

# **BANK OF GHANA**



## **QUARTERLY BULLETIN**

**April – June 2017**

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# Overview

## *Introduction*

*This Economic report highlights developments in the global and domestic economies for the second quarter of 2017. This includes developments in the real sector performance, inflation, Government budgetary operations, monetary aggregates, banking sector credit, exchange rates, interest rates, capital market, external sector and debt stock.*

## *Global Economy*

The Global economy continued its' growth momentum in the second quarter of 2017. Economic data available exhibited an uptick in growth in the US, the Eurozone, United Kingdom, Japan and China in the second quarter of 2017. Similarly, growth picked up in India, Turkey and Brazil, South Africa and Nigeria exited recessions. This was generally driven by improved global economic activities and consumer and business sentiments. Global inflation has remained subdued in recent months despite some uptick in growth momentum. Inflation in the US and Eurozone slowed while prices in Japan and UK increased marginally at the end of the second quarter of 2017. In the emerging economies, prices edged up in China but moderated in Brazil and Turkey. Inflation inched-up in both South Africa and Nigeria during the review quarter.

## *The Domestic Economy*

### *Real Sector Performance*

Developments in some selected real sector indicators showed improvements in economic activity in the second quarter of 2017 compared with trends observed during the same period in 2016. Economic indicators such as consumer spending and construction sector activities improved during the review period.

### *Inflation*

Headline inflation plummeted to 12.1 per cent at the end of the second quarter of 2017, from 12.8 per cent recorded at the end of the previous quarter, driven by both food and non-food inflation. Food and non-food inflation fell to 6.2 and 15.1 per cent at the end of the second quarter of 2017 from 7.3 and 15.6 per cent respectively at the end of the previous quarter.

### *Government Budgetary Operation*

The budget recorded an overall deficit of GH¢4,004.92 million (1.98% of GDP) in the second quarter of 2017 against a programmed deficit of GH¢3,982.78 million (1.97% of GDP). Government receipts (including grants) for the second quarter of 2017 amounted to GH¢8,833.46 million (4.4% of GDP), lower than the budgeted estimate of GH¢10,775.83 million (5.3% of GDP).

Government expenditure (including net lending) amounted to GH¢13,120.78 million (6.5% of GDP) compared with a target of GH¢13,493.45 million (6.7% of GDP). The deficit together with transfer into the Ghana Petroleum Funds of GH¢50.17 million and repayments to the other Domestic Sector (Banks) created a resource gap of GH¢4,175.78 million, was financed from both (Domestic) and (Foreign) sources.

### *Money Aggregates*

Broad money supply including foreign currency deposits (M2+) grew from 12.0 per cent (GH¢4,991.3 million) in the second quarter of 2016 to 28.9 per cent (GH¢13,446.1 million) in second quarter of 2017. The annual growth in M2+ in the second quarter 2017 was as a result of growth in the Net Foreign Assets (NFA) which was supported by a marginal increase in Net Domestic Assets (NDA) of the banking system. The NFA grew by 111.2 per cent (GH¢10,224.2 million) while NDA increased by 8.6 per cent (GH¢3,221.6 million). At the end of the second quarter of 2017, broad money supply (M2+) including foreign currency deposits stood at GH¢59,903.9 million compared with GH¢46,457.8 million and GH¢58,139.8 million realized in the same period in 2016 and the first quarter of 2017 respectively.

### *Banking Sector Credit*

The annual growth in banks outstanding credit to the public and private institutions in the second quarter of 2017 indicated an increase on year-on-year basis but lower than what was recorded in the first quarter of 2017. The nominal annual growth rate of banks outstanding credit went up from 8.6 per cent (GH¢2,570.9 million) in the second quarter of 2016 to 16.2 per cent (GH¢5,231.7 million) in the same period in 2017. Total outstanding credit stood at GH¢37,595.8 million at the end of the second quarter of 2017 compared with GH¢32,364.1 million in the corresponding period in 2016. The private sector accounted for 86.5 per cent of total outstanding credit at the end of the review period compared with 87.3 per cent in the second quarter of 2016.

### *Exchange Rates*

Developments in the foreign exchange market indicate that the Ghana Cedi, though generally stable over the quarter, suffered some losses on the international market. On the Inter-Bank Market, the Ghana cedi depreciated by 0.8 per cent, 4.7 per cent and 7.2 per cent against the US Dollar, the Pound sterling and the Euro respectively. Developments in the forex bureau market reflected that of the interbank market with cumulative Cedi depreciations of 0.6 per cent against the US Dollar, 4.2 per cent against the Pound and 6.2 per cent against the Euro.

### ***Interest Rates***

The developments in interest rates on the money market for quarter two of 2017 continued to show a downward trend. The Monetary Policy Committee (MPC) further reduced the Monetary Policy Rate (MPR) by 100 basis points to 22.50 per cent during the second quarter of 2017 down from 23.50 per cent in the first quarter of 2017. The 91-day and 182-day T-bills' rates decreased significantly by 1,072 bps and 1,134 bps respectively in year-on-year terms to settle at 12.08 per cent and 13.28 per cent respectively. The interbank weighted average rate decreased by 339 bps, year-on-year, from 25.50 per cent recorded at the end of Q2:2016 to 22.11 per cent at the end of Q2:2017. The banks' average base rate decreased by 60 bps, year-on-year, from 26.39 per cent in Q2:2016 to 25.79 per cent recorded in Q2:2017

### ***Capital Market***

The key market indicator, GSE Composite Index (GSE-CI), was up by 5.3 per cent while the Ghana Stock Exchange Financial Index (GSE-FI) increased by 3.4 per cent during the review quarter. Market capitalization increased by 17.9 per cent (GH¢10,611.0) in the review quarter to end at GH¢59,458.0 million from GH¢48,847.0 million recorded in March 2017. The increase was as a result of increase in the prices of stocks, particularly in the Agriculture, Distribution and Finance sub-sectors.

### ***External Sector Developments***

The current account deficit declined from US\$633.0 million in the second quarter of 2016 to US\$427.1 million in Q2:2017, down by 32.5 per cent. The narrowing in the current account deficit was influenced by the recording of a trade surplus and an increase in net unilateral transfer, despite increased outflows in the services and investment income accounts.

The value of merchandise exports for the second quarter of 2017 was provisionally estimated at US\$3,239.9 million, indicating an increase of US\$717.3 million or 28.4 per cent compared with US\$2,522.6 million recorded in the same period in 2016. Total value of merchandise imports for the second quarter of 2017 amounted to US\$2,790.6 million, down by 14.1 per cent or US\$459.7 million from the 2016 Q2. The trade balance recorded a surplus of US\$449.3 million compared with a deficit of US\$727.7 million registered in Q2:2016, mainly on account of a high export turnout and a lower performance of imports.

The country's gross foreign assets increased by US\$1,680.2 million to US\$7,842.0 million during the review period from a stock position of US\$6,161.8 million at the end of December 2016. This was sufficient to provide for 4.5 months of imports cover compared with 3.0 and 3.5 months of imports cover as at June 2016 and December 2016 respectively.

### *External Debt*

Ghana's total external debt stock outstanding at the end of the Q2 2017 was estimated at US\$17,099.42 million. This represented an increase of US\$287.14 million (1.71%) and US\$1,702.76 million (11.06%) from the previous quarter and on year-on-year basis respectively. The increase in the total external debt was mainly as a result of additional disbursements and new loans contracted over the period.



# 1. Developments in the World Economy

Global growth momentum continued in the second quarter of 2017, following higher outturns during the first quarter of 2017 as forecasts in large emerging and developing economies such as Brazil, China, and Mexico, and in several advanced economies were revised upwards. High-frequency indicators for the second quarter provided signs of continued strengthening of global activity. Specifically, growth in global trade and industrial production remained well above the past two years' levels while Purchasing Managers' Indices pointed to sustained improvement in the outlook for the manufacturing and service sectors.

Table 1.1: World Economic Indicators Global Growth Projections

	Estimates		Projections	
	2015	2016	2017	2018
<b>World Output</b>	<b>3.4</b>	<b>3.2</b>	<b>3.5</b>	<b>3.6</b>
<b>Advanced Economies</b>	<b>2.1</b>	<b>1.7</b>	<b>2.0</b>	<b>1.9</b>
United States	2.6	1.6	2.1	2.1
Euro Area	2.0	1.8	1.9	1.7
Japan	1.1	1.0	1.3	0.6
United Kingdom	2.2	1.8	1.7	1.5
<b>Emerging Market and Developing Economies</b>	<b>4.3</b>	<b>4.3</b>	<b>4.6</b>	<b>4.8</b>
Russia	-2.8	-0.2	1.4	1.4
China	6.9	6.7	6.7	6.4
India	8.0	7.1	7.2	7.7
Brazil	-3.8	-3.6	0.3	1.3
<b>Sub-Saharan Africa</b>	<b>3.4</b>	<b>1.3</b>	<b>2.7</b>	<b>3.5</b>
Nigeria	2.7	-1.6	0.8	1.9
South Africa	1.3	0.3	1.0	1.2

Source: IMF World Economic Update, July 2017

**EUROPEAN ECONOMIES** Economic activity in the Eurozone strengthened and broadened, growing at 0.6 per cent in the second quarter of 2017, relative to 0.5 per cent in the first quarter. The growth was on the back of improving consumer and business confidence and accommodative monetary policy stance. Notwithstanding this, risks to growth prospects in the Euro area include the slow pace of implementation of structural reforms and outstanding balance sheet adjustment needs in a number of sectors. Looking ahead, growth is expected to average 0.5 per cent in the medium term supported by strong private demand and continued monetary policy accommodation.

**UNITED KINGDOM** Output growth in the UK improved modestly to 0.3 per cent in the second quarter of 2017 compared with 0.2 per cent in the first quarter of 2017, having slowed from 0.6 per cent in the fourth quarter of 2016. The growth was driven by services, particularly retail trade and film production and distribution, while construction and manufacturing contracted. The overall moderation in growth over the first half of the year, relative to the fourth quarter of 2016 was attributed to weaker household consumption spending, as the sterling's depreciation weighed on real income growth. According to the Bank of England, the sterling's depreciation and surge in global demand could combine to boost exports which may in turn improve firms' incentives to invest in export capacity but concerns about the Brexit negotiations remained elevated.

## **The US ECONOMY**

Economic activity in the United States rebounded in the second quarter of 2017. The latest estimates released by the Bureau of Economic Analysis (BEA) show that real GDP increased by 3.0 per cent in the second quarter compared to 1.2 per cent growth in the first quarter of 2017. The uptick was attributed to increased consumer spending on goods and services, business investments, exports and federal government spending. The IMF revised growth forecast for the US downwards from 2.3 to 2.1 per cent in 2017, partly reflecting weak growth outturn in the first quarter and receding market expectations of fiscal stimulus.

## **EMERGING ASIA**

### **JAPAN**

The Japanese economy expanded by 1.0 per cent in the second quarter, the strongest growth since the first quarter of 2015. The second quarter growth was an improvement over the 0.3 per cent recorded in the first quarter of 2017. The growth was supported by accommodative financial conditions, government's large-scale stimulus measures, strong domestic demand, while exports improved on the back of strong global demand. In the medium term, the combination of improved business and consumer sentiments and global demand are projected to boost economic activity further.

### **CHINA**

On quarterly basis, the Chinese economy advanced by 1.7 per cent in the second quarter, an improvement over the 1.3 per cent expansion in the previous period. Year-on-year, growth momentum in the Chinese economy remained strong as GDP expanded by 6.9 per cent in the second quarter of 2017, same as in the previous quarter. China's growth is projected to remain at 6.7 per cent in 2017, supported by previous policy easing measures and supply-side reforms such as efforts to reduce excess capacity in the industrial sector.

## **OTHER EMERGING AND DEVELOPING ECONOMIES**

The gradual rebound in economic activity across emerging and developing economies are projected to continue with growth rising from 4.3 per cent in 2016 to 4.6 per cent in 2017. This will be primarily driven by gradual improvement in large commodity exporting countries that experienced recessions in 2015 to 2016 as prices declined.

Growth in India and Turkey may pick up further in 2017 due to strong government spending and stronger external demand to boost exports. The Indian economy expanded by 1.4 per cent in the second quarter of 2017 as against 1.3 per cent in the first quarter, while in Turkey, economic activity expanded at a much faster pace of 2.1 per cent from 1.3 per cent over the same comparative periods.

The Brazilian economy grew by 0.2 per cent in the second quarter of 2017, slower than the 1.0 per cent growth recorded in the previous period as government spending further declined and investments continued to fall.

## **SUB-SAHARAN AFRICA**

The growth outlook remained positive for sub-Saharan Africa as the two largest economies of South Africa and Nigeria exited recessions. In South Africa, the economy expanded by 2.5 per cent in the second quarter of 2017, ending two quarters of contraction and beating market expectations of a 2.1 per cent rise. It is the highest growth rate in a year with agriculture, forestry and fishing making the largest upward contribution. Year-on-year, the economy grew by 1.1 per cent, the highest annual growth rate in two years. Similarly, the Nigerian economy advanced by 0.55 per cent year-on-year in the second quarter of 2017, after shrinking by a revised 0.91 per cent in the previous period. It is the first expansion in five quarters as the oil sector rebounded. The oil sector grew by 1.64 per cent year-on-year, the first expansion since the third quarter of 2015 as the country produced 1.84 million barrels of crude oil per day, up from 1.81 million bpd a year earlier. As a result, the oil sector accounted for 8.89 per cent of GDP compared to 8.79 per cent a year earlier. The non-oil sector advanced by 0.45 per cent, easing from a 0.73 per cent increase in the previous period.

## 2. Real Sector Developments

A review of selected indicators of economic activity suggested that the domestic economy recorded some modest improvement during the second quarter of 2017 relative to trends observed in the same quarter a year ago. This relative improvement in real sector activities was against the backdrop of improved business environment.

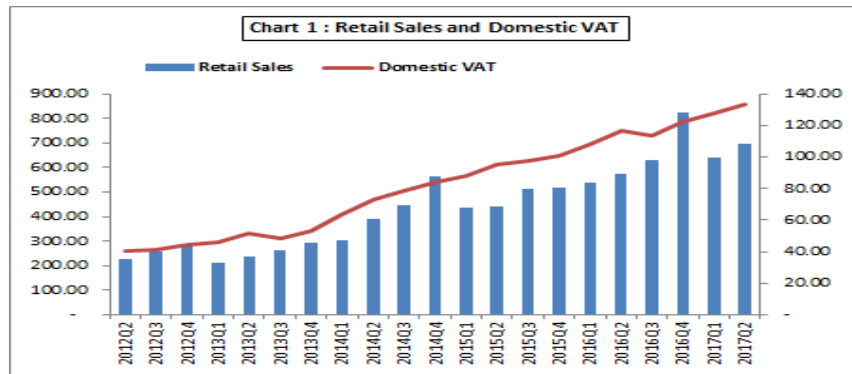
### 2.1 Indicators of Economic Activity

#### 2.1.1 Consumer Spending

Consumer spending, measured by domestic VAT collections and retail sales, indicated a pick-up in the second quarter of 2017 relative to trends observed in the corresponding period in 2016. Retail sales improved by 22.02 per cent year-on-year to GH¢108.54 million during the second quarter of 2017 relative to GH¢88.95 million achieved during the same quarter in 2016. The relative growth in retail sales was partly due to a pick-up in household spending during the review period. Also, retail sales for the second quarter of 2017 represented an improvement of 8.84 per cent over GH¢99.72 million collected in the first quarter of 2017.

Similarly, domestic VAT collections grew by 13.86 per cent year-on-year to GH¢855.28 million in the second quarter of 2017 from GH¢751.14 million collected during the same quarter in 2016. Also, domestic VAT collections for the second quarter of 2017 constituted a growth of 4.02 per cent over GH¢822.23 million recorded during the first quarter of 2017. The improvement in domestic VAT was due to a surge in PAYE which impacted positively on household consumption during the review period.

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



#### 2.1.2 Production (Incomes)

Manufacturing-related activities measured by trends in income and corporate tax collections and private sector workers' contributions to the SSNIT Pension Scheme also improved in the second quarter of 2017, relative to performance observed during the same quarter in 2016. Income and corporate tax collections picked up by 10.63 per cent year-on-year to GH¢3,064.83 million during the second quarter of 2017 from GH¢2,770.33 million collected during a similar quarter a year ago. Also, income and corporate tax collections for the second quarter of 2017 indicated a growth of 9.15 per cent above the GH¢2,807.78 million contributed during the first quarter of 2017.

In terms of relative significance of the various sub-sectors, Corporate tax accounted for 44.78 per cent, followed by PAYE and Self-employed with 42.92 per cent, while Other Sources Category contributed 12.30 per cent. The relative improvement in income and corporate tax may be attributed to significant improvement in the PAYE tax category and relative improvement in corporate tax compliance.

Private sector workers' contributions to the SSNIT Pension Scheme improved by 21.21 per cent on year-on-year to GH¢381.29 million during the second quarter of 2017 from GH¢314.58 million collected in a similar quarter of 2016. Also, the workers' contribution in the second quarter of 2017, constituted growth of 3.46 per cent above GH¢368.55 million contributed during the first quarter of 2017. The relative upsurge in private sector workers' contributions to the SSNIT Pension Scheme was mainly due to the registration of new employees and the high level of compliance by employers

Chart 2.2: Income & Corporate Tax Collection (GH¢' million)

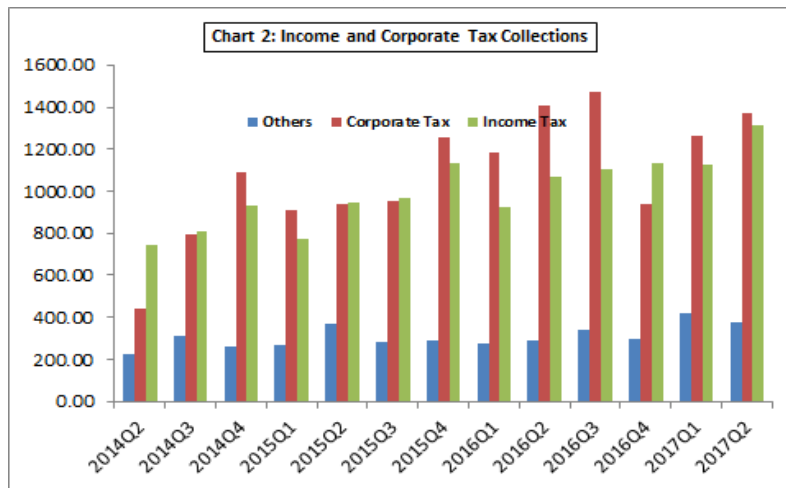
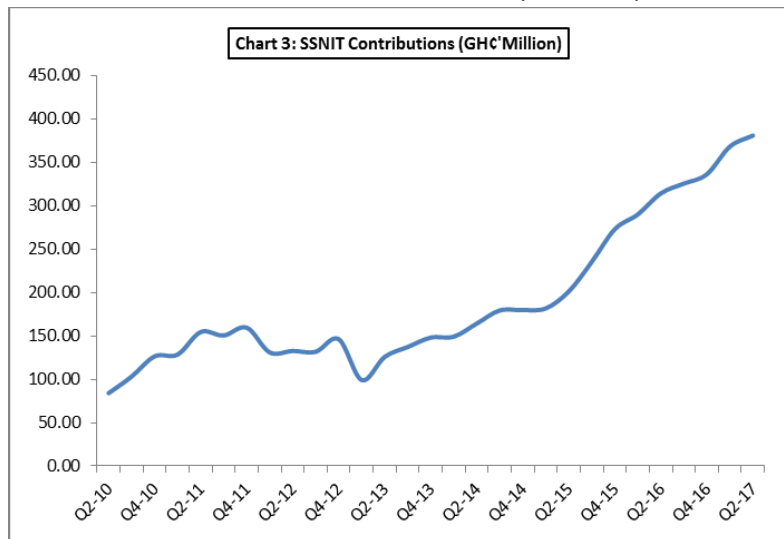


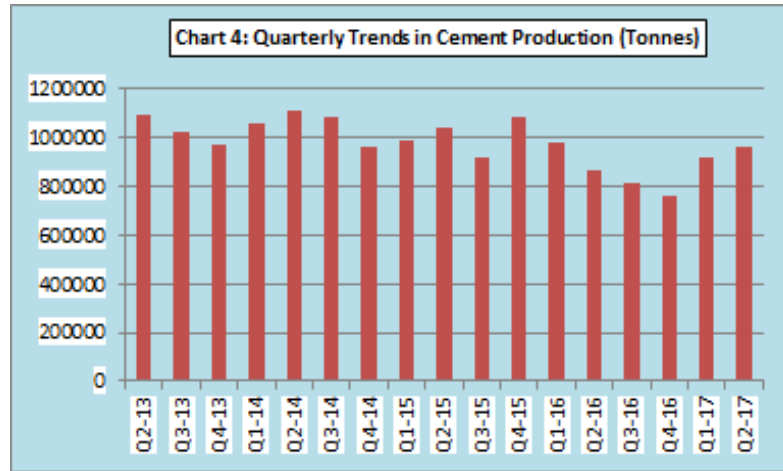
Chart 2.3: SSNIT Contributions (GH¢' million)



**2.1.3 Construction Activities**

Economic activity in the construction sub-sector measured by the volume of cement sales improved by 11.28 per cent (year-on-year) in the second quarter of 2017 to 958,431.59 tonnes from 861,461.71 tonnes sold during the same quarter in 2016. Also, total cement sales for the second quarter of 2017 constituted a growth of 4.74 per cent above 915,095.27 tonnes during the first quarter of 2017. The relative improvement in cement sales was partially due to a demand surge as construction activities picked up during the review period.

