.7
Official	321.5	194.3	432.1	151.6	-127.2	-39.6	237.8	122.4	-280.5	-64.9
Disbursements	365.2	285.1	487.2	220.4	-80.1	-21.9	202.1	70.9	-266.8	-54.8
Amortisation	-43.7	-90.8	-55.1	-68.8	-47.1	107.9	35.7	-39.3	-13.7	24.9
Private	-264.2	-70.3	-227.3	-225.1	193.9	-73.4	-157.0	223.3	2.2	-1.0
Disbursements	20.4	56.9	50.0	75.0	36.5	178.7	-6.9	-12.1	25.0	50.0
Amortisation	-284.6	-127.2	-277.3	-300.1	157.5	-55.3	-150.1	118.1	-22.8	8.2
Short-term	-558.9	-961.8	418.7	-556.5	-402.8	72.1	1,380.5	-143.5	-975.2	-232.9
Non-Monetary	-260.6	-847.6	47.4	-498.8	-587.0	225.2	895.0	-105.6	-546.2	-1,152.3
Monetary	-298.3	-114.2	371.3	-57.7	184.2	-61.7	485.5	-425.3	-429.0	-115.5
Government Oil Investments	0.0	-6.0	-42.6	-152.7	-6.0		-36.6	610.0	-110.1	258.5
Inflow	0.0	0.0	0.0	0.0	0.0		0.0		0.0	
Outflow	0.0	-6.0	-42.6	-152.7	-6.0		-36.6	610.0	-110.1	258.5

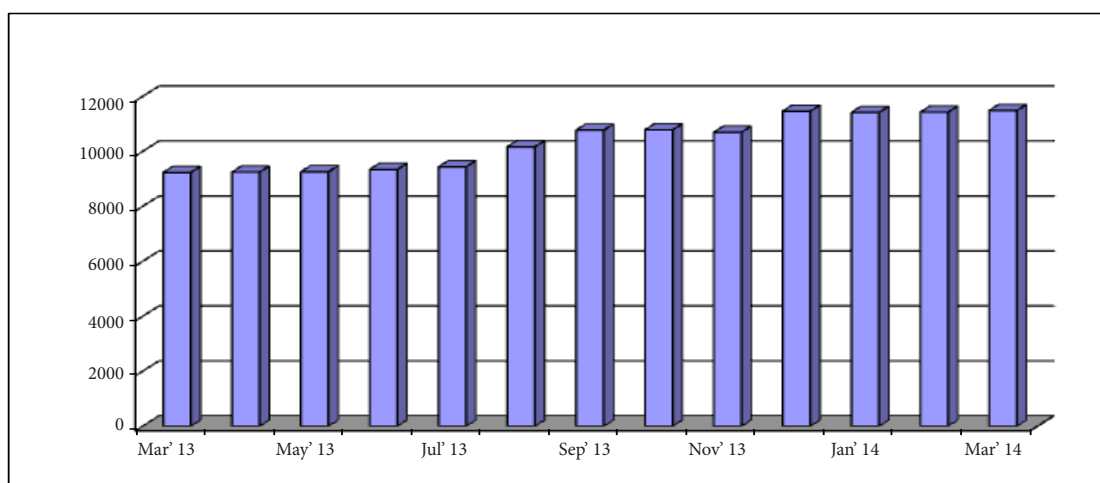
7. External Debt

7.1 Debt Stock

The disbursed and outstanding Government of Ghana external debt at the end of the first quarter of 2014 was provisionally estimated at US\$11,488.8 million. This indicated an increase of US\$27.15 million when measured against US\$11,461.7 million registered at the

end of December 2013. At that level, the country's external debt represented 28.1 per cent of gross domestic product at current prices. On year-on-year terms the debt stock increased by 24.5 per cent from US\$9,231.5 million recorded at the end of the first quarter of 2013. The increase was due to both transaction and valuation effects.