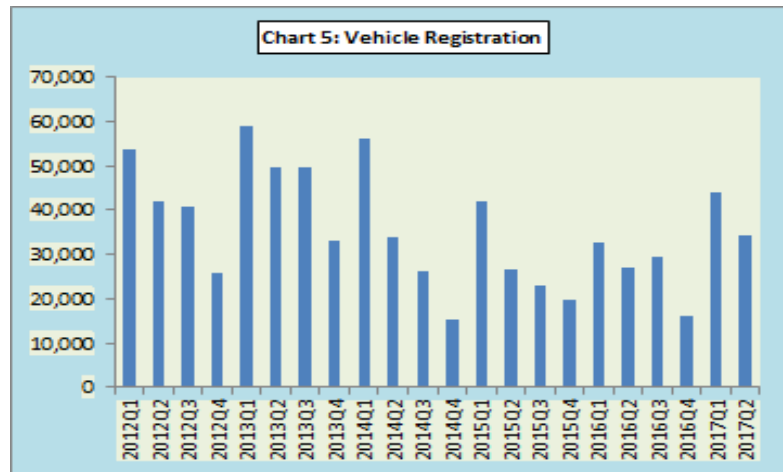
Chart 2.4: Quarterly Trends in Cement Production (tonnes)



**2.1.4 Vehicle Registration**

Transport-related economic activities measured by vehicle registration by DVLA also improved by 26.90 per cent to 34,408 in the second quarter of 2017, compared with 27,114 vehicles registered during the same quarter in 2016. The relative improvement may be due to increased vehicle importation in the period under review. However, vehicle registration in the second quarter of 2017 declined by 21.65 per cent below 43,916 vehicles registered by DVLA during the first quarter of 2017.

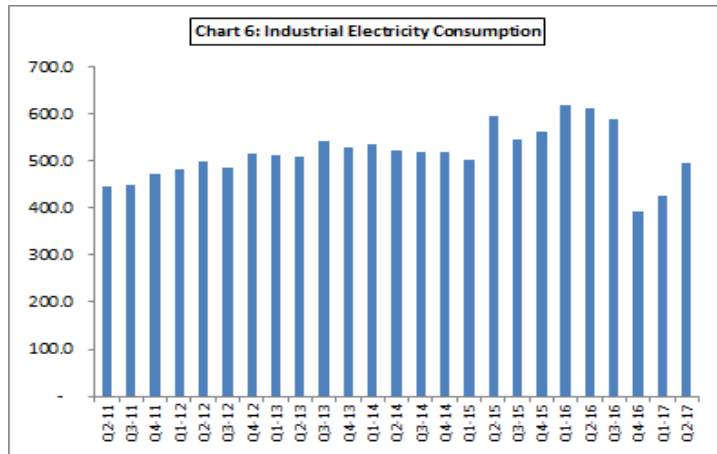
Chart 2.5: Quarterly Trends in Vehicle Registration



**2.1.5 Industrial Consumption of Electricity**

Industrial consumption of electricity by industry dipped by 19.06 per cent year-on-year to 496.40 giga watts during the second quarter of 2017 as against 613.35 giga watts consumed in the same quarter in 2016. The relative decline in industrial consumption of electricity by industry may be attributed to seasonality associated with power consumption by firms. Meanwhile, industrial consumption of electricity by industry for second quarter of 2017 constituted an improvement of 16.28 per cent above 426.90 giga watts consumed in the first quarter of 2017.

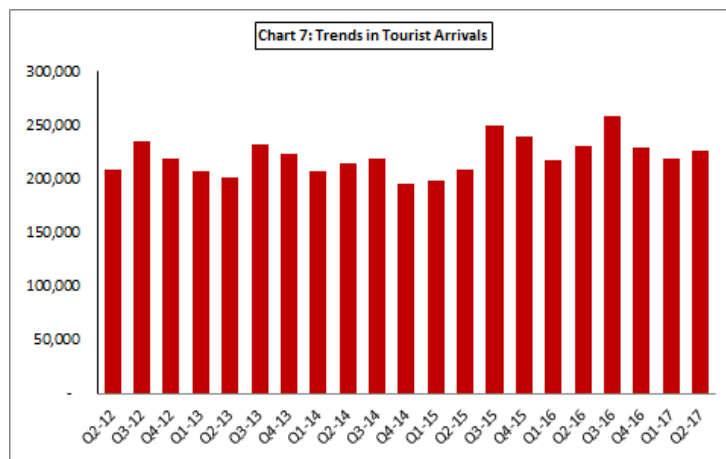
**Chart 2.6: Industrial Electricity Consumption**



**2.1.6 International Tourist Arrivals**

International tourists’ expenditure, proxied by number of tourist arrivals at the country’s various ports of entry, declined in the second quarter of 2017 year-on-year. A total of 225,776 international tourists visited the country in the second quarter of 2017 as against 230,212 tourists who visited the country in the same period a year ago, indicating a decline of 1.93 per cent. The relative decline was largely due to slowdown in international conferences and recreational tourism. However, total tourist arrivals for the second quarter of 2017 constituted a 3.12 per cent improvement over 218,935 tourist arrivals recorded during the first quarter of 2017.

**Chart 2.7: Trends in Tourist Arrivals**



**2.1.7 Port Activity** Economic activities at the country's two main harbours (Tema and Takoradi Harbours) measured by container traffic suggested a relative decline in the second quarter of 2017, compared with trends observed in the same quarter in 2016. Total container traffic dipped by 2.23 per cent (year-on-year) to 143,034 containers in the second quarter of 2017, as against 146,293 containers recorded during a similar period of 2016. The relative decline in total container traffic at the country's ports of entry was mainly attributed to reduced export and import trade activities during the period under review. Meanwhile, total container traffic for the second quarter of 2017 was an improvement by 7.32 per cent over 133,281 containers recorded during the first quarter of 2017.

**2.2 Labour  
Market  
Conditions**

Job adverts in the Daily Graphic during the second quarter of 2017 amounted to 1,280, suggesting a quarter-on-quarter dip of 34.9 per cent relative to first quarter 2017 and a year-on-year decline of 41.1 per cent in second quarter of 2016 respectively. Cumulatively, job placements for the first-two quarters in 2017 stood at 3,246, representing a fall of 5.9 per cent below the 3,451 job adverts during the same period last year.

**Job Vacancies by  
Sector**

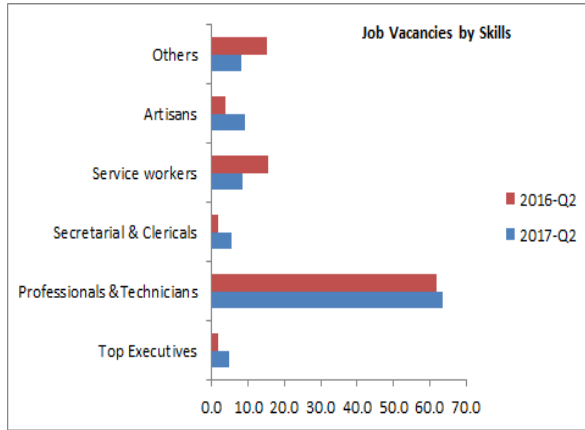
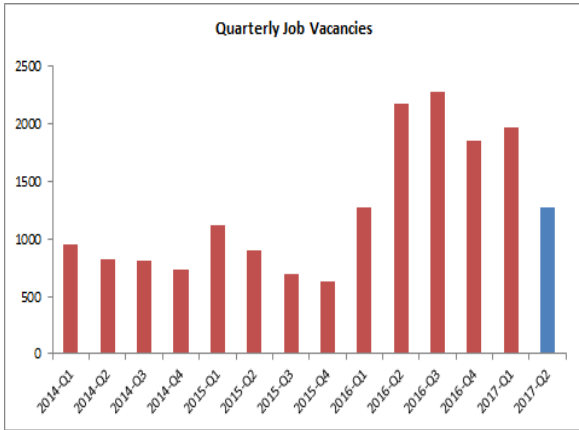
The services sector remained the most dominant in terms of job adverts in the second quarter of 2017, accounting for 85.4 per cent (down from 89.8 % in Q1 of 2017) of the total job adverts. Industry sector followed with a share of 11.8 per cent (up from 8.3% in Q1 of 2017) and the agriculture sector inched up by 2.8 per cent in the second quarter of 2017, also up from 1.9 per cent in the first quarter of 2017.

**Job Vacancies by  
Skills**

Similar to the first quarter developments, the topmost criteria indicated in the job adverts was for skilled employees with tertiary education and a minimum of 5 years experience. This category, classified under top executives and professionals, accounted for 68.5 per cent of total job adverts in the second quarter of 2017 compared with 67.0 per cent in the first quarter of 2017. This was followed by sales, secretarial and clerical workers (14.0%), artisans and machine operators (9.2%) and others (8.3%) of total job adverts, respectively.



**Chart 2.8: Trends in Advertised Job Vacancies**



# 3. Price Developments

## 3.1 Global Inflation

Global inflation has remained subdued in recent months despite some uptick in growth momentum. Annual inflation in the OECD area declined to 1.9 per cent at the end of the second quarter of 2017 from 2.3 per cent recorded during the first quarter but picked up relative to 0.9 per cent a year ago. Excluding food and energy, annual inflation in the area was broadly stable at 1.6 per cent at the end of the first quarter of 2017. Excluding food and energy, inflation in the OECD area was stable at 1.8 per cent in June 2017.

### The US Economy

Consumer prices in the **United States** slowed to 1.6 per cent year-on-year at the end of the second quarter of 2017, compared with a 2.4 per cent recorded at the end of March 2017. The slower annual price change was attributed to a 0.4 per cent decline in gasoline prices.

### Euro Area

In the **Euro Area**, consumer prices eased to 1.3 per cent year-on-year at the end of June 2017, from 1.5 per cent at the end of the first quarter of 2017. The drop in inflation was driven by a slowdown in prices of unprocessed foods and energy.

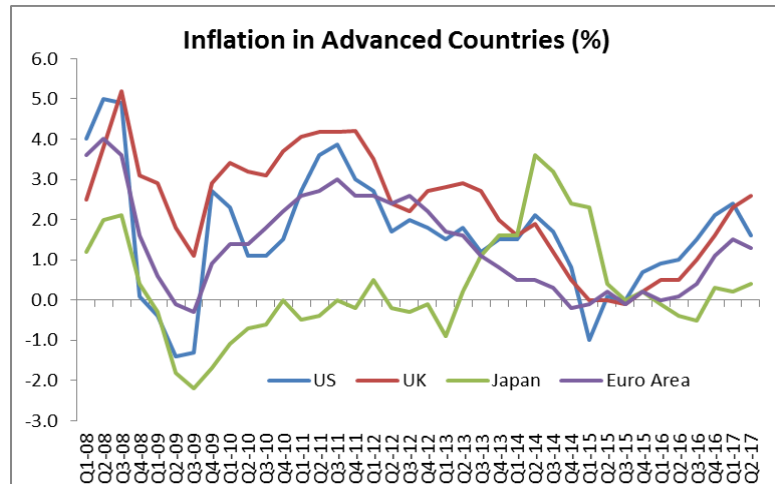
### United Kingdom

**British** consumer prices edged up by 2.6 per cent at the end of the second quarter from 2.3 per cent recorded at the end of the first quarter. The slowdown in inflation was attributable to moderation in the price of motor fuels and some recreational goods.

### Japan

Consumer prices in **Japan** increased by 0.4 per cent at the end of the second quarter of 2017, higher than 0.2 per cent recorded at the end of the first quarter of 2017. Food inflation was steady while cost of transport and housing fell.

Chart 3.1: Inflation trends in advanced economies



## China

Consumer prices in **China** rose by 1.5 per cent year-on-year at the end of the second quarter of 2017 against 0.9 per cent observed at the end of the first quarter of 2017 and in line with market expectations. At the end of the second quarter of 2017, food prices fell by 1.2 per cent while non-food prices rose by 2.2 per cent year-on-year.

## Turkey

In **Turkey**, consumer prices moderated to 10.9 per cent year-on-year at the end of the second quarter of 2017, from 11.29 per cent at the end of the previous quarter. Lower food and transport prices pushed down overall prices.

## Brazil

Inflation in **Brazil** stood at 3.0 per cent year-on-year at the end of the second quarter of 2017, down from 4.57 per cent recorded in the previous quarter and matched market estimates of 3.06 per cent. It was the lowest inflation since April 2007 driven by a slowdown in food and electricity costs.

## South Africa

Consumer prices in **South Africa** increased by 5.1 per cent year-on-year at the end of the second quarter of 2017 easing from 6.1 per cent at the end of the first quarter of 2017, slightly below market expectations of 5.2 per cent. The decline was attributed to slowdown in cost of transport, clothing and footwear, hotels and restaurants prices.

## Nigeria

In **Nigeria**, consumer prices increased by 16.1 per cent year-on-year, at the end of the second quarter of 2017, from 17.26 per cent in quarter one. The decline in inflation was mainly driven by a slowdown in non-food inflation.

Chart 3.2: Inflation trends in emerging markets

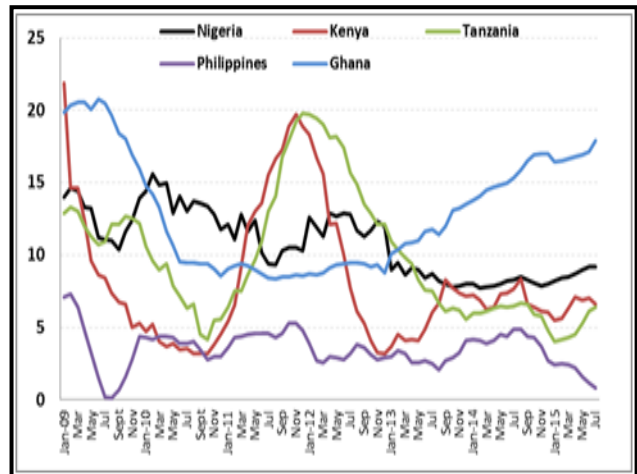
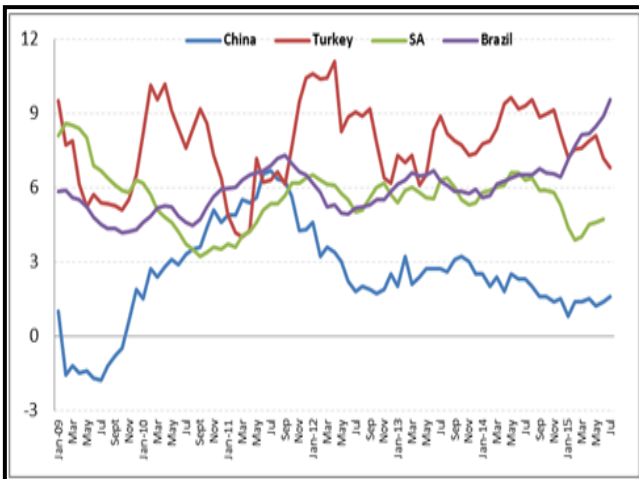


Chart 3.3: Inflation trends in developing countries

### **3.2 Domestic Inflation**

Headline inflation declined sharply to 12.1 per cent at the end of the second quarter of 2017, from 12.8 per cent recorded at the end of the previous quarter, driven down by both food and non-food inflation. Food and non-food inflation fell to 6.2 and 15.1 per cent at the end of the second quarter of 2017 from 7.3 and 15.6 per cent respectively at the end of the previous quarter. Consumer prices steadily declined from the third quarter of 2016 through to the second quarter of 2017, supported by tight monetary policy stance, relative stability in the exchange rate and some favourable base drift effects.

#### **Monthly Changes in CPI**

The average inflation for the second quarter of 2017 was 1.1 per cent compared with 1.3 and 1.5 per cent over the corresponding periods of 2016 and 2015 respectively. The lower monthly change in inflation this year emanated from monthly declines in both food and non-food prices, reflecting the persistent disinflation process observed over the year. A breakdown of the monthly increases showed that the decline in the non-food component was steeper than that of the food component. While the non-food inflation decreased by an average of 1.0 per cent (1.2% a year ago), the food inflation also fell by 1.1 per cent (1.4% a year ago).

#### **Group Inflation (yr-on-yr changes)**

The developments in the sub-groups of the consumer basket during the second quarter reflected lower outturns for inflation when compared with the first quarter and the outturn a year ago. This was broad based as all the main sub-groups recorded declines in average inflation for the second quarter of 2017 and collectively dragged down overall inflation than was recorded a year ago.

The main components that exerted downward pressures on the annual inflation during the review quarter compared with the same quarter a year ago were alcoholic beverages and tobacco, 11.7 per cent (15.7% same period last year), clothing and footwear, 16.6 per cent (22.6% a year ago), transport 22.6 per cent (40.3% a year ago), and education 11.0 per cent (33.3% a year earlier). All the other sub-components recorded lower contribution than was observed a year ago with the exception of health sub-group which recorded a higher price change of 14.3 per cent in the second quarter of 2017, as against 13.9 per cent in the second quarter of 2016.

### **3.3 Outlook for Inflation**

The inflation outcome for the second quarter of 2017 reflected a lower inflation profile than was observed in 2016. This was mainly accounted for by the tight monetary policy stance and relative stability in the exchange rate, and some base effects. In addition, the energy challenges witnessed last year which drove up production costs have abated, alongside government fiscal consolidation which significantly eased aggregate demand pressures and dampened inflation pressures in the process. Broadly, inflationary pressures were largely subdued and inflation is expected to gradually trend towards the medium-term target of  $8.0 \pm 2.0$  per cent by 2018.

Chart 3.4: Trends in Inflation

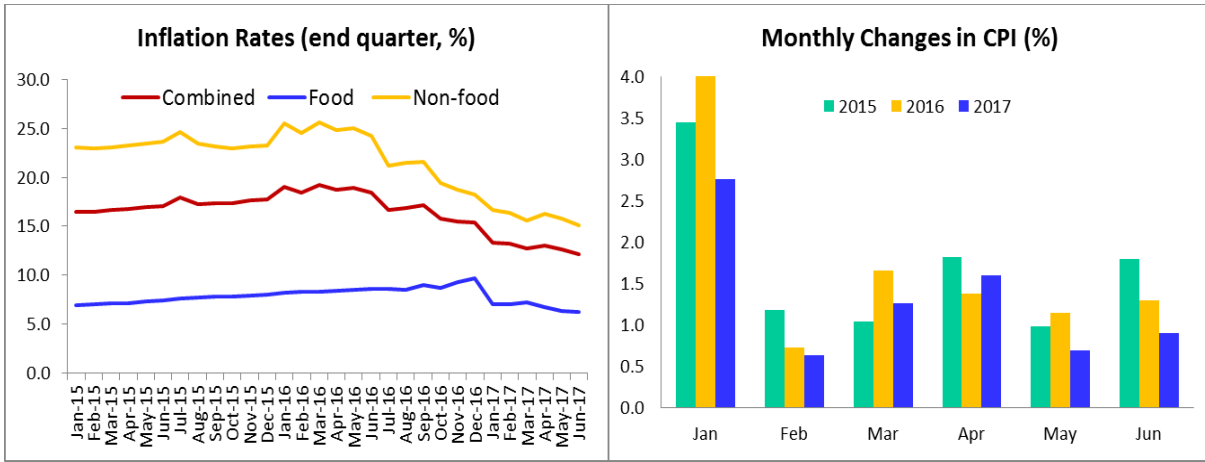


Chart 3.5: Major Contributors to Inflation

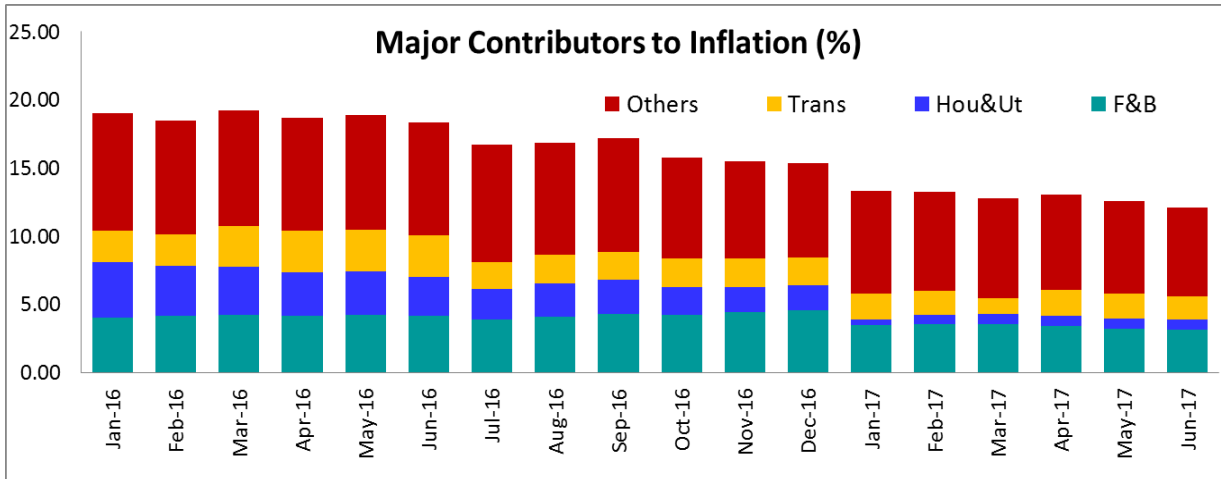


Table 3.1: Headline and Monthly Changes in CPI (%)

CPI Components (%)							
	Weights (%)	2016				2017	
		Q1	Q2	Q3	Q4	Q1	Q2
<b>Overall</b>	<b>100.0</b>	<b>19.2</b>	<b>18.4</b>	<b>17.2</b>	<b>15.4</b>	<b>12.8</b>	<b>12.1</b>
<b>Food and Beverages</b>	<b>43.9</b>	<b>8.3</b>	<b>8.6</b>	<b>9.0</b>	<b>9.7</b>	<b>7.3</b>	<b>6.2</b>
<b>Non-food</b>	<b>56.1</b>	<b>25.7</b>	<b>24.2</b>	<b>21.6</b>	<b>18.2</b>	<b>15.6</b>	<b>15.1</b>
Alcoholic Beverages, Tobacco	1.7	15.3	15.1	15.7	13.5	13.9	11.7
Clothing and footwear	9.0	21.0	22.6	23.2	16.4	18.2	16.6
Housing, Utilities	8.6	39.6	32.8	28.0	20.2	7.9	7.1
Furnish, H/H Equipment, etc	4.7	22.9	21.4	23.0	18.8	23.5	20.6
Health	2.4	13.7	13.9	15.4	18.5	15.8	14.3
Transport	7.3	40.0	40.3	27.3	27.2	15.3	22.6
Communications	2.7	13.6	12.5	11.3	10.8	11.3	11.1
Recreation & Culture	2.6	26.7	27.4	27.6	20.3	23.7	20.8
Education	3.9	27.7	33.3	32.5	23.4	17.3	11.0
Hotels, Cafes & Restaurants	6.1	15.9	14.9	16.1	13.7	14.2	12.0
Miscellaneous goods & services	7.1	18.3	15.5	13.1	14.7	16.7	15.4

*Source: Ghana Statistical Service*

Table 3.2: Sub-Components' Contribution to inflation (%)

	Headline Inflation, Year- on-Year (%)			Monthly Changes in CPI (%)		
	Combined	Food	Non-food	Combined	Food	Non-food
<b>2015Q4</b>	<b>17.7</b>	<b>8.0</b>	<b>23.3</b>	<b>1.1</b>	<b>0.8</b>	<b>1.2</b>
<b>2016</b>						
Q1	19.2	8.3	25.7	1.7	0.7	1.2
Q2	18.4	8.6	24.2	1.3	1.5	1.2
Q3	17.2	9.0	21.6	0.2	-2.4	1.4
Q4	15.4	9.7	18.2	0.9	1.2	0.8
<b>2017</b>						
Q1	12.8	7.3	15.6	1.3	0.9	1.4
Q2	12.1	6.2	15.1	0.9	1.4	0.6

*Source: Ghana Statistical Service*

## 4. Money and Financial Markets

Monetary developments in the second quarter of 2017 displayed signs of upward liquidity trend when compared with the same period last year.

### 4.1 Broad Money Supply

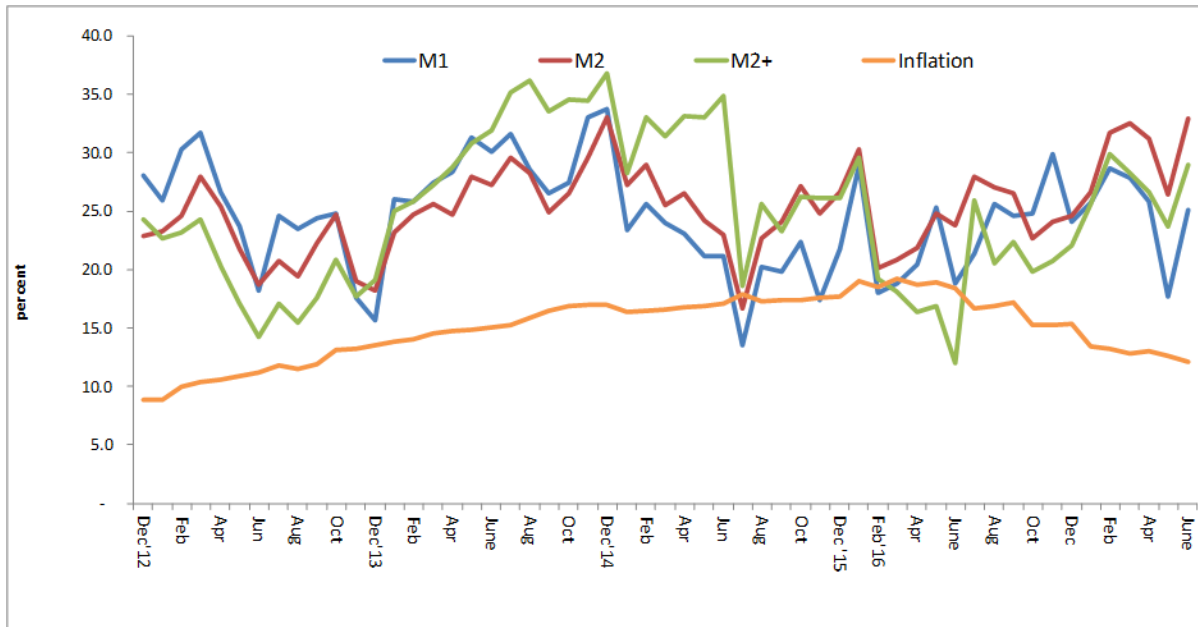
The quarterly growth of broad money supply (M2+) increased on year-on-year basis. The growth rate went up from 12.0 per cent (GH¢4,991.3 million) in the second quarter of 2016 to 28.9 per cent (GH¢13,446.1 million) in second quarter of 2017. When compared with the first quarter of 2017, the growth rate of broad money was slightly higher but lower than the 34.9 per cent (GH¢10,728.6 million) realised in the corresponding period of 2015. At the end of the second quarter of 2017, broad money supply (M2+) including foreign currency deposits stood at GH¢59,903.9 million compared with GH¢46,457.8 million and GH¢58,139.8 million realized in the same period in 2016 and the first quarter of 2017 respectively.

The change in the components of M2+ during the review period was mainly due to growth in domestic and foreign currency deposits. Within the domestic deposit component, both demand deposits and savings and time deposits showed increases in growth. Demand deposits and Savings and Time deposits increased from 20.2 per cent (GH¢2,161.5 million) and 31.8 per cent (GH¢3,358.6 million) in the second quarter of 2016 to 30.7 (GH¢3,956.8 million) and 44.6 per cent (GH¢6,214.4 million) respectively in the corresponding period in 2017. Foreign currency deposits grew significantly by 17.4% (GH¢2,092.9 million) compared with a growth of -11.9 per cent (GH¢-1,616.7 million) in the second quarter of 2016. This can be compared with the growth of 16.6 per cent (GH¢2,006.5) attained in the first quarter of 2017. Currency outside banks, the most liquid components of M2+ decreased from 16.6 per cent (GH¢1,088.0 million) in the second quarter of 2016 to 15.5 per cent (GH¢1,182.0 million) compared with 22.3 per cent (GH¢1,688.9 million) recorded in the first quarter of 2017.

**Table 4.1: Monetary Indicators (GH¢' million)**

	Levels					Quarter-on-Quarter											
	Jun-14	Jun-15	Jun-16	Mar-17	Jun-17	As at end-Jun 2014		As at end-Jun 2015		As at end-Jun 2016		As at end-Mar 2017		As at end-Jun 2017			
						abs	per cent	abs	per cent	abs	per cent	abs	per cent	abs	per cent		
<b>Reserve Money</b>	9,976.7	11,320.7	14,706.8	17,519.8	17,784.9	2,683.0	36.8	1,344.0	13.5	3,386.1	29.9	3,304.4	23.2	3,078.1	20.9		
<b>Narrow Money (M1)</b>	14,243.0	17,255.5	20,505.0	25,706.3	25,643.8	3,291.8	30.1	3,012.5	21.2	3,249.5	18.8	5,601.9	27.9	5,138.8	25.1		
<b>Broad Money (M2)</b>	22,639.1	27,832.1	34,440.1	44,049.2	45,793.3	4,839.5	27.2	5,193.0	22.9	6,608.1	23.7	10,799.5	32.5	11,353.2	33.0		
<b>Broad Money (M2+)</b>	30,737.8	41,466.5	46,457.8	58,139.8	59,903.9	7,434.5	31.9	10,728.6	34.9	4,991.3	12.0	12,806.0	28.2	13,446.1	28.9		
<b>Currency with the Public</b>	5,276.1	6,537.1	7,625.1	9,261.5	8,807.1	975.1	22.7	1,261.0	23.9	1,088.0	16.6	1,688.9	22.3	1,182.0	15.5		
<b>Demand Deposits</b>	8,966.9	10,718.4	12,879.9	16,444.8	16,836.7	2,316.7	34.8	1,751.5	19.5	2,161.5	20.2	3,913.0	31.2	3,956.8	30.7		
<b>Savings &amp; Time Deposits</b>	8,396.1	10,576.5	13,935.1	18,342.9	20,149.5	1,547.8	22.6	2,180.5	26.0	3,358.6	31.8	5,197.6	39.5	6,214.4	44.6		
<b>Foreign Currency Deposits</b>	8,098.7	13,634.4	12,017.7	14,090.6	14,110.6	2,594.9	47.1	5,535.7	68.4	(1,616.7)	(11.9)	2,006.5	16.6	2,092.9	17.4		
<b>Sources of M2+</b>																	
<b>Net Foreign Assets (NFA)</b>	4,264.9	6,159.9	9,193.3	14,411.2	19,417.5	(868.4)	(16.9)	1,895.0	44.4	3,033.4	49.2	4,367.3	43.5	10,224.2	111.2		
<b>BOG</b>	4,222.4	4,819.7	6,807.4	10,538.4	17,640.2	(792.7)	(15.8)	597.3	14.1	1,987.7	41.2	2,361.2	28.9	10,832.8	159.1		
<b>DMBs</b>	42.5	1,340.2	2,385.9	3,872.8	1,777.3	(75.7)	(64.1)	1,297.8	3,056.3	1,045.6	78.0	2,006.1	107.5	(608.6)	(25.5)		
<b>Net Domestic Assets</b>	26,472.9	35,306.6	37,264.5	43,728.6	40,486.4	8,302.9	45.7	8,833.6	33.4	1,958.0	5.5	8,438.7	23.9	3,221.9	8.6		
<b>Claims on Government (net)</b>	14,407.2	13,974.2	14,227.1	15,781.4	11,094.6	5,280.8	57.9	(433.0)	(3.0)	252.9	1.8	1,494.8	10.5	(3,132.5)	(22.0)		
<b>BOG</b>	8,657.1	7,287.4	7,735.2	9,697.9	3,852.4	4,005.8	86.1	(1,369.6)	(15.8)	447.8	6.1	1,850.6	23.6	(3,882.8)	(50.2)		
<b>DMBs</b>	5,750.1	6,686.8	6,491.8	6,083.5	7,242.1	1,275.0	28.5	936.7	16.3	(194.9)	(2.9)	(355.8)	(5.5)	750.3	11.6		
<b>Claims on Public Sector</b>	4,538.9	5,745.5	6,184.2	6,813.2	4,852.2	2,565.7	130.0	1,206.6	26.6	438.7	7.6	635.9	10.3	(1,332.0)	(21.5)		
<b>BOG</b>	2,081.9	2,068.6	2,109.2	1,945.8	2,047.3	1,929.6	1,266.4	(13.3)	(0.6)	40.6	2.0	(111.1)	(5.4)	(62.0)	(2.9)		
<b>DMBs</b>	2,457.0	3,676.9	4,074.9	4,867.4	2,805.0	636.1	34.9	1,219.9	49.6	398.1	10.8	747.1	18.1	(1,270.0)	(31.2)		
<b>Claims on Private Sector</b>	20,134.3	26,696.5	28,665.1	31,470.9	33,078.5	6,288.3	45.4	6,562.2	32.6	1,968.6	7.4	5,118.4	19.4	4,413.4	15.4		
<b>BOG</b>	589.8	651.3	409.5	480.8	547.8	146.1	32.9	61.5	10.4	(241.8)	(37.1)	72.5	17.8	138.3	33.8		
<b>DMBs</b>	19,544.5	26,045.2	28,255.5	30,990.1	32,530.6	6,142.2	45.8	6,500.7	33.3	2,210.4	8.5	5,045.9	19.4	4,275.1	15.1		
<b>Other Items (Net) (OIN) 1/2</b>	(12,607.4)	(11,109.6)	(11,811.8)	(10,336.9)	(8,538.9)	(5,831.9)	86.1	1,497.8	(11.9)	(702.2)	(6.3)	1,189.6	(10.3)	3,272.9	(27.7)		
<b>o/w BOG OMO (Sterilisation)</b>	(781.0)	(8.0)	(150.7)	(150.0)	-	1,177.0	(60.1)	773.0	(99.0)	(142.7)	1,782.8	0.7	(0.4)	150.7	(100.0)		

**Chart 4.1: Inflation and Liquidity (%)**





## 4.2 Sources of Change in M2+

The annual growth in M2+ in the second quarter 2017 was as a result of growth in the Net Foreign Assets (NFA) which was supported by a marginal increase in Net Domestic Assets (NDA) of the banking system. The NFA grew by 111.2 per cent (GH¢10,224.2 million) while NDA increased by 8.6 per cent (GH¢3,221.6 million). This can be compared with the corresponding period in 2016 where the NFA and NDA increased was 49.2 per cent (GH¢3,033.4 million) and 5.5 per cent (GH¢1,958.0 million) respectively and the first quarter of 2017 where the NFA and NDA grew by 43.5 per cent (GH¢4,367.3 million) and 23.9 per cent (GH¢8,438.7 million) respectively.

### Net Foreign Assets (NFA)

From the components, the NFA's increase was driven by an increase in BOG's NFA by 159.1 per cent (GH¢10,832.8 million) while that of the commercial banks decreased by -25.5 per cent (GH¢-608.6 million). When compared with the first quarter of 2017, the NFA growth was lower and from the components, the NFA of the commercial banks was higher relative to the second quarter. This can be related to the same period in 2016 where Bank of Ghana's NFA increased by 41.2 per cent (GH¢1,987.7 million) and that of the commercial banks also experiencing a growth of 78.0 per cent (GH¢1,045.6 million). The growth in NFA in the second quarter of 2017 was influenced by the 2.25 billion bond issued during the quarter.

### Net Domestic Assets (NDA)

The change in the NDA of the banking system during the review period was largely reflected in decreases in net claims on Government (-22.0% or GH¢-3,132.5 million), claims on public sector (-21.5% or GH¢-1,332.0 million) and Other Items Net (-27.7% or GH¢3,272.9 million). All of these growth rates were lower than what was attained in the first quarter of 2017. The reduction in net claims on government within the second quarter was influence by the 2.25 billion euro-bond issue which improved government deposits within the period. On the other hand, claims on private sector went up (15.4% or GH¢4,413.4 million) during the quarter under review. This can be compared with the same period in 2016 where the growths in the components of the NDA were recorded as follows: net claims on Government (1.8% or GH¢252.9 million), claims on private sector (7.4%) or GH¢1,968.6 million), claims on the public sector (7.6% or GH¢438.7 million) and Other Items Net (6.3%) or GH¢-702.2 million).

### 4.3 Developments

#### in Banks Credit

The annual growth in banks outstanding credit to the public and private institutions in the second quarter of 2017 indicated an increase on year-on-year basis but lower than what was recorded in the first quarter of 2017.