Chart 7.1: Outstanding Stock of External Debt (US\$' million)



7.1.1 External Debt by Borrower Category

During the quarter under review, the level of multilateral debt went down slightly from US\$4,557.9 million at the end of December 2013 to US\$4,513.63 million, a decline of US\$44.60 million, or 1 per cent.

Official bilateral debt also declined by US\$19.1million (or 1.7%) to US\$1,110.99 million during the period. However, export credit debt (which is also bilateral in nature) increased by US\$36.1 million to US\$1,135.8 million during the period. Other concessional bilateral debt went down to US\$1,310.40

within the period. Altogether, total bilateral debt went down from US\$33,564.62 million to US\$32,557.24 million.

The level of commercial debt increased by US\$78.8 million from US\$3,339.2 million to US\$3,418.0 million during the quarter under review.

7.1.2 Interest rate structure of External Debt

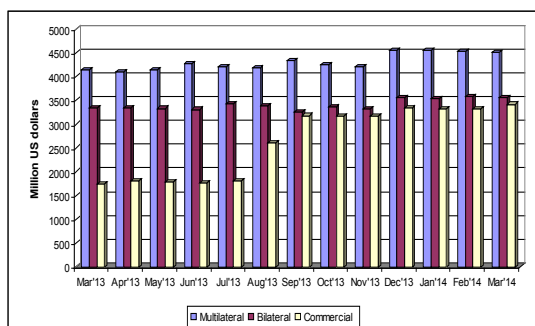
The proportion of the external debt with fixed interest rate commitments at the end of the quarter was 80.9 per cent. A further 2.1 per

cent of the debt was entirely interest-free at the end of the period. The residual 16.9 per cent of the loans had variable interest rate commitments, implying that only this portion of loans may be subject to interest re-fixing.

7.2 Currency Composition of Debt Stock

The United States dollar was the dominant currency of the debt portfolio, followed by the Special Drawing Right (SDR), and the Euro at the end of the review period. The US dollar accounted for 48.0 per cent of the debt portfolio, while the SDR and the Euro accounted for 28.0 per cent and 16.0 per cent respectively. Eight per cent of the total debt was held in other currencies; including the pound sterling, the Japanese yen, and the Chinese Yuan.

Chart 7.2: Currency Composition of External Debt Stock (2014Q1)



7.3 Debt Service Payments

The debt service payments made on Government and government-guaranteed debt from January to March 2014 totalled US\$182.5 million and comprised principal repayments of US\$66.8 million and interest payments of US\$115.6 million. This compared with US\$85.9 million payments made up of principal repayment of US\$38.7 million and interest payment of US\$47.3 million made in the corresponding period of 2013.

Bilateral and commercial creditors received US\$62.5 million and US\$63.3 million respectively, while multilateral creditors received US\$17.4 million. In the corresponding period of 2013, of the total amount of US\$85.9 million expended in servicing debt, bilateral creditors were paid US\$40.7 million, commercial creditors were paid US\$32.3 million, and multilateral creditors benefited from US\$13.0 million.

Ghana continued to honour her financial obligations to the IMF under the PRGT loan and during the period under review; SDR 2.6 million (US\$4.0 million) was paid as principal repayment while interest paid during the period was SDR 0.07 million (approximately US\$0.10 million).

Table 7.1: Payment of Government and Government-Guaranteed Debt by creditor

	Q1-2013			Q1-2014			Variance		
	prin	int	total	prin	int	total	prin	int	total
Total	38.70	47.27	85.97	66.87	115.64	182.51	28.17	68.37	96.54
Multilateral Creditors	3.86	9.10	12.96	6.76	10.63	17.39	2.90	1.53	4.43
IDA	2.93	5.03	7.96	3.57	6.00	9.57	0.64	0.97	1.61
ADB / ADF	0.35	1.58	1.93	1.10	2.01	3.11	0.75	0.43	1.18
Others	0.58	2.49	3.07	2.09	2.62	4.71	1.51	0.13	1.64
Bilateral Creditors	22.71	18.04	40.75	30.89	31.60	62.49	8.18	13.56	21.74
Paris Club	21.23	10.20	31.43	27.91	28.78	56.69	6.68	18.58	25.26
Non-Paris Club	1.48	7.84	9.32	2.98	2.82	5.80	1.50	-5.02	-3.52
Commercial Creditors	12.13	20.13	32.26	29.22	34.03	63.25	17.09	13.90	30.99
10Year Sovereign Bond	0.00	0.00	0.00	0.00	39.38	39.38	0.00	39.38	39.38