The nominal annual growth rate of banks outstanding credit went up from 8.6 per cent (GH¢2,570.9 million) in second quarter of 2016 to 16.2 per cent (GH¢5,231.7 million) in the same period in 2017 as against a growth of 19.3% (GH¢5,814.7 million) realised in the first quarter of 2017. Total outstanding credit stood at GH¢37,595.8 million at the end of the second quarter of 2017 compared with GH¢32,364.1 million in the corresponding period in 2016 and GH¢36,001.2 million recorded in the first quarter of 2017. In real terms, credit from the banks grew from -8.3 per cent year-on-year in the second quarter 2016 to 3.6 per cent in the second quarter of 2017. This compares with a growth rate of 4.7 per cent recorded in the first quarter of 2017. The private sector accounted for 86.5 per cent of total outstanding credit at the end of the review period compared with 87.3 per cent in the second quarter of 2016 and 86.1 per cent in the first quarter of 2017.

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

	Jun-14	Jun-15	Jun-16	Mar-17	Jun-17	Quarter-On-Quarter Variation									
						As at end-Jun 2014		As at end-Jun 2015		As at end Jun 2016		As at end-Mar 2017		As at end-Jun 2017	
						Abs	Percent	Abs	Percent	Abs	Percent	Abs	Percent	Abs	Percent
<b>a Public Sector</b>	2,512.2	3,748.1	4,108.6	5,011.1	5,065.2	646.0	34.6	1,235.9	49.2	360.5	9.6	768.8	18.1	956.6	23.3
<b>b Private Sector</b>	19,544.5	26,045.2	28,255.5	30,990.1	32,530.6	6,142.2	45.8	6,500.7	33.3	2,210.4	8.5	5,045.9	19.4	4,275.1	15.1
Agric., For. & Fish.	772.9	906.0	1,140.9	1,176.8	1,286.7	293.4	61.2	133.1	17.2	235.0	25.9	282.8	31.6	145.7	12.8
Export Trade	176.5	235.4	224.8	253.3	287.3	23.8	15.6	58.9	33.4	(10.5)	(4.5)	39.6	18.5	62.4	27.8
Manufacturing	2,329.2	2,520.5	2,429.6	2,791.6	2,817.5	872.8	59.9	191.4	8.2	(90.9)	(3.6)	120.3	4.5	387.9	16.0
Trans., Stor., & Comm.	925.9	1,127.9	1,499.0	1,699.6	1,715.8	189.4	25.7	202.0	21.8	371.2	32.9	331.0	24.2	216.7	14.5
Mining & Quarrying	591.0	680.2	817.8	794.3	866.0	244.6	70.6	89.1	15.1	137.6	20.2	(53.6)	(6.3)	48.2	5.9
Import Trade	1,411.3	2,123.7	1,845.1	2,027.8	2,028.7	184.7	15.1	712.4	50.5	(278.5)	(13.1)	201.9	11.1	183.6	10.0
Construction	2,088.6	2,846.0	3,099.8	3,497.9	3,802.2	621.7	42.4	757.4	36.3	253.8	8.9	630.7	22.0	702.4	22.7
Commerce & Finance	3,279.2	3,758.5	5,253.9	6,412.0	6,749.1	1,188.4	56.8	479.3	14.6	1,495.4	39.8	2,361.9	58.3	1,495.2	28.5
Elect., Gas & Water	2,063.8	3,653.6	3,688.4	3,002.0	2,925.1	1,164.4	129.5	1,589.8	77.0	34.8	1.0	(93.1)	(3.0)	(763.3)	(20.7)
Services	4,313.9	5,889.6	5,575.4	6,198.6	6,238.2	820.9	23.5	1,575.7	36.5	(314.1)	(5.3)	489.6	8.6	662.8	11.9
Miscellaneous	1,592.3	2,303.9	2,680.7	3,136.3	3,814.1	538.2	51.1	711.6	44.7	376.8	16.4	376.8	8.6	1,133.4	42.3
<b>c Grand Total</b>	<b>22,056.7</b>	<b>29,793.2</b>	<b>32,364.1</b>	<b>36,001.2</b>	<b>37,595.8</b>	<b>6,788.2</b>	<b>44.5</b>	<b>7,736.5</b>	<b>35.1</b>	<b>2,570.9</b>	<b>8.6</b>	<b>5,814.7</b>	<b>19.3</b>	<b>5,231.7</b>	<b>16.2</b>

#### 4.3.1 Distribution of Outstanding Credit to the Private Sector

The growth of outstanding credit to the private sector in the second quarter 2017 increased in nominal and real terms. The growth rate in nominal terms went up from 8.5 per cent (GH¢2,210.4 million) in quarter two of 2016 to 15.1 per cent (GH¢4,275.1 million) in the same period in 2017. This can be compared with an increase of 19.4 per cent (GH¢5,045.9 million) realised in the first quarter of 2017. The outstanding credit to the private sector at the end of the second quarter of 2017 was GH¢32,530.6 million compared with GH¢28,255.5 million and GH¢30,990.1 million granted in the second quarter of 2016 and first quarter of 2017 respectively.

In real terms, the annual growth rate of outstanding credit to the private sector increased from -8.3 per cent at the end of the second quarter of 2016 to 2.7 per cent in the same period in 2017. This can be compared with an increase in real credit of 5.9 per cent achieved in the first quarter of 2017.

During the period under review, major beneficiary sectors of annual flow of private sector credit were commerce & finance (35.0%), miscellaneous (26.5%), construction (16.4% services (15.5%) and manufacturing (9.1%). These five sub-sectors together accounted for 102.5 per cent of the overall credit flow for the second quarter of 2017.

Though credit to the private sector decreased on average during the review period, services, import trade and manufacturing experienced increases in the flow of credit when compared with the same period in 2016. In terms of holders of credit, the observed downward trend is not different except that the decline in the others sub-sector in the second quarter was significant.

Chart 4.2: Sectoral Allocation of Annual Credit to the Private Sector (% 2014-2017)

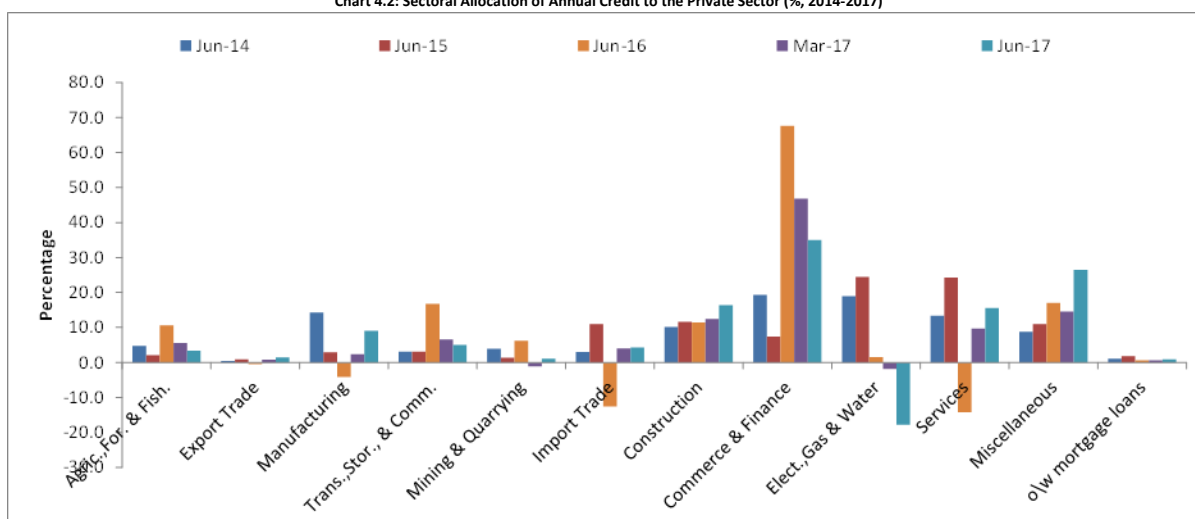
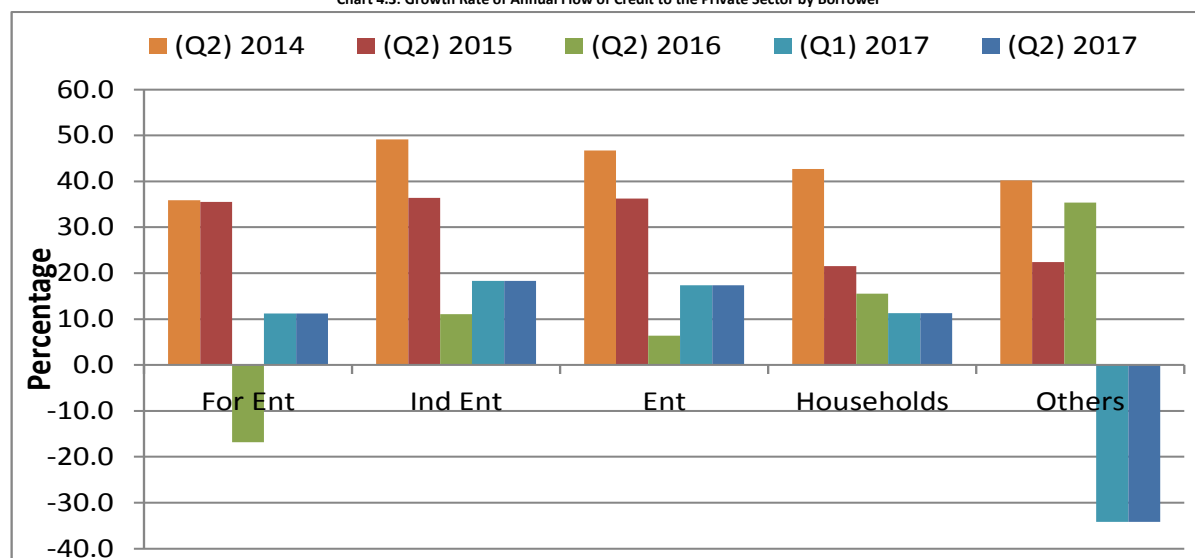


Chart 4.3: Growth Rate of Annual Flow of Credit to the Private Sector by Borrower



#### 4.4 Sources and Uses of Banks' Funds

The interim data for Q2 2017 showed that banks' percentage of funds that went into bank credit and investments in government securities decreased when compared with last year. The portion of banks' funds deployed in credit decreased from 31.8 per cent (GH¢2,570.9 million) in Q2 2016 to 16.0 per cent (GH¢3,094.9 million) in Q3 2017. This can be compared with a growth of 30.8 per cent (GH¢5,814.7 million) recorded in the first quarter of 2017.

Investment in Government securities decreased when compared with last year and was driven by a significant decline in investment in short term bills which was moderated by an increase in investment in medium/long term securities. The growth in Commercial Banks' investments in Government securities decreased from 8.8 per cent (GH¢709.5 million) recorded in the second quarter of 2016 to 5.2 per cent (GH¢1,009.7 million) in the second quarter of 2017. This can be compared with an increase in investments in Government securities of 4.5 per cent (GH¢846.6 million) recorded in the first quarter of 2017. During the review period, investment in short term securities decreased by 17.5 per cent (GH¢-3,397.2 million) while medium/long term securities increased by 22.8 per cent (GH¢4,406.9 million). This can be compared with the related period in 2016 when investment in short term securities increased by 6.9 per cent (GH¢559.5 million) and medium/long term securities was 1.9 per cent (GH¢150.0 million).

The rest of the distribution of funds of commercial banks were into acquisition of foreign assets, balances with Bank of Ghana and other assets and all of these had higher growth in the second quarter of 2017 relative to 2016. When compared with the first quarter of 2017, foreign assets growth was higher 15.8 per cent (GH¢2,978.8 million growth) while the balances with Bank of Ghana and other assets had lower growth rates.

The provisional figures for the sources of funds in the second quarter of 2017 show an upward trend in total deposits, which is the main source of funds. It went up from 42.8 per cent (GH¢3,467.0 million) in June 2016 to 60.4 per cent (GH¢11,704.0 million) in the second quarter of 2017 compared with the 56.8 per cent (GH¢10,738.0 million) achieved in the first quarter of 2017. The increase in total deposits was mainly from increases in time and foreign currency deposits while the rest of the components of total deposits decreased in the period under review. When the second quarter of 2017 is compared with the first quarter, growth in time deposit was the major source of the increase and was reinforced by a marginal growth in foreign currency deposits.

The other sources of funds were: credit from Bank of Ghana, balances with non-residents banks, capital, reserves and other liabilities. When the review period is compared with the first quarter of 2017, balances due to non-resident banks went up relative while the rest of the sources experienced decreases in growth.

**Table 4.3: Sources and Uses of Banks' Funds (GHC' million)**

	(Amount in GHC Million)														
	Variation (Quarter -on-Quarter)														
	As at end-Jun 2014		As at end-Jun 2015		As at end-Jun 2016		As at end-Mar 2016		As at end-Jun 2017						
	Jun-14	Jun-15	Jun-16	Mar-17	Jun-17	Abs	% of Change	Abs	% of Change	Abs	% of Change	Abs	% of Change	Abs	% of Change
<b>Sources of Funds</b>															
<b>Total Deposits</b>	25,014.8	34,189.6	37,656.6	47,321.2	49,360.6	6,488.2	50.1	9,174.8	63.0	3,467.0	42.8	10,738.0	56.8	11,704.0	60.4
<b>Domestic</b>	16,916.1	20,555.2	25,638.9	33,230.6	35,250.0	3,893.2	30.1	3,639.1	25.0	5,083.7	62.8	8,731.6	46.2	9,611.1	49.6
<b>Demand Deposits</b>	8,520.0	9,978.7	11,703.8	14,887.7	15,100.5	2,345.5	18.1	1,458.6	10.0	1,725.1	21.3	3,533.9	18.7	3,396.7	17.5
<b>Savings Deposits</b>	3,985.5	5,056.6	6,768.9	7,807.2	7,948.1	369.5	2.9	1,071.1	7.3	1,712.4	21.2	1,746.3	9.2	1,179.2	6.1
<b>Time Deposits</b>	4,410.5	5,520.0	7,166.2	10,535.7	12,201.4	1,178.3	9.1	1,109.4	7.6	1,646.2	20.3	3,451.4	18.3	5,035.2	26.0
<b>Foreign Currency</b>	8,098.7	13,634.4	12,017.7	14,090.6	14,110.6	2,594.9	20.1	5,535.7	38.0	- 1,616.7	- 20.0	2,006.5	10.6	2,092.9	10.8
<b>Credit From BOG</b>	282.2	676.3	3,177.5	4,305.3	3,903.6	62.1	0.5	394.1	2.7	2,501.2	30.9	1,576.4	8.3	726.1	3.7
<b>Balances Due to Non-Resident Banks</b>	3,999.2	5,009.9	3,273.2	4,274.0	5,120.6	1,890.3	14.6	1,010.7	6.9	- 1,736.6	- 21.4	972.7	5.1	1,847.4	9.5
<b>Capital</b>	2,645.3	2,891.5	3,430.3	4,187.7	4,265.5	447.6	3.5	246.3	1.7	538.8	6.7	876.8	4.6	835.2	4.3
<b>Reserves</b>	3,579.9	5,081.3	6,153.9	7,505.0	6,848.2	1,311.5	10.1	1,501.4	10.3	1,072.5	13.2	1,235.5	6.5	694.3	3.6
<b>Other Liabilities*</b>	8,197.3	10,444.5	12,698.0	15,112.7	16,260.5	2,742.3	21.2	2,247.2	15.4	2,253.5	27.8	3,491.4	18.5	3,562.5	18.4
<b>Total</b>	43,718.7	58,293.2	66,389.5	82,705.9	85,759.0	12,942.1		14,574.6		8,096.3		18,890.9		19,369.5	
<b>Uses of Funds</b>															
<b>Bank Credit</b>	22,056.7	29,793.2	32,364.1	36,001.2	35,459.0	6,788.2	52.5	7,736.5	53.1	2,570.9	31.8	5,814.7	30.8	3,094.9	16.0
<b>o/w Private Sector Credit</b>	19,544.5	26,045.2	28,255.5	30,990.1	32,530.6	6,142.2	47.5	6,500.7	44.6	2,210.4	27.3	5,045.9	26.7	4,275.1	22.1
<b>Investment in Government Securities</b>	7,309.9	8,606.5	9,316.0	10,071.7	10,325.8	1,498.3	11.6	1,296.6	8.9	709.5	8.8	846.6	4.5	1,009.7	5.2
<b>Short Term</b>	1,814.7	5,352.6	5,912.1	3,816.6	2,514.9	647.3	5.0	3,537.9	24.3	559.5	6.9	- 2,506.8	- 13.3	- 3,397.2	-17.5
<b>Medium/Long Term</b>	5,495.2	3,253.9	3,403.9	6,255.1	7,810.8	851.0	6.6	- 2,241.3	-15.4	150.0	1.9	3,353.5	17.8	4,406.9	22.8
<b>Foreign Assets</b>	4,041.6	6,350.1	5,659.1	8,146.8	6,897.9	1,814.6	14.0	2,308.5	15.8	- 691.0	- 8.5	2,978.8	15.8	1,238.8	6.4
<b>Balances with BOG</b>	5,088.1	6,370.8	6,815.2	8,428.1	8,302.9	2,110.5	16.3	1,282.7	8.8	444.4	5.5	811.8	4.3	1,487.8	7.7
<b>Other Assets**</b>	5,222.4	7,172.7	12,235.1	20,058.1	24,773.4	730.5	5.6	1,950.2	13.4	5,062.5	62.5	8,439.0	44.7	12,538.3	64.7
<b>Total</b>	43,718.7	58,293.2	66,389.5	82,705.9	85,759.0	12,942.1		14,574.6		8,096.3		18,890.9		19,369.5	

#### 4.5 The Money Market

The developments in interest rates on the money market for quarter two of 2017 continued to show a downward trend.

##### Monetary Policy Rate

Bank of Ghana's Monetary Policy Rate (MPR) was maintained at 22.50 per cent at the end of quarter two of 2017 after an earlier 100 basis points (bps) cut in May 2017. This represented a 350 bps year-on-year decrease in the MPR from 26.00 per cent recorded in Q2:2016. In comparison however, the corresponding quarter in 2016 recorded an increase of 400 bps in the MPR.

##### BOG Bills

The rate on the 14-day BOG bill, which is linked to the MPR, also decreased by 350 bps year-on-year to 25.50 per cent at the end of Q2:2017 from 26.00 per cent recorded in Q2:2016. Compared to Q1:2017, the decrease recorded was 260 bps. The 7-day, 28-day, 56-day and 270-day BoG bills registered no changes in interest rates and remained unchanged at 11.74 per cent, 24.27 per cent, 24.86 per cent and 26.82 per cent respectively at the end of Q2:2017. This was on account of inactivity and non-issuance.

**Government Securities**

On the treasury market, interest rates trended downwards. The 91-day and 182-day T-bills' rates decreased significantly by 1072 bps and 1134 bps respectively in year-on-year terms to settle at 12.08 per cent and 13.28 per cent. The corresponding quarter in 2016 also recorded year-on-year decreases of 237 bps and 126 bps for the 91-day and 182-day T-bills respectively. The rates on the two discount securities also decreased by 480 bps and 385 bps respectively, when compared to developments in Q1:2017.

The rates on the medium-to-long term securities also trended downward during the review quarter. The rates on the 1-year and 2-year fixed rate notes decreased by 775 bps and 725 bps respectively in year-on-year terms to end Q2:2017 at 15.25 per cent and 17.00 per cent. Compared to Q1:2017, the rate on the 1-year note decreased by 375 bps and that for the 2-year note also decreased by 433 bps. For Q2:2016, interest rates on both the 1-year and 2-year notes increased by 50 bps and 125 bps respectively in year-on-year terms.

The rates on the 3-year and 5-year Government of Ghana (GOG) bonds declined by 600 bps and 575 bps respectively in year-on-year terms to end the review quarter at 18.50 per cent and 18.75 per cent. The 7-year GOG bond's interest rate increased by 175 bps to 19.75 per cent while the 10-year and 15-year GOG bonds, which were introduced in November 2016 and April 2017 respectively, maintained their rates at 19.00 per cent and 19.75 per cent at the end of Q2:2017. For the corresponding quarter in 2016, both the 3-year and 5-year GOG bonds experienced year-on-year increases in rates of 103 bps and 350 bps respectively while that on the 7-year GOG bond remained unchanged.

**Interbank Rate**

The interbank weighted average interest rate decreased by 339 bps, year-on-year, from 25.50 per cent recorded at the end of Q2:2016 to 22.11 per cent at the end of Q2:2017. For Q2:2016 however, the interbank weighted average interest rate increased by 138 bps. Compared to Q1:2017, the interbank weighted average interest rate decreased by 274 bps from 24.85 per cent.

**Time & Savings Deposit Rates**

The average interest paid on the DMBs' 3-month time deposit increased by 150 bps, year-on-year, from 13.00 per cent in Q2:2016 to 14.50 per cent at the end of Q2:2017. The corresponding quarter in 2016 registered no change.

The savings rate for the quarter also increased by 105 bps year-on-year to settle at 7.55 per cent at the end of Q2:2017 from 6.13 per cent recorded at the end of Q2:2016. This may be compared with a 150 bps increase for the corresponding period in 2016.

**Lending Rates**

The average lending rate trended downward during the review quarter. The average lending rate decreased by 191 bps, year-on-year, from 32.68 per cent recorded in Q2:2016 to 30.77 per cent in Q2:2017. The corresponding quarter in 2016 however saw the average lending rate increase by 370 bps year-on-year. Compared to Q1:2017, the average lending rate also declined by 54 bps from 31.31 per cent.

The spread between the borrowing and lending rates stood at 16.27 per cent. It decreased by 341 bps year-on-year from 19.68 per cent in Q2:2016 to 16.27 per cent at the end of Q2:2017. Compared with the corresponding quarter in 2016, however, the spread had widened by 370 bps, year-on-year, from 15.98 per cent in Q2:2015 to 19.68 per cent in Q2:2016.

**Base Rate**

The average base rate of the DMBs decreased by 60 bps, year-on-year, from 26.39 per cent in Q2:2016 to 25.79 per cent recorded in Q2:2017. For the corresponding quarter in 2016 (Q2:2016) the average base rate increased by 14 bps, year-on-year. Compared to Q1:2017, however, the average base rate decreased by 129 bps.

Chart 4.4: Yield Curves (%)

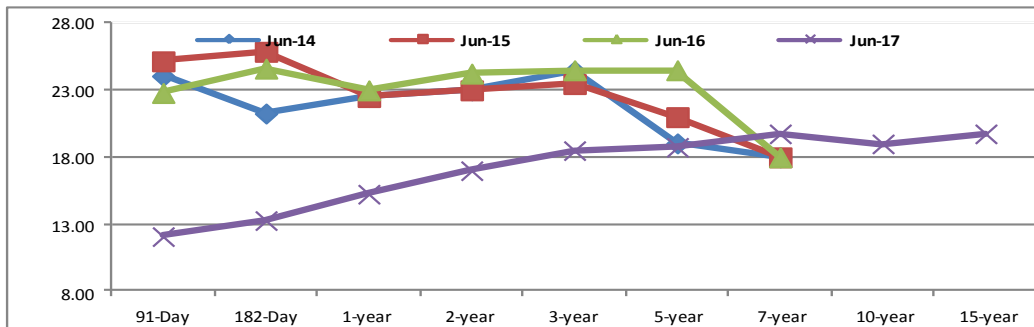
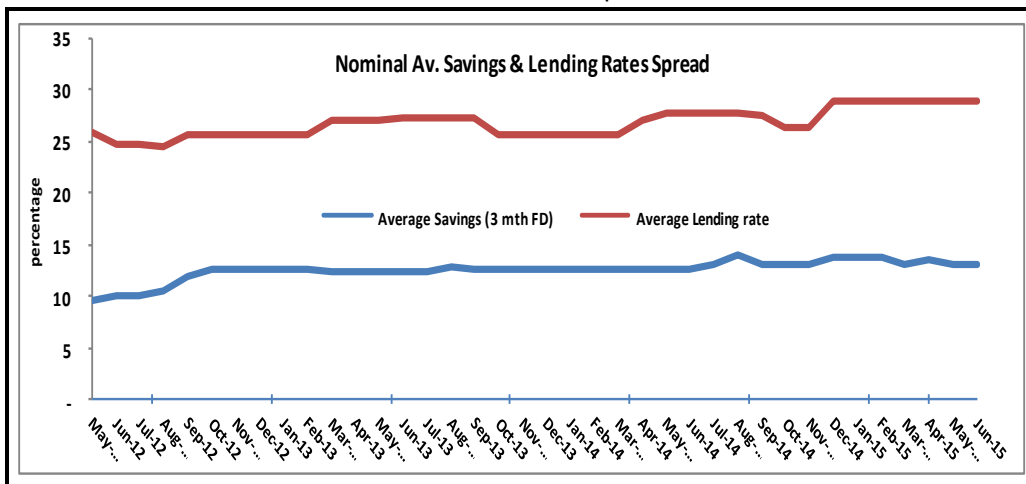


Chart 4.5: Interest Rate Spread



**4.5.2 Settlement of Interbank Transactions** The volume of transactions settled through the Ghana Interbank System (GIS) during the second quarter of 2017 totalled 228,956 valued at GH¢521,065.6 million. This indicated increases in volume and value of transactions by 6.6 per cent and 12.0 per cent respectively from the first quarter. Compared with transactions settled during the same quarter of the previous year, there was a 1.7 per cent increase in volumes and a 34.8 per cent increase in value terms. On the average, a total of 3,815.9 transactions were settled daily through the GIS, valued at GH¢8,684.4 million during the quarter under review, compared with a total of 3,110 cheques valued at GH¢7,386.5 million during the first quarter. During the same period of the previous year, on average, a total of 3,574 transactions were settled daily through the GIS, valued at GH¢6,136.6 million.

**Cheques Cleared** The volume of cheques cleared during the second quarter of 2017 totalled 1,807,872 valued at GH¢43,038.3 million. This was a growth of -1.22 per cent and 4.6 per cent in volume and value terms respectively above the levels in the previous quarter. When compared with the second quarter of 2016, volumes of cheques cleared decreased by 2.36 per cent while there was an increase of 16.83 per cent in value terms. On a daily basis, an average of 30,131 cheques valued at GH¢717.30 million were cleared during the period under review, compared with 29,052 cheques valued at GH¢653.3 million cleared daily during the first quarter. For the same period the previous year, a total of 29,390 cheques valued at GH¢584.7 million were cleared daily.

**4.5.3 Money Market Liquidity** Total value of depo trades during the second quarter totalled GH¢58,440.5 million, an increase of 11.4 per cent from trades done the previous quarter. Reverse repo trading on the other hand decreased to GH¢9,072.5 million, a 59.9 per cent decrease from the previous quarter trading of GH¢22,637.6 million. Compared with trading during a similar period in 2016, value of depo trades had increased by 11.4 per cent while reverse repo trading decreased by GH¢15.1 per cent.

On the interbank market, values of trade during the second quarter ranged between GH¢632.5 million and GH¢1,908.0 million at rates ranging from 22.03 per cent and 23.38 per cent. In the previous quarter, values of trades ranged from GH¢1,264.0 million and GH¢2,612.0 million with weighted average rates ranging from 23.91 per cent and 25.24 per cent. During the same period the previous year, trades during the second quarter ranged from GH¢1,606.8 million and GH¢2,759.7 million with weighted average rates ranging from 25.41 and 25.50 per cent.

**4.5.4 Tender Results** Total sales at the auction during the second quarter totalled GH¢70,284.07 million with maturities totalling GH¢66,249.61 million. This resulted in a net sale of GH¢4,034.46 million out of which GH¢3,996.36 million was used to finance government's activities and GH¢38.19 million being a withdrawal through Bank of Ghana's OMO activities.



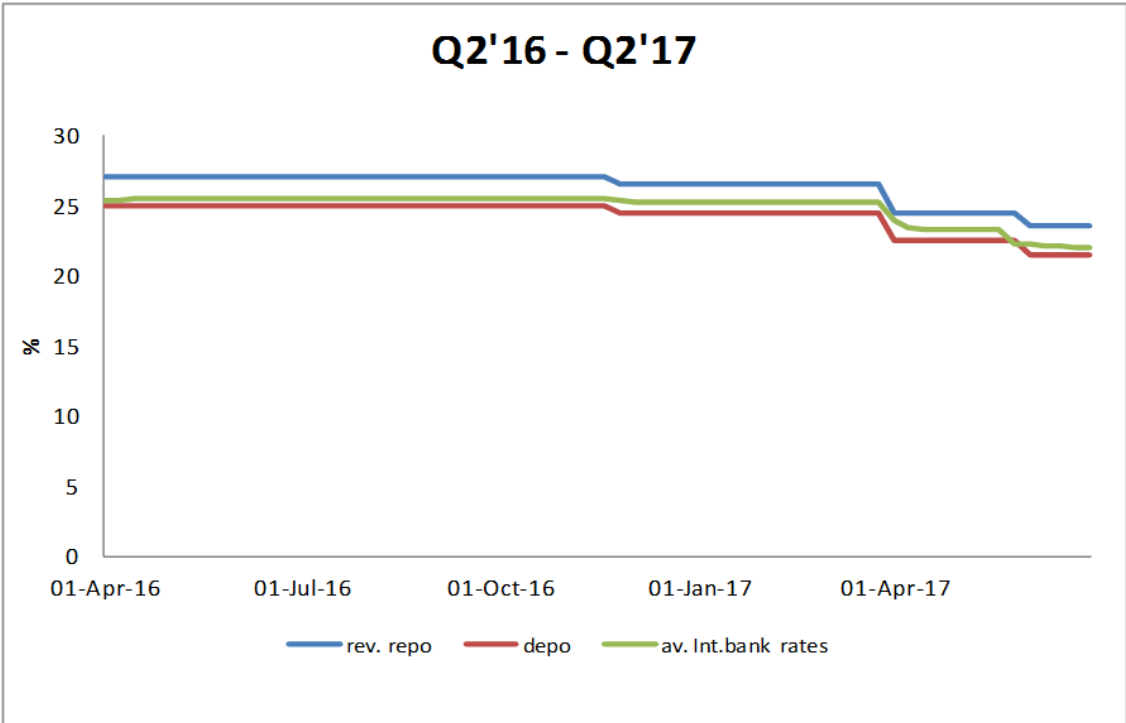
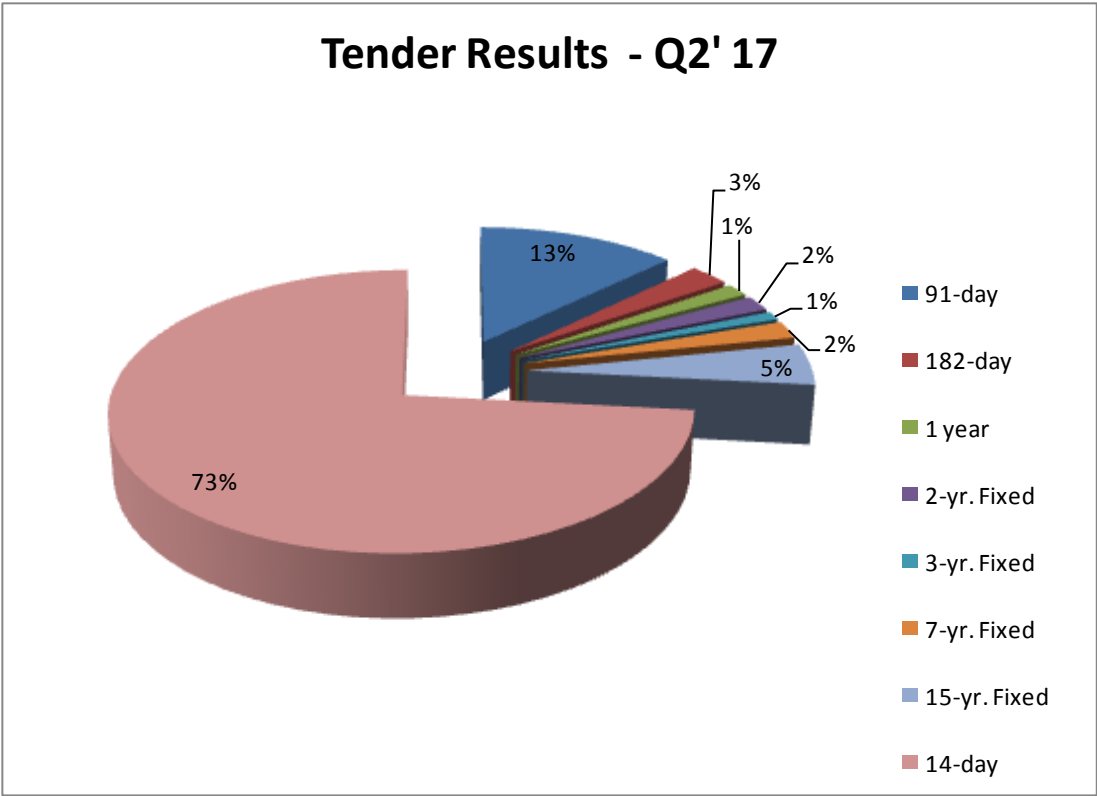


Chart 4.7: Analysis of Tender Results (2017Q2)



## 4.6 Currency Markets

### 4.6.1 International Currency Market

The euro was the strongest of the major currencies in this quarter and was on track for its best quarter in nearly seven years, lifted by growing expectations that the European Central Bank was preparing to scale back its monetary stimulus. The greenback currency hit low with comments of expectations that the US Federal Reserve would keep raising interest rates. The safe-haven currency fell very low after Bank of Japan Governor indicated the Bank of Japan would be in no hurry to dial back its massive stimulus program.

**The US Dollar** The US dollar traded weak against the major trading currencies in the second quarter of the year as solid readings on the abating U.S economy helped strengthen the case of the Federal Reserve to continue tightening monetary policy. The U.S. dollar depreciated against the Pound sterling and the Euro by 3.9 per cent and 6.4 per cent respectively but gained 1.1 per cent against the Japanese Yen.

**The Pound Sterling** The pound sterling experienced a mixed performance against its major trading competitors in response to Brexit speculations. This is due to the rising expectations among investors of a hike in interest rates from the Bank Of England and the prospect of a deal for Prime Minister Theresa May to form a government but also losing ground to renewed strength in the single currency after European Central Bank (ECB) President Mario Draghi hinted the days of the bank's stimulus programme was numbered. The Pound sterling appreciated by 3.8 per cent and 4.4 per cent against the US dollar and the Japanese Yen respectively but depreciated by 2.8 per cent against the Euro.

**The Euro** The Euro experienced a mixed performance in the quarter under review. European Central Bank (ECB) chief, Mario Draghi expressed increasing confidence in the recovery of the economy which indirectly solidified market expectations that quantitative easing tapering would begin late 2017. Although the Euro has shown resilience during the quarter, investors were however uncertain if its performance is sustainable, hence they maintained position. The Euro appreciated against the US dollar and the Japanese yen by 6.9 per cent and 7.7 per cent respectively but depreciated by 2.7 per cent against the Pound sterling.

**The Yen** The Japanese yen slumped against its major peers after the Bank of Japan (BOJ) kept interest rates steady and signalled it was in no hurry to follow the Federal Reserve's example in tightening its ultra-loose monetary policy. The Yen depreciated by 0.4 per cent, 4.5 per cent and 6.9 per cent against the US dollar, the Pound sterling and the Euro respectively.

**4.6.2 Domestic Currency Market** The Ghana Cedi, though generally stable over the quarter, suffered some losses on the international market. The confidence in the cedi was high as its performance was better than the same period last year. Although investors were still cautious about the Pound Sterling due to Britain’s exit from the EU, there was significant demand for the US Dollar and the Euro for informal sector trade financing as well as for loan repayment, oil importation and non-oil imports by the public sector.

**Inter-Bank Market** On the Inter-Bank Market, the Ghana cedi depreciated by 0.8 per cent, 4.7 per cent and 7.2 per cent against the US Dollar, the Pound sterling and the Euro respectively.

**Forex Bureau Market** The Cedi exhibited a weak performance on the Forex Bureau Market. It depreciated against all the three major currencies on the market; 0.6 per cent against the US Dollar, 4.2 per cent against the Pound and 6.2 per cent against the Euro.

**Foreign Exchange Transaction Market** The Activities in the foreign exchange transaction market picked up in the second quarter of the year. There was approximately 46.31 per cent upward increase in total purchases from US\$1,657.74 million in the first quarter to US\$ 2,425.51 million in the second quarter. This resulted from high volume of purchase by the central bank in June.

The total volume of sales in the second quarter of 2017 increased by 45.12 per cent as compared to the second quarter of 2016. Similarly, during the period under review, total volume of sales increased by 32.18 per cent from US\$1,848.42 million in the first quarter to US\$2,443.33 million in the second quarter.