8. The Rural Banking Sector

8.1 Performance of RCBs

Total assets of Rural and Community Banks (RCBs) at the end of the fourth quarter of 2013 was GH¢1,864.6 million. This showed increases of 0.6 per cent from GH¢1,852.9 million at the end of the previous quarter and 16.3 per cent from GH¢1,603.6 million recorded at the end of the corresponding quarter of 2013 respectively. Total assets of RCBs at the end of the review quarter constituted 4.4 per cent of the total assets of the banking system compared with 5.3 per cent in the corresponding period of 2013.

Loans and advances made by RCBs increased

by 4.9 per cent to GH¢715.6 million in the first quarter of 2014 compared with GH¢637.9 million recorded at the end of the first quarter of 2013 and GH¢716.8 million at the end of the previous quarter.

Total deposits of RCBs rose to GH¢1,402.3 million by the end of the first quarter of 2014 compared with GH¢1,372.5 million at the end of December 2014 and GH¢1,229.4 million at the corresponding quarter of 2013. The level of RCBs deposits at the end of review quarter constituted 5.6 per cent of total deposits of the banking system, down from 6.3 per cent at the end of the first quarter of 2013 and 6.1 per cent at end-December 2013.

Table 8.1: Consolidated Assets and Liabilities of Rural/Community Banks (GH¢' million)

	2012	2013		2014	Variation (2012-2013, %)	
	Q4	Q1	Q4	Q1	Q-o-Q	Y-o-Y
Total						
Cash Holdings & Balances with Banks	202.47	204.47	266.71	251.10	-5.85	22.80
Bills and Bonds	461.20	502.96	537.67	558.57	3.89	11.06
Loans and Advances	648.52	637.96	716.81	715.63	-0.16	12.17
Other Assets	211.84	258.17	331.67	339.26	2.29	31.41
Total Assets	1,524.03	1,603.57	1,852.86	1,864.55	0.63	16.28
Liabilities						
Total Deposits	1,185.57	1,229.41	1,372.48	1,402.28	2.17	14.06
Shareholder's Funds	188.65	231.64	246.80	255.46	3.51	10.28
Other Liabilities	149.81	142.52	233.58	206.40	-11.63	44.82
Total Liabilities	1,524.03	1,603.57	1,852.86	1,864.55	0.63	16.28
No. of Reporting Banks	134	134	140	140		

* Provisional

Table 8.2: Proportion of RCBs' Deposits of the Banking System (GH¢' million)

	2012		2013				Q3	
	Q4		Q1		Q2			
	GHe' M	% Share	GHe' M	% Share	GHe' M	% Share	GHe' M	% Share
Commercial Banks	17,426.3	93.6	18,220.8	93.7	21,013.2	93.9	23,793.8	94.4
Rural Banks	1,185.6	6.4	1,229.4	6.3	1,372.5	6.1	1,402.3	5.6
Total	18,611.9	100.0	19,450.2	100.0	22,385.7	100.0	25,196.1	100.0

Table 8.3: Proportion of RCBs' Total Assets of the Banking System (GH¢' million)

	2012		2013				Q3	
	Q4		Q1		Q2			
	GH¢' M	% Share	GH¢' M	% Share	GH¢' M	% Share	GH¢' M	% Share
Commercial Banks	27,424.7	94.7	28,730.4	94.7	36,229.7	95.1	40,170.2	95.6
Rural Banks	1,524.0	5.3	1,603.6	5.3	1,852.9	4.9	1,864.6	4.4
Total	28,948.7	100.0	30,333.9	100.0	38,082.6	100.0	42,034.7	100.0