Table 4.4: International Market Exchange Rate Movement

End Period	US\$/£ Movements			US\$/€ Movements			US\$/¥ Movements		
	Quarter	Annual		Quarterly	Annual		Quarterly	Annual	
<b>2014</b>									
Q1	1.6676	-0.9		1.3782	0.0		0.0097	-2.1	
Q2	1.7042	-2.1		1.3655	0.9		0.0097	0.0	
Q3	1.6183	5.3		1.2584	8.5		0.0091	6.6	
Q4	1.5629	3.5	5.75	1.2152	3.6	13.45	0.0083	9.6	14.46
<b>2015</b>									
Q1	<b>1.4856</b>	<b>5.2</b>		<b>1.0744</b>	<b>13.1</b>		<b>0.0083</b>	<b>0.0</b>	
Q2	1.5713	-5.5		1.1178	-3.9		0.0082	1.2	
Q3	1.5174	3.6		1.1199	-0.2		0.0083	-1.2	
Q4	<b>1.4815</b>	2.4	5.49	<b>1.0904</b>	2.7	11.45	<b>0.0083</b>	0.0	0.00
<b>2016</b>									
Q1	<b>1.4339</b>	<b>3.3</b>		<b>1.1334</b>	<b>-3.8</b>		<b>0.0089</b>	<b>-6.7</b>	
Q2	1.3468	6.5		1.1110	2.0		0.0097	-8.2	
Q3	1.3006	<b>3.6</b>		1.1234	-1.1		0.0098	-1.0	
Q4	1.2369	<b>5.1</b>	19.78	1.0562	6.4	3.24	0.0086	14.0	-3.49
<b>2017</b>									
Q1	1.2462	-0.7		1.0671	-1.0		0.0090	-4.4	
Q2	1.2967	-3.9		1.1402	-6.4		0.0089	1.1	

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

**Table 4.5: Interbank Market Exchange Rate Movements**

End Period	Movement								
	₱/US\$			₱/GBP			₱/Euro		
	Quarterly	Annual		Quarterly	Annual		Quarterly	Annual	
<b>2014</b>									
Q1	2.6707	-17.6		4.4478	-17.5		3.6479	-15.1	
Q2	3.0016	-11.0		5.1080	-12.9		4.0934	-10.9	
Q3	3.1973	-6.1		5.1942	-1.7		4.0566	0.9	
Q4	3.2001	-0.1	-31.25	4.9791	4.3	-26.26	3.8959	4.1	-20.48
<b>2015</b>									
Q1	<b>3.7472</b>	<b>-14.6</b>		<b>5.5483</b>	<b>-10.3</b>		<b>4.0582</b>	<b>-4.0</b>	
Q2	4.3274	-13.4		6.8208	-18.7		4.8424	-16.2	
Q3	3.7545	15.3		5.6956	19.8		4.2257	14.6	
Q4	3.7944	-1.1	-15.66	5.6265	1.2	-11.51	4.1514	1.8	-6.15
<b>2016</b>									
Q1	<b>3.8304</b>	<b>-0.9</b>		<b>5.5252</b>	<b>1.8</b>		<b>4.3456</b>	<b>-4.5</b>	
Q2	3.9230	-2.4		5.3052	4.1		4.3623	-0.4	
Q3	3.9709	-1.2		5.1576	2.9		4.4653	-2.3	
Q4	4.2002	-5.5	-9.66	5.1965	-0.7	8.27	4.4367	0.6	-6.43
<b>2017</b>									
Q1	4.3273	-2.9		5.3964	-3.7		4.6164	-3.9	
Q2	4.3629	-0.8		5.6651	-4.7		4.9750	-7.2	

Depreciation (-)/ Appreciation (+)

**Table 4.6: Forex Bureaux Exchange Rate Movements**

End Period	Movement			Movement			Movement		
	₱/US\$	Quarter	Annual	₱/GBP	Quarter	Annual	₱/Euro	Quarter	Annual
<b>2014</b>									
Q1	2.6796	-12.5		4.3946	-14.3		3.6586	-13.5	
Q2	3.1955	-16.1		5.3346	-17.6		4.2932	-14.8	
Q3	3.1864	0.29		5.1473	3.6		4.0500	6.0	
2014	3.2418	-1.7	-27.64	4.985	3.3	-24.49	3.9682	2.1	-20.21
<b>2015</b>									
Q1	3.7682	-14.0		5.4973	-9.3		4.0400	-1.8	
Q2	4.3741	-13.9		6.5241	-15.7		4.6023	-12.2	
Q3	3.8070	14.90		5.7510	13.4		4.2400	8.5	
Q4	3.8645	-1.5	-16.11	5.7015	0.9	-12.57	4.1815	1.4	-5.10
<b>2016</b>									
Q1	3.8670	-0.1		5.3765	6.0		4.2770	-2.2	
Q2	3.9350	-1.7		5.4110	-0.6		4.3340	-1.3	
Q3	3.9790	-1.1		5.1730	4.6		4.4235	-2.0	
Q4	4.2715	-6.8	-9.53	5.1830	-0.2	10.00	4.4185	0.1	-5.36
<b>2017</b>									
Q1	4.4217	-3.4		5.4178	-4.3		4.6395	-4.8	
Q2	4.4472	-0.6		5.6567	-4.2		4.9466	-6.2	

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			
<b>2,015.00</b>													
<b>2,016.00</b>													
Jan	337.68	398.92	736.60	27.13	*	763.73	14.23	763.73	35.79	807.48	27.34	*	834.82
Feb	230.20	345.98	576.18	27.14	*	603.32	-21.00	1,367.05	-12.16	654.74	27.34	*	682.08
Mar	109.32	421.09	530.41	27.14	*	557.55	-7.59	1,924.60	-16.58	519.69	27.34	*	547.03
<b>Q1</b>	677.20	1,165.99	1,843.19	27.14	*	1,870.33	-8.49	3,794.93	-2.47	1,981.91	27.34	*	2,009.25
Apr	65.00	527.62	592.62	27.14	*	619.76	11.16	2,544.36	19.41	503.09	27.34	*	530.43
May	135.67	411.23	546.90	27.13	*	574.03	-7.38	3,118.39	-10.74	572.61	27.34	*	599.95
Jun	145.80	451.33	597.13	27.14	*	624.27	8.75	3,742.66	-13.41	580.57	27.34	*	607.91
<b>Q2</b>	346.47	1,390.18	1,736.65	27.14	*	1,763.79	-5.70	9,113.42	-3.87	1,656.27	27.34	*	1,683.61
Jul	91.50	447.90	539.40	27.14	*	566.54	-9.25	4,309.20	-15.40	559.20	27.34	*	586.54
Aug	76.71	533.48	610.19	27.14	*	637.33	12.50	4,946.52	-5.97	607.00	27.34	*	634.34
<b>Q3</b>	249.15	1,463.45	1,712.60	27.14	*	1,739.74	-1.36	6,686.26	-10.56	1,702.22	27.34	*	1,729.56
Oct	54.00	463.07	517.63	27.14	*	544.77	-7.69	6,081.44	-0.21	554.52	27.34	*	581.86
Nov	110.76	459.96	570.72	27.14	*	597.86	9.75	6,679.30	-0.12	576.31	27.34	*	603.65
Dec	230.88	394.51	625.39	27.14	*	652.53	9.14	7,331.82	-0.02	693.81	27.34	*	721.15
<b>Q4</b>	395.64	1,317.54	1,713.18	27.14	*	1,740.32	0.03	9,072.14	-14.85	1,824.64	27.34	*	1,851.98
<b>2,017.00</b>													
Jan	168.00	359.14	527.14	27.14	*	554.28	-15.06	7,886.10	-0.27	607.18	27.34	*	634.52
Feb	149.00	334.75	483.75	27.14	*	510.89	-7.83	8,396.99	-0.15	500.36	27.34	*	527.70
Mar	101.50	518.21	619.71	27.14	*	646.85	26.61	9,043.83	0.16	713.54	27.34	*	740.88
<b>Q1</b>	418.50	1,212.10	1,630.60	27.14	*	1,657.74	-4.75	10,701.57	-11.37	1,821.08	27.34	*	1,848.42
Apr	66.85	620.40	687.25	27.14	*	714.39	10.44	9,758.22	0.15	620.89	27.34	*	648.23
May	217.80	787.45	1,005.25	27.14	*	1,032.39	44.51	10,790.61	0.80	1,043.35	27.34	*	1,070.69
Jun	252.08	453.79	705.87	27.14	*	733.01	-29.00	11,523.62	0.17	751.75	27.34	*	779.09
<b>Q2</b>	536.73	1,861.64	2,398.37	27.14	*	2,425.51	46.31	13,949.12	37.52	2,415.99	27.34	*	2,443.33

## 4.7 The Stock Market

Activity on the capital market for the second quarter of 2017 was vibrant.

### 4.7.1 GSE All-Share Index (GSE-CI)

Activity on the capital market for Q2:2017 showed significant improvement compared to the corresponding period in 2016. The key market indicator, GSE Composite Index (GSE-CI), was up by 5.3 per cent while the Ghana Stock Exchange Financial Index (GSE-FI) increased by 3.4 per cent. The performance of the GSE-CI in Q2:2017 was however lesser than the 10.4 percent growth recorded by the index in Q1:2017. The growth in the GSE-CI was driven not only by the usual Finance sector, but substantial growths in the Agriculture, Food and Brewery and Distribution sectors.

The Ghana Stock Exchange's benchmark indicator, the GSE-CI rose by 2.3 per cent (44.8 points) in June 2017 to end the quarter at 1,964.6 points (5.3 per cent). In year-to-date terms, the index grew by 16.3 per cent (275.5 points) compared to a decline of 6.5 per cent in Q2:2016.

Chart 4.8: GSE-CI Changes

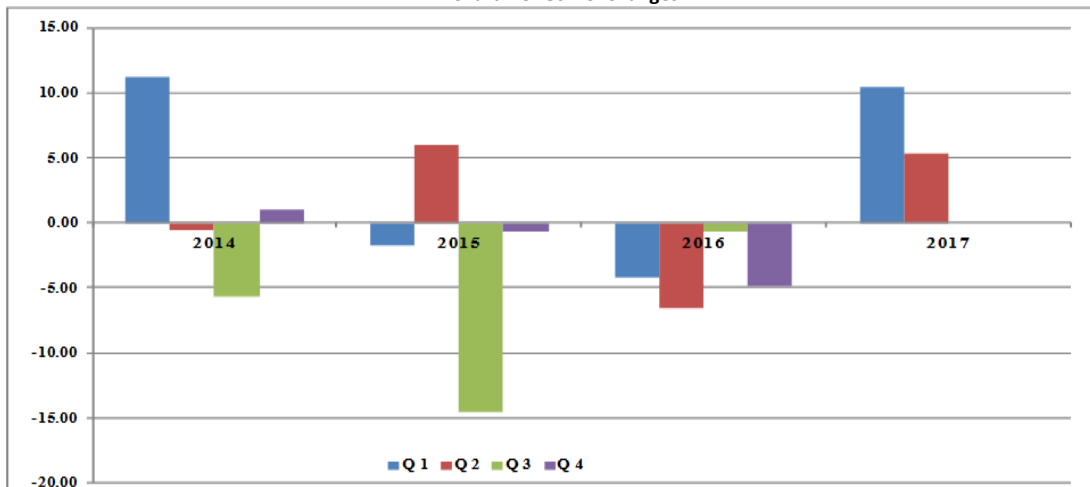
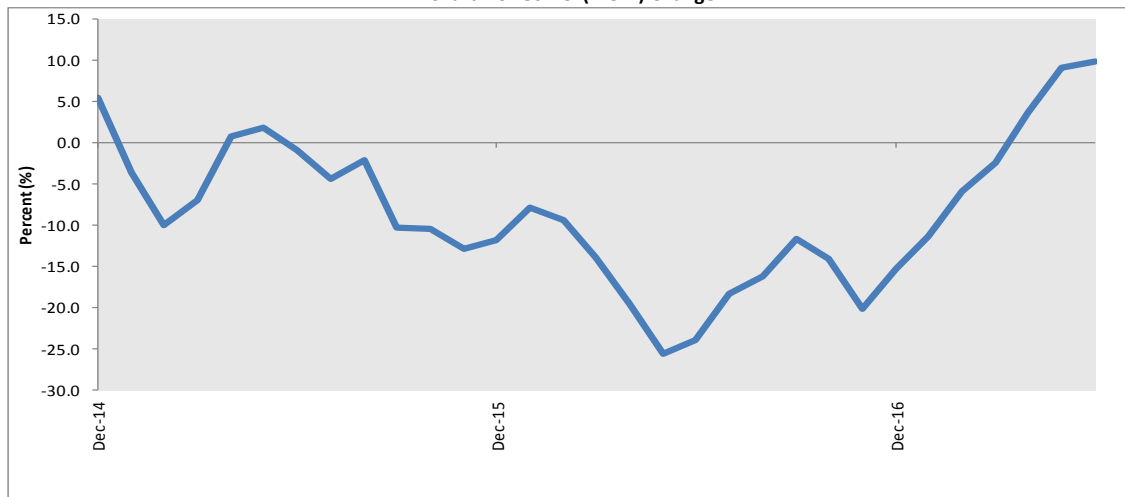
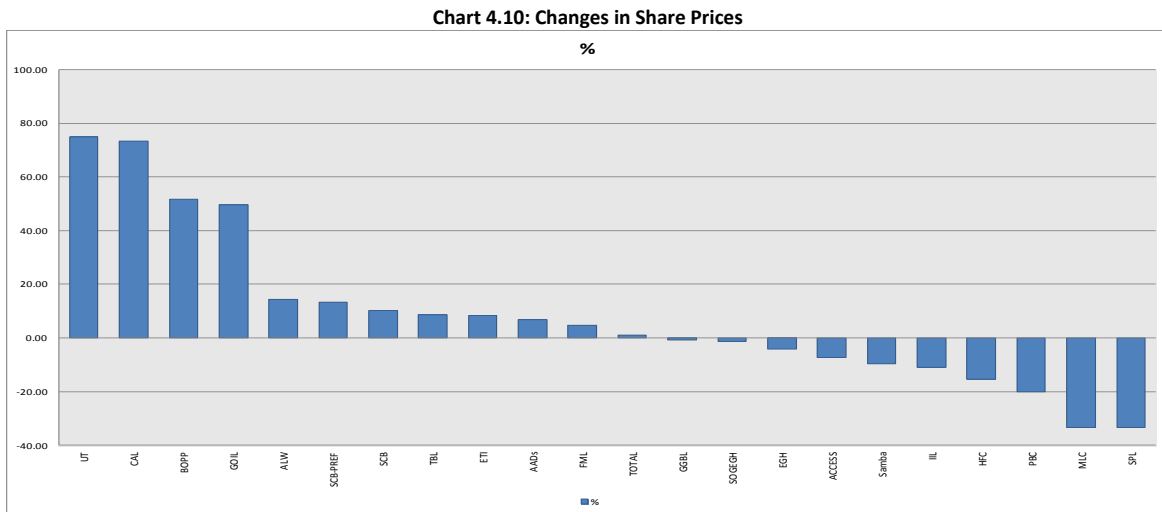


Chart 4.9: GSE-CI (Y-O-Y) Change



#### 4.7.2 Sectoral Performance

With the exception of the Oil, ETFund, IT and Education sub-sectors which maintained their opening positions, significant movements were registered in the other sectors. The Agriculture sub-sector led the push in the quarter with a 51.72 per cent (300 points) increase while the Distribution sub-sector recorded a 31 per cent (553.6 points) increase. The Finance, Food and Beverages and the Mining also joined the gainers during the review quarter. The Manufacturing sub-sector on the other hand recorded a marginal loss.



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

MONTH	SECTOR										Market Cap
	F&B	MAN	FINANCE	DISTR	MINING	IT	AGRIC	OIL	ETFund	EDUC	
Dec-16	1,852.51	660.03	9,384.03	688.87	15,624.49	3.42	72.38	24,379.19	15.52	10.57	52,690.99
Mar-17	1,831.12	683.00	10,824.66	767.46	15,618.52	3.42	100.92	18,991.83	15.52	10.57	48,846.99
Jun-17	1,888.05	682.87	11,308.38	1,005.34	15,621.45	3.42	153.12	28,769.25	15.52	10.57	59,457.95
<b>Qtr Chg</b>											
ABS	56.93	-0.13	483.72	237.89	2.94	0.00	52.20	9777.42	0.00	0.00	10610.96
(%)	3.02	-0.02	4.28	23.66	0.02	0.00	34.09	33.99	0.00	0.00	17.85
<b>Ytd. Chg</b>											
ABS	35.54	22.84	1924.34	316.48	-3.04	0.00	80.74	4390.06	0.00	0.00	6766.96
(%)	1.92	3.46	20.51	45.94	-0.02	0.00	111.54	18.01	0.00	0.00	12.84

#### 4.7.3 Market Performance

A total of 38.6 million shares valued at GH¢73.1 million were traded during the review quarter compared with 26.1 million shares valued at GH¢85.1 million that were traded during the corresponding period in 2016. During the period, Guinness Ghana Breweries Ltd (GGBL) dominated the market as the most traded equity, accounting for 25.4 per cent of total traded volume while GCB Bank Ltd (GCB) topped with 7.8 per cent of total value traded. In terms of the performance of equities during the period, 11 equities lost value while 11 made gains. SPL lost 33.3 percent to stay at the bottom of the list of losers while UTB gained 75.0 per cent to lead the advancers.

#### 4.7.4 Market Capitalization

Market capitalization increased significantly by 17.9 per cent (GH¢10,611.0) in the review quarter to end at GH¢59,458.0 million from GH¢48,847.0 million recorded in March 2017. The increase was as a result of increase in the prices of stocks, particularly in the Agriculture, Distribution and Finance sub-sectors.

Chart 4.11: Volume Traded

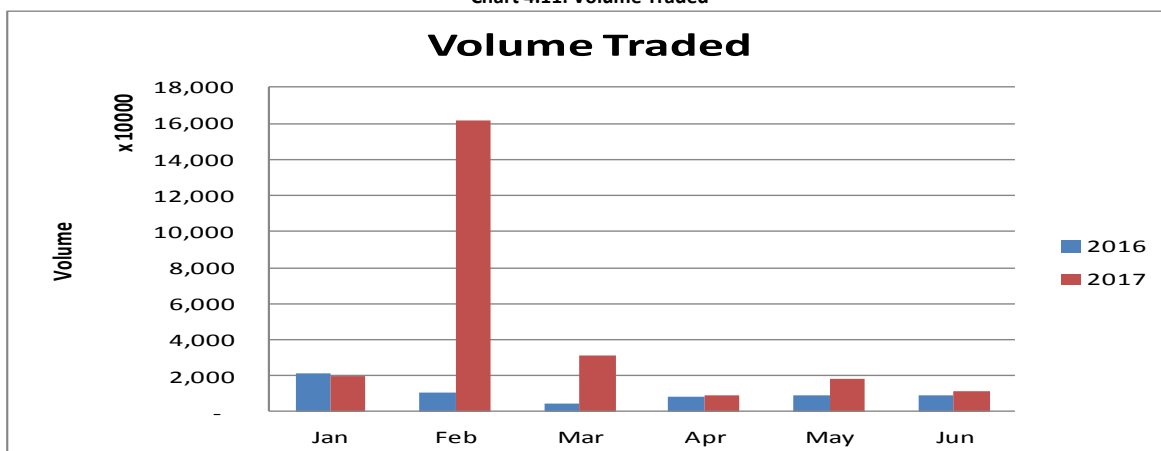


Table 4.9: Top Ten Trades in Volume and Value

<i>Equity</i>	<i>Volume Traded</i>	<i>% of Volume Traded</i>	<i>Equity</i>	<i>Value Traded</i>	<i>% Of Value Traded</i>
GGBL	9,803,963	25.41	GCB	5,730,749.67	7.84
TOTAL	5,094,315	13.20	FML	5,484,571.49	7.50
ETI	3,411,980	8.84	TOTAL	5,072,283.70	6.94
GCB	3,310,598	8.58	EGH	3,449,323.71	4.72
SOGEGH	3,150,276	8.16	SOGEGH	1,680,458.76	2.30
UTB	3,049,012	7.90	GOIL	1,676,748.37	2.29
CAL	2,059,308	5.34	GGBL	972,647.50	1.33
GOIL	2,023,219	5.24	EGL	782,472.53	1.07
ALW	1,045,600	2.71	SCB	727,928.64	1.00
SIC	496,082	1.29	CAL	316,174.52	0.43

Table 4.10: Stock Market Performance



MONTH	SECTOR										Market Cap
	F&B	MAN	FINANCE	DISTR	MINING	IT	AGRIC	OIL	ETFund	EDUC	
Dec-16	1,852.51	660.03	9,384.03	688.87	15,624.49	3.42	72.38	24,379.19	15.52	10.57	52,690.99
Mar-17	1,831.12	683.00	10,824.66	767.46	15,618.52	3.42	100.92	18,991.83	15.52	10.57	48,846.99
Jun-17	1,888.05	682.87	11,308.38	1,005.34	15,621.45	3.42	153.12	28,769.25	15.52	10.57	59,457.95
Qtr Chg											
ABS	56.93	-0.13	483.72	237.89	2.94	0.00	52.20	9777.42	0.00	0.00	10610.96
(%)	3.02	-0.02	4.28	23.66	0.02	0.00	34.09	33.99	0.00	0.00	17.85
Ytd. Chg											
ABS	35.54	22.84	1924.34	316.48	-3.04	0.00	80.74	4390.06	0.00	0.00	6766.96
(%)	1.92	3.46	20.51	45.94	-0.02	0.00	111.54	18.01	0.00	0.00	12.84

### Outlook

The relative stability in domestic currency and the decline in interest rates on money market instruments coupled with the relatively stable rate of inflation would bode well for the bourse. The third and the fourth quarters were expected to see a pickup in growth as investor confidence increases. The growth might continue to be driven by the Finance, Agriculture and Distribution sub-sectors.

## 5. Fiscal Developments

Fiscal developments in the second quarter of 2017 resulted in a deficit of 1.98 per cent compared with 1.54 per cent recorded in the corresponding period of 2016 and almost the same as target for the review quarter(1.97 %of GDP). The domestic primary balance recorded a surplus equivalent to 0.4 per cent of GDP, below the targeted surplus of 0.8 per cent of GDP.

**Table 5.1: Fiscal Indicators (GH¢' million)**

	2016 Prov. Q2	2016 Prov. Q1+Q2	2017 Prov. Q1	2017 Prov. Q2	2017 Prog Q2	2017 Prov. Q1+Q2	2017 Prog Q1+Q2
<b>Taxes on income and property</b>	<b>2,212.98</b>	<b>4,291.71</b>	<b>2,593.81</b>	<b>2,593.29</b>	<b>3,197.21</b>	<b>5,187.10</b>	<b>6,150.42</b>
per cent of GDP	1.71	2.54	1.28	1.28	1.58	2.57	3.04
<b>Taxes on goods and services</b>	<b>3,331.85</b>	<b>6,149.35</b>	<b>2,987.81</b>	<b>3,102.06</b>	<b>3,463.99</b>	<b>6,089.87</b>	<b>6,497.33</b>
per cent of GDP	1.97	3.64	1.48	1.54	1.71	3.01	3.22
<b>Taxes on international trade</b>	<b>1,038.67</b>	<b>2,043.79</b>	<b>1,180.51</b>	<b>1,275.22</b>	<b>1,673.22</b>	<b>2,455.73</b>	<b>3,101.78</b>
per cent of GDP	0.62	1.21	0.58	0.63	0.83	1.22	1.54
<b>Tax revenue including oil</b>	<b>6,583.51</b>	<b>12,484.85</b>	<b>6,762.12</b>	<b>6,970.58</b>	<b>8,334.41</b>	<b>13,732.70</b>	<b>15,749.53</b>
per cent of GDP	3.90	7.40	3.35	3.45	4.13	6.80	7.80
<b>Tax revenue excluding oil</b>	<b>6,543.11</b>	<b>12,371.84</b>	<b>6,528.29</b>	<b>6,861.47</b>	<b>8,142.71</b>	<b>13,389.76</b>	<b>15,430.19</b>
per cent of GDP	3.94	7.45	3.35	3.52	4.17	6.86	7.91
<b>Nontax revenue</b>	<b>1,450.86</b>	<b>2,340.19</b>	<b>1,020.77</b>	<b>1,174.96</b>	<b>1,429.87</b>	<b>2,195.73</b>	<b>2,723.34</b>
per cent of GDP	0.86	1.39	0.51	0.58	0.71	1.09	1.35
<b>Domestic revenue including oil</b>	<b>8,544.44</b>	<b>15,765.19</b>	<b>8,207.42</b>	<b>8,759.01</b>	<b>10,374.92</b>	<b>16,966.43</b>	<b>19,639.01</b>
per cent of GDP	5.06	9.34	4.06	4.34	5.14	8.40	9.72
<b>Domestic revenue excluding oil</b>	<b>8,504.04</b>	<b>15,652.18</b>	<b>7,973.58</b>	<b>8,649.91</b>	<b>10,183.22</b>	<b>16,623.49</b>	<b>19,319.67</b>
per cent of GDP	5.12	9.43	4.09	4.43	5.22	8.52	9.90
<b>Grants</b>	<b>361.60</b>	<b>632.08</b>	<b>471.31</b>	<b>74.45</b>	<b>400.90</b>	<b>545.76</b>	<b>898.24</b>
per cent of GDP	0.21	0.37	0.23	0.04	0.20	0.27	0.44
<b>Total revenue and grants</b>	<b>8,906.04</b>	<b>16,397.27</b>	<b>8,678.73</b>	<b>8,833.46</b>	<b>10,775.83</b>	<b>17,512.19</b>	<b>20,537.24</b>
per cent of GDP	5.28	9.72	4.30	4.37	5.33	8.67	10.17
<b>Compensation of Employees</b>	<b>3,495.60</b>	<b>7,128.67</b>	<b>3,778.44</b>	<b>4,136.60</b>	<b>4,030.04</b>	<b>7,915.05</b>	<b>7,945.44</b>
per cent of GDP	2.07	4.22	1.87	2.05	1.99	3.92	3.93
<b>Goods and services</b>	<b>1,263.21</b>	<b>1,538.11</b>	<b>94.54</b>	<b>760.09</b>	<b>874.74</b>	<b>854.63</b>	<b>1,392.91</b>
per cent of GDP	0.75	0.91	0.05	0.38	0.43	0.42	0.69
<b>Interest payments</b>	<b>2,180.92</b>	<b>4,577.52</b>	<b>3,048.34</b>	<b>3,659.19</b>	<b>3,697.44</b>	<b>6,707.53</b>	<b>7,089.84</b>
per cent of GDP	1.29	2.71	1.51	1.81	1.83	3.32	3.51
<b>Subsidies</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>25.00</b>	<b>0.00</b>	<b>25.00</b>
per cent of GDP	0.00	0.00	0.00	0.00	0.01	0.00	0.01
<b>Non-Financial Assets (Capital Expenditure)</b>	<b>1,739.96</b>	<b>3,212.10</b>	<b>1,038.41</b>	<b>1,369.65</b>	<b>1,499.53</b>	<b>2,408.06</b>	<b>2,944.63</b>
per cent of GDP	1.03	1.90	0.51	0.68	0.74	1.19	1.46
<b>Total expenditure &amp; net lending</b>	<b>11,554.91</b>	<b>21,346.28</b>	<b>10,272.98</b>	<b>13,120.78</b>	<b>13,493.45</b>	<b>23,393.76</b>	<b>25,932.64</b>
per cent of GDP	6.85	12.65	5.09	6.50	6.68	11.58	12.84
<b>Overall Budget Balance</b>	<b>-2,600.80</b>	<b>-6,690.50</b>	<b>-2,318.88</b>	<b>-4,004.92</b>	<b>-3,982.78</b>	<b>-6,323.80</b>	<b>-7,111.68</b>
per cent of GDP	-1.54	-3.96	-1.15	-1.98	-1.97	-3.13	-3.52
<b>Domestic Expenditure</b>	<b>7,897.67</b>	<b>15,552.49</b>	<b>6,818.97</b>	<b>8,001.94</b>	<b>8,835.61</b>	<b>14,820.91</b>	<b>16,698.46</b>
per cent of GDP	4.68	9.22	3.38	3.96	4.37	7.34	8.27
<b>Domestic Primary Balance</b>	<b>646.77</b>	<b>212.70</b>	<b>1,388.45</b>	<b>757.08</b>	<b>1,539.31</b>	<b>2,145.53</b>	<b>2,940.55</b>
per cent of GDP	0.38	0.13	0.69	0.37	0.76	1.06	1.46
<b>Stock of Domestic Debt</b>	<b>44,219.45</b>	<b>44,219.45</b>	<b>46,965.98</b>	<b>46,965.98</b>	<b>46,965.98</b>	<b>46,966.98</b>	<b>46,966.98</b>
per cent of GDP	26.20	26.20	23.25	23.25	23.25	23.25	23.25
<b>Nominal GDP (Including Oil)</b>	<b>168,752.72</b>	<b>168,752.72</b>	<b>202,010.00</b>	<b>202,010.00</b>	<b>202,010.00</b>	<b>202,011.00</b>	<b>202,011.00</b>
<b>Nominal GDP (Excluding oil)</b>	<b>165,978.61</b>	<b>165,978.61</b>	<b>195,062.00</b>	<b>195,062.00</b>	<b>195,062.00</b>	<b>195,063.00</b>	<b>195,063.00</b>

Source: Bank of Ghana

## **5.1 Government Revenue**

Government receipts (including grants) for the second quarter of 2017 amounted to GH¢8,833.46 million (4.4% of GDP), lower than the budgeted estimate of GH¢10,775.83 million (5.3% of GDP) and also lower than GH¢8,906.04 million (5.3% of GDP) recorded for the corresponding quarter in 2016. This was made up of tax revenue of GH¢6,970.58 million (3.5% of GDP), social security contributions of GH¢229.60 million (0.1% of GDP), non-tax revenue of GH¢1,174.96 million, (0.6% of GDP) and GH¢74.45 million (0.04% of GDP) from grants. The under-performance in government receipts was mainly the result of tax components falling short of their targets except Taxes on Domestic Goods and Services which were almost close to the target. Non-tax receipts amounted to GH¢1,174.96 million for the review period. This was 17.8 per cent below budgeted target of GH¢1,429.87 million (0.7% of GDP). And also lower than the figure of GH¢1,450.86 million recorded for the corresponding quarter in 2016. Grants disbursement of GH¢74.45 million was below the budgeted target of GH¢400.90 million by 81.4 per cent.

### **Income and Property Tax**

Taxes from income and property during the second quarter amounted to GH¢2,593.29 million compared with the budget target of GH¢3,197.21 million. Personal income taxes, Companies tax of which Royalties from oil amounted to GH¢1,054.12 million, GH¢1,046.86 million and GH¢109.11 million respectively fell below their programmed targets. The short fall in revenue collections for Income and property tax during the review period when compared with the budgeted target resulted mainly from unanticipated increases in salary levels from the private sector. It may be noted that adjustments in the Income Tax Bands (arising out of the Income Tax Act) had some negative impact on the performance of this tax type as anticipated increments did not materialise.

### **Domestic Goods and Services**

Domestic goods and services tax of GH¢3,102.06 million was 10.4 per cent lower than the target of GH¢3,463.99 million. This tax component comprised Excise duty and Petroleum tax. Excise Duty amounted to GH¢93.84 million, 4.6 per cent above the target of GH¢89.70 million. Whiles Petroleum Tax was GH¢441.57 million, 39.8 per cent below the target of GH¢732.96 million. The performance of the Goods and Services tax type is attributed to the full impact from the road fund and energy fund levies. Mention must also be made of Improvements in the collections of the Medium Taxpayers Offices (MTOs). Petroleum taxes totalling GH¢441.57 million, which constituted 82.47 per cent of the total excise taxes for the review quarter, and this is below the programmed level of GH¢822.66 million by 46.32 per cent.

VAT collections were GH¢2,143.64 million, National Health Insurance Levy (NHIL) was GH¢354.60 million and Communication Service Tax was GH¢68.41 million. VAT collections and National Health Insurance Levy (NHIL) were almost close to the targets and Communication Service Tax was 12.12 per cent below the target of GH¢77.85 million.

Table 5.2: Government Revenue (GH¢' million)

	2016 Prov. Q2	2016 Prov. Q1+Q2	2017 Prov. Q1	2017 Prov. Q2	2017 Prog Q2	2017 Prov. Q1+Q2	2017 Prog Q1+Q2
<b>TAX REVENUE</b>	<b>6,583.51</b>	<b>12,484.85</b>	<b>6,762.12</b>	<b>6,970.58</b>	<b>8,334.41</b>	<b>13,732.70</b>	<b>15,749.53</b>
<i>(percent of GDP)</i>	3.90	7.40	3.35	3.45	4.13	6.80	7.80
<b>TAXES ON INCOME &amp; PROPERTY</b>	<b>2,212.98</b>	<b>4,291.71</b>	<b>2,593.81</b>	<b>2,593.29</b>	<b>3,197.21</b>	<b>5,187.10</b>	<b>6,150.42</b>
Personal	820.95	1,565.86	879.08	1,054.12	1,108.87	1,933.21	2,106.24
Self employed	60.68	116.28	62.77	69.08	87.53	131.85	166.69
Companies	1,029.13	1,995.81	1,022.22	1,046.86	1,470.92	2,069.08	2,866.17
Company taxes on oil	7.95	42.02	115.66	0.00	0.00	115.66	0.00
Others	294.26	571.73	514.08	423.23	529.88	937.31	1,011.32
Other direct taxes /1	206.03	376.33	374.65	309.59	413.58	684.24	760.05
o/w Royalties from Oil	32.45	70.99	118.18	109.11	191.70	227.29	319.34
o/w Mineral Royalties	140.30	239.77	163.74	138.10	155.97	301.84	280.10
NRL (Arrears)	0.00	0.00	29.64	29.63	46.30	59.27	89.88
NFSL	33.59	71.93	109.79	84.01	70.00	193.79	161.39
Airport tax	54.64	123.48	0.00	0.00	0.00	0.00	0.00
<b>TAXES ON DOMESTIC GOODS AND SERVICES</b>	<b>3,331.85</b>	<b>6,149.35</b>	<b>2,987.81</b>	<b>3,102.06</b>	<b>3,463.99</b>	<b>6,089.87</b>	<b>6,497.33</b>
<b>Excises</b>	<b>1,145.96</b>	<b>2,042.10</b>	<b>645.12</b>	<b>535.41</b>	<b>822.66</b>	<b>1,180.53</b>	<b>1,566.43</b>
Excise Duty	81.56	151.47	82.00	93.84	89.70	175.85	187.48
Petroleum tax	1,064.40	1,890.63	563.12	441.57	732.96	1,004.68	1,378.95
o/w Debt recovery levy	7.26	12.56	6.64	7.97	8.10	14.61	13.83
<b>VAT</b>	<b>1,826.45</b>	<b>3,411.85</b>	<b>1,935.49</b>	<b>2,143.64</b>	<b>2,204.97</b>	<b>4,079.13</b>	<b>4,091.50</b>
Domestic	769.44	1,470.21	805.22	892.49	969.61	1,697.71	1,797.30
External	1,057.01	1,941.64	1,130.27	1,251.15	1,235.36	2,381.42	2,294.20
<b>National Health Insurance Levy (NHIL)</b>	<b>284.92</b>	<b>540.66</b>	<b>316.89</b>	<b>354.60</b>	<b>358.50</b>	<b>671.49</b>	<b>676.54</b>
Customs Collection	156.68	292.81	182.69	205.85	193.58	388.54	370.25
Domestic Collection	128.24	247.84	134.20	148.75	164.92	282.95	306.29
<b>Communication Service Tax</b>	<b>74.53</b>	<b>154.74</b>	<b>90.31</b>	<b>68.41</b>	<b>77.85</b>	<b>158.71</b>	<b>162.86</b>
<b>TAXES ON INTERNATIONAL TRADE</b>	<b>1,038.67</b>	<b>2,043.79</b>	<b>1,180.51</b>	<b>1,275.22</b>	<b>1,673.22</b>	<b>2,455.73</b>	<b>3,101.78</b>
<b>Imports</b>	<b>1,038.67</b>	<b>1,953.79</b>	<b>1,180.51</b>	<b>1,275.22</b>	<b>1,673.22</b>	<b>2,455.73</b>	<b>3,101.78</b>
Import duty	1,038.67	1,953.79	1,180.51	1,275.22	1,673.22	2,455.73	3,101.78
Special tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other taxes /2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Exports</b>	<b>0.00</b>	<b>90.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Cocoa	0.00	90.00	0.00	0.00	0.00	0.00	0.00
<b>Import Exemptions</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>SOCIAL CONTRIBUTIONS</b>	<b>73.08</b>	<b>150.56</b>	<b>0.00</b>	<b>229.60</b>	<b>74.40</b>	<b>229.60</b>	<b>147.53</b>
SSNIT Contribution to NHIL	73.08	150.56	0.00	229.60	74.40	229.60	147.53
<b>NON-TAX REVENUE</b>	<b>1,450.86</b>	<b>2,340.19</b>	<b>1,020.77</b>	<b>1,174.96</b>	<b>1,429.87</b>	<b>2,195.73</b>	<b>2,723.34</b>
Retention	716.47	1,397.18	580.86	711.96	787.49	1,292.82	1,614.05
Lodgement	734.39	943.01	439.92	462.99	642.38	902.91	1,109.30
Fees & Charges	103.50	210.60	119.01	117.74	134.62	236.75	254.95
Dividend/Interest & profits from Oil	119.65	219.54	320.78	296.73	490.57	617.52	837.02
Surface Rentals from Oil	1.23	2.87	0.13	1.23	3.35	1.35	3.49
Gas Receipts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend/Interest & profits (Others)	510.00	510.00	0.00	47.29	13.83	47.29	13.83
Sale of Shares in lieu of Royalties (Anglogold)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fees from granting of new Stability Agreements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hedging Profits	0.00	0.00	0.00	383.88	536.24	808.40	1,018.61
Licences	0.00	0.00	0.00	383.88	536.24	808.40	1,018.61
Cocoboard	0.00	0.00	441.51	300.14	438.78	615.99	815.40
<b>OTHER REVENUE</b>	<b>436.99</b>	<b>789.59</b>	<b>424.52</b>	<b>383.88</b>	<b>536.24</b>	<b>808.40</b>	<b>1,018.61</b>
Other Revenue	436.99	789.59	424.52	383.88	536.24	808.40	1,018.61
<b>DOMESTIC REVENUE</b>	<b>8,544.44</b>	<b>15,765.19</b>	<b>8,207.42</b>	<b>8,759.01</b>	<b>10,374.92</b>	<b>16,966.43</b>	<b>19,639.01</b>
<b>GRANTS</b>	<b>361.60</b>	<b>632.08</b>	<b>471.31</b>	<b>74.45</b>	<b>400.90</b>	<b>545.76</b>	<b>898.24</b>
Project grants	346.99	602.87	471.31	74.45	400.90	545.76	898.24

Programme grants	14.61	29.21	0.00	0.00	0.00	0.00	0.00
HIPC Assistance (multilaterals)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Multilateral Debt Relief Initiative (MDRI)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
International Monetary Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00
World Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00
African Development Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL REVENUE &amp; GRANTS</b>	<b>8,906.04</b>	<b>16,397.27</b>	<b>8,678.73</b>	<b>8,833.46</b>	<b>10,775.83</b>	<b>17,512.19</b>	<b>20,537.24</b>

Source: Bank of Ghana

### **International Trade Taxes**

International trade taxes for the quarter second quarter of 2017 summed up to GH¢1,275.22 million higher than GH¢1,038.67 million recorded for the corresponding period of 2016 but lower than budget target of GH¢1,673.22 million. Total import duty of GH¢1,275.22 million, during the quarter was 23.79 per cent below the budgeted target of GH¢1,673.22 million. The underperformance of import duty was attributed to lower oil revenues due to lower international oil prices and a shortfall in oil production.

### **5.2 Government Expenditures**

In the second quarter of 2017, government expenditure (including net lending) amounted to GH¢13,120.78 million (6.5% of GDP) compared with a target of GH¢13,493.45 million (6.7% of GDP) and GH¢11,554.91 million (6.9% of GDP) recorded during the corresponding quarter in 2016. Total expenditure comprised Compensation of Employees of GH¢4,136.60 million (2.1% of GDP), Goods and Services of GH¢760.09 million (0.4% of GDP), Interest Payments of GH¢3,659.19 million (1.8% of GDP). There were Grants to Other Government Units thus; District Assembly Common Fund, National Health Fund, Education Trust Fund, among others, of GH¢2,539.09 million (1.3% of GDP). There were no subsidies to utility companies and petroleum products for the review quarter. Government outlay on acquisition of non-financial assets (i.e. Capital Expenditure) was GH¢1,369.65 million (0.68% of GDP), almost up to the target of GH¢1,499.53 million (0.74% of GDP).

### **Compensation of Employees**

Compensation of Employees comprising wages and salaries and social security contributions among others amounted to GH¢4,136.60 million. This was GH¢106.56 million above the programmed target, and also higher than the GH¢3,495.60 million recorded for the corresponding period of 2016. Social Security contributions constituted 3.1 per cent of total Compensation of Public Sector Employees.

### **Interest Payments**

Interest Payments made in the second quarter of 2017 totalled GH¢3,659.19 million (1.81% of GDP) and this was marginally below the programmed target by GH¢3,697.44 million (1.83% of GDP). The short fall of the Interest Payments for the period was partly due to the restructuring of shorter-dated domestic debt instruments to extend their maturity profiles.

### **Grants to Other Government Units**

Grants to Other Government Units for the period amounted to GH¢2,539.09 million, slightly above the budgeted target of GH¢2,421.85 million. These grants constituted transfers to statutory funds such as the National Health Fund (GH¢319.85 million), Education Trust Fund (GH¢151.50 million), Road Fund (GH¢103.72 million), Petroleum-

Related Fund (GH¢6.79 million) and District Assembly Common Fund (GH¢659.89 million). Transfers into the National Health, GetFund and Road Fund fell short of their budgeted targets due to lower tax revenues. There was Retention of IGFs by MDAs of GH¢711.96 million and Transfer to GNPC from Oil Revenue of GH¢186.20 million.

**Acquisition of Non-Financial Assets (i.e. Capital Expenditure)** Government acquisition of non-financial assets during the review quarter amounted to GH¢1,369.65 million, of which GH¢207.47 million was financed from domestic sources and GH¢1,162.18 million from foreign sources. This outlay for the quarter (GH¢1,369.65 million) was 8.7 per cent below the target of GH¢1,499.53 million and represented 10.4 per cent of total government expenditure.

**Other Expenditures** Other components of government expenditure items that is; ESLA Transfers and Reallocation to Priority Programmes of GH¢441.61 million was below programmed target of GH¢573.30 million for the second quarter of 2017.

**Table 5.3: Government Expenditure (GH¢' million)**

	2016 Prov. Q2	2016 Prov. Q1+Q2	2017 Prov. Q1	2017 Prov. Q2	2017 Prog Q2	2017 Prov. Q1+Q2	2017 Prog Q1+Q2
<b>Compensation of Employees</b>	<b>3,495.60</b>	<b>7,128.67</b>	<b>3,778.44</b>	<b>4,136.60</b>	<b>4,030.04</b>	<b>7,915.05</b>	<b>7,945.44</b>
Wages & Salaries	2,945.50	5,790.62	3,189.66	3,692.07	3,527.07	6,881.73	6,993.30
Social Contributions	550.10	1,338.06	588.78	444.53	502.98	1,033.31	952.14
Pensions	188.93	368.51	191.17	245.32	195.81	436.49	376.36
Gratuities	38.31	150.99	29.69	72.23	75.81	101.91	111.26
Social Security	322.86	818.55	367.93	126.99	231.35	494.91	464.52
<b>Use of Goods and Services</b>	<b>1,263.21</b>	<b>1,538.11</b>	<b>94.54</b>	<b>760.09</b>	<b>874.74</b>	<b>854.63</b>	<b>1,392.91</b>
o/w Recurrent Expenditure share of ABFA from Oil (30% of ABFA)	54.30	57.00	0.00	0.00	81.28	0.00	116.68
<b>Interest Payments</b>	<b>2,180.92</b>	<b>4,577.52</b>	<b>3,048.34</b>	<b>3,659.19</b>	<b>3,697.44</b>	<b>6,707.53</b>	<b>7,089.84</b>
Domestic	1,671.32	3,516.96	2,304.15	3,045.21	3,131.73	5,349.36	5,724.02
External (Due)	509.60	1,060.56	744.19	613.98	565.71	1,358.17	1,365.82
<b>Subsidies</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>25.00</b>	<b>0.00</b>	<b>25.00</b>
Subsidies to Utility Companies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subsidies on Petroleum products	0.00	0.00	0.00	0.00	25.00	0.00	25.00
<b>Grants to Other Government Units</b>	<b>2,114.57</b>	<b>3,710.43</b>	<b>1,755.73</b>	<b>2,539.09</b>	<b>2,421.85</b>	<b>4,294.83</b>	<b>4,695.22</b>
National Health Fund (NHF)	276.85	623.23	80.00	319.85	430.12	399.85	834.97
Education Trust Fund	230.76	316.78	135.37	151.50	195.46	286.88	366.36
Road Fund	309.88	428.36	251.43	103.72	218.77	355.15	410.80
Petroleum Related Fund	7.75	10.28	4.44	6.79	5.13	11.22	9.31
Dist. Ass. Common Fund	345.00	451.85	27.16	659.89	381.39	687.05	727.80
Ghana Infrastructure Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00
o/w ABFA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Retention of Internally-generated funds (IGFs)	716.47	1,397.18	580.86	711.96	529.30	1,292.82	1,047.55
Transfer to GNPC from Oil Revenue	43.63	98.42	250.10	186.20	298.59	436.30	604.22
Other earmarked funds	184.21	384.33	426.38	399.18	363.09	825.55	694.20
<b>Social Benefits</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>22.92</b>	<b>45.84</b>	<b>22.92</b>	<b>129.69</b>
Lifeline Consumers of Electricity	0.00	0.00	0.00	22.92	6.41	22.92	50.83
Transfers for Social Protection	0.00	0.00	0.00	0.00	39.43	0.00	78.85
<b>Other Expenditure</b>	<b>0.00</b>	<b>0.00</b>	<b>243.52</b>	<b>441.61</b>	<b>573.30</b>	<b>685.13</b>	<b>1,092.72</b>
ESLA Transfers	0.00	0.00	243.52	441.61	536.24	685.13	1,018.61
Tax Expenditure (Exemptions)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reserve Expenditure Vote	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reallocation to Priority Programmes	0.00	0.00	0.00	0.00	37.06	0.00	74.11
<b>VAT Refunds</b>	<b>449.20</b>	<b>626.86</b>	<b>314.00</b>	<b>191.61</b>	<b>325.71</b>	<b>505.61</b>	<b>617.21</b>
<b>Acquisition of Non-Financial Assets</b>	<b>1,739.96</b>	<b>3,212.10</b>	<b>1,038.41</b>	<b>1,369.65</b>	<b>1,499.53</b>	<b>2,408.06</b>	<b>2,944.63</b>
Domestic financed	241.01	273.84	0.32	207.47	539.13	207.79	800.28

Assets	0.00	0.00	0.00	0.00	0.00	1.00	1.00
o/w Ghana Infrastructure & Investment Fund	0.00	0.00	0.00	0.00	0.00	1.00	1.00
o/w Capital Expenditure share of ABFA from Oil (70% of ABFA)	0.00	0.00	0.00	0.00	189.65	0.00	272.26
o/w Capital Market Borrowing Expenditure	0.00	0.00	0.00	0.00	0.00	1.00	1.00
Net lending	0.00	0.00	0.00	0.00	0.00	1.00	1.00
New loans	0.00	0.00	0.00	0.00	0.00	1.00	1.00
Loan recoveries	0.00	0.00	0.00	0.00	0.00	1.00	1.00
Foreign financed	1,498.95	2,938.26	1,038.09	1,162.18	960.41	2,200.27	2,144.35
<b>Other Outstanding Expenditure Claims</b>	<b>311.45</b>	<b>552.59</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Compensation of Employees	4.74	21.55	0.00	0.00	0.00	0.00	0.00
Goods and Services	51.58	193.88	0.00	0.00	0.00	0.00	0.00
Capital Expenditure	255.14	337.16	0.00	0.00	0.00	0.00	0.00
Grants to Other Government Units	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>TOTAL EXP. &amp; NET LENDING</b>	<b>11,554.91</b>	<b>21,346.28</b>	<b>10,272.98</b>	<b>13,120.78</b>	<b>13,493.45</b>	<b>23,393.76</b>	<b>25,932.64</b>

Source: Bank of Ghana

**5.3 Financing** The budget recorded an overall deficit of GH¢4,004.92 million (1.98% of GDP) in the second quarter of 2017 against a programmed deficit of GH¢3,982.78 million (1.97% of GDP). The deficit together with transfer into the Ghana Petroleum Funds of GH¢50.17 million and repayments to the other Domestic Sector (Banks) created a resource gap of GH¢4,175.78 million was financed from both (Domestic) and (Foreign) sources.

**Table 5.4: Government Financing (GH¢' million)**

	2016	2016	2017	2017	2017	2017	2017
	Prov.	Prov.	Prov.	Prov.	Prog	Prov.	Prog
	Q2	Q1+Q2	Q1	Q2	Q2	Q1+Q2	Q1+Q2
<b>Overall balance (commitment)</b>	<b>-2,648.87</b>	<b>-4,949.01</b>	<b>-1,594.25</b>	<b>-4,287.31</b>	<b>-2,717.63</b>	<b>-5,881.57</b>	<b>-5,395.40</b>
<i>(percent of GDP)</i>	<i>-1.57</i>	<i>-2.93</i>	<i>-0.79</i>	<i>-2.12</i>	<i>-1.35</i>	<i>-2.91</i>	<i>-2.67</i>
Road Arrears (net change)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
o/w Commitments & certs for works done	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-road arrears	70.70	-19.50	0.00	0.00	0.00	0.00	0.00
o/w other outstanding payments/deferred payments	311.45	552.59	0.00	0.00	0.00	0.00	0.00
Outstanding payments	0.00	0.00	0.00	-15.07	-1,265.16	-107.28	-1,716.28
o/w Statutory Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Clearance of outstanding commitments	-240.75	-572.09	-92.21	-15.07	-1,265.16	-107.28	-1,716.28
o/w other outstanding payments/deferred payments	-240.75	-572.09	0.00	0.00	-546.33	0.00	-822.28
o/w other outstanding claims	0.00	0.00	0.00	0.00	-500.00	0.00	-500.00
o/w Wage arrears	-179.75	-280.19	0.00	0.00	-130.68	0.00	-240.83
o/w DACF	0.00	0.00	0.00	0.00	0.00	-107.28	0.00
o/w GETF	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tax Refunds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Required Fiscal Measures</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Transfers into Oil Fund	0.00	0.00	0.00	0.00	0.00	1.00	1.00
<b>Overall balance (cash)</b>	<b>-2,578.17</b>	<b>-4,968.52</b>	<b>-1,686.47</b>	<b>-4,302.39</b>	<b>-3,982.78</b>	<b>-5,988.85</b>	<b>-7,111.68</b>
<i>(percent of GDP)</i>	<i>-1.53</i>	<i>-2.94</i>	<i>-0.83</i>	<i>-2.13</i>	<i>-1.97</i>	<i>-2.96</i>	<i>-3.52</i>
Divestiture receipts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Divestiture liabilities	0.00	0.00	0.00	0.00	0.00	1.00	1.00
Discrepancy	-22.64	-1,721.98	-632.42	297.47	0.00	-334.95	0.00
<b>Overall balance (incl. Divestiture and Discrepancy)</b>	<b>-2,600.80</b>	<b>-6,690.50</b>	<b>-2,318.88</b>	<b>-4,004.92</b>	<b>-3,982.78</b>	<b>-6,323.80</b>	<b>-7,111.68</b>
per cent of GDP	-1.54	-3.96	-1.15	-1.98	-1.97	-3.13	-3.52
<b>Financing</b>	<b>2,600.80</b>	<b>6,690.50</b>	<b>2,318.88</b>	<b>4,004.92</b>	<b>3,982.78</b>	<b>6,323.80</b>	<b>7,111.68</b>
<b>Foreign (net)</b>	<b>288.86</b>	<b>887.97</b>	<b>-160.16</b>	<b>225.33</b>	<b>-321.36</b>	<b>65.17</b>	<b>-513.68</b>
Borrowing	1,151.96	2,335.40	566.78	1,288.53	1,245.45	1,855.31	1,932.06
Project loans	1,151.96	2,335.40	566.78	1,087.73	559.50	1,654.51	1,246.11
Programme loans	0.00	0.00	0.00	200.80	685.95	200.80	685.95
Sovereign Bond	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Amortisation (due)	-863.10	-1,447.42	-726.94	-1,063.20	-1,566.81	-1,790.14	-2,445.74
o/w Debt Repayment from Stabilisation Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2,663.62	6,799.03	2,406.75	4,125.61	3,982.78	6,532.36	7,111.68
<b>Exceptional financing</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
HIPC Relief (Cologne terms)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Domestic (net)</b>	<b>2,355.87</b>	<b>5,890.87</b>	<b>2,610.32</b>	<b>3,950.45</b>	<b>4,420.25</b>	<b>6,560.77</b>	<b>7,792.05</b>
Banking	-3.72	1,400.55	-3,473.84	-4,686.79	586.77	-8,160.64	1,133.38
Bank of Ghana	-166.23	1,225.25	76.95	-5,845.43	0.00	-5,768.48	0.00
Comm. Banks	162.51	175.31	-3,550.80	1,158.64	586.77	-2,392.16	1,133.38
Non-banks	2,359.59	4,490.32	6,084.17	8,637.25	3,833.48	14,721.41	6,658.67
<b>Other Financing</b>	<b>-62.82</b>	<b>-108.53</b>	<b>-87.87</b>	<b>-120.69</b>	<b>0.00</b>	<b>-208.56</b>	<b>0.00</b>
Other domestic financing	-62.82	-108.53	-87.87	-120.69	0.00	-208.56	0.00
Divestiture Receipts	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Ghana Petroleum Funds</b>	<b>18.89</b>	<b>20.19</b>	<b>-43.41</b>	<b>-50.17</b>	<b>-95.79</b>	<b>-93.59</b>	<b>-137.52</b>
Transfer to Ghana Petroleum Funds	-35.29	-71.10	-43.41	-50.17	-55.15	-93.59	-79.18
o/w Stabilisation Fund	-24.71	-49.77	-15.99	-30.30	-20.32	-46.29	-29.17
o/w Heritage Fund	-10.59	-21.33	-27.42	-19.88	-34.83	-47.30	-50.01
Transfer from Stabilisation Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sinking Fund</b>	<b>54.19</b>	<b>91.28</b>	<b>0.00</b>	<b>0.00</b>	<b>-40.64</b>	<b>0.00</b>	<b>-58.34</b>
<b>Contingency Fund</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-20.32</b>	<b>0.00</b>	<b>-29.17</b>
<b>Net Savings due to inflation-indexed bonds</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2.00</b>	<b>2.00</b>
Deferred interest payments	0.00	0.00	0.00	0.00	0.00	1.00	1.00
Redemption of Deferred interest payments	0.00	0.00	0.00	0.00	0.00	1.00	1.00
<b>Nominal GDP (Including Oil)</b>	<b>168,752.72</b>	<b>168,752.72</b>	<b>202,010.00</b>	<b>202,010.00</b>	<b>202,010.00</b>	<b>202,011.00</b>	<b>202,011.00</b>

Source: Bank of Ghana

## 5.4 Domestic Debt

The stock of domestic debt in the second quarter 2017 was GH¢63,434.5 million (31.4% of GDP), indicating an increase of GH¢10,519.1 million over the stock at the end of fourth quarter in 2016. The rise in the debt stock for the period was mainly from the net result of increases of GH¢12,374.9 million in the medium-term securities which was moderated by a decrease of GH¢ 1,855.8 million in the short-term securities.

### 5.4.1 Composition of Domestic Debt

The short term component's decrease of GH¢1,855.8 million was on account of reductions in the 91 Day treasury-bill and the 182 Day treasury-bill by GH¢1,456.7 million and GH¢2,437.3 million respectively, while the 1 Year treasury-note increased by GH¢2,038.1 million. With the exception of the 3-Year Stock (SSNIT) which recorded a marginal decrease of GH¢114.3 million all the other medium term instruments increased substantially, consistent with the re-profiling of Government debt instruments.



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

	2016	2016	2016	2016	2017	2017
	Q1	Q2	Q3	Q4	Q1	Q2
91-Day Treasury Bill	8,756.1	9,037.7	9,901.0	10,477.6	9,644.6	9,020.9
182-Day Treasury Bill	8,882.5	8,899.6	8,713.5	7,112.4	5,863.0	4,675.1
1-Year Treasury Note	915.2	880.1	1,010.4	2,515.3	3,635.2	4,553.4
<b>A. Short-Term Instruments</b>	<b>18,553.8</b>	<b>18,817.4</b>	<b>19,624.9</b>	<b>20,105.2</b>	<b>19,142.8</b>	<b>18,249.4</b>
2-Year Fixed Treasury Note	2,349.2	2,572.9	2,680.7	4,227.0	5,225.9	5,985.3
3-Year Fixed Treasury Note	4,618.0	6,100.6	6,961.8	6,658.6	7,267.2	6,790.6
3-Year Stock(SSNIT)	1,251.3	1,251.3	1,137.0	1,137.0	1,022.7	1,022.7
5-Year GOG Bond	4,849.4	5,660.4	6,668.7	6,480.0	7,655.2	8,496.8
7-Year GOG Bond	201.7	201.7	201.7	201.7	201.7	1,653.8
GOG Petroleum Finance Bond	80.0	80.0	80.0	80.0	80.0	80.0
TOR Bonds	682.0	572.0	572.0	572.0	572.0	572.0
<b>B. Medium-Term Instruments</b>	<b>14,031.5</b>	<b>16,438.9</b>	<b>18,378.0</b>	<b>20,351.3</b>	<b>23,138.6</b>	<b>32,726.2</b>
Long Term Government Stocks	8,491.6	8,491.6	8,491.6	11,987.4	11,987.4	11,987.4
Telekom Malaysia Stocks	109.5	109.5	109.5	109.5	109.5	109.5
Revaluation Stock	361.1	361.1	361.1	361.1	361.1	361.1
Others Government Stocks	1.0	1.0	1.0	1.0	1.0	1.0
<b>C. Long-Term Instruments</b>	<b>8,963.1</b>	<b>8,963.1</b>	<b>8,963.1</b>	<b>12,458.9</b>	<b>12,458.9</b>	<b>12,458.9</b>
<b>TOTAL(A+B+C)</b>	<b>41,548.4</b>	<b>44,219.4</b>	<b>46,966.0</b>	<b>52,915.4</b>	<b>54,740.3</b>	<b>63,434.5</b>

Source: Bank of Ghana

#### 5.4.2 Holdings of Domestic Debt

Bank of Ghana's holding of domestic debt at the end of the second quarter of 2017 was GH¢13,042.2 million, representing 20.6 per cent of the total. The Deposit Money Banks (DMBs) held GH¢10,507.1 million (16.6%). SSNIT held GH¢1,289.3 million (2.0%), Insurance companies GH¢289.2 million (0.5%), "Other holders" of GH¢16,160.4million (25.5%) and Foreign Sector (Non Resident) held GH¢22,146.2(34.9%). Comparative holdings at the end of the last quarter of 2016 for DMBs, SSNIT, Insurance companies, and "Other holders" were 26.9 per cent, 3.9 per cent, 0.2 per cent and 29.0 per cent respectively.

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

	2016	2016	2016	2016	2017	2017
	Q1	Q2	Q3	Q4	Q1	Q2
<b>A. Banking system</b>	<b>47.7</b>	<b>45.4</b>	<b>46.7</b>	<b>52.6</b>	<b>42.7</b>	<b>37.1</b>
Bank of Ghana	23.64	22.70	20.24	24.67	23.75	20.56
Commercial Bank	24.10	22.73	26.43	27.93	18.95	16.56
<b>B. Nonbank sector</b>	<b>33.6</b>	<b>33.1</b>	<b>29.6</b>	<b>25.5</b>	<b>31.8</b>	<b>28.0</b>
SSNIT	3.96	4.03	3.74	2.77	2.40	2.03
Insurance Companies	0.19	0.17	0.33	0.34	0.56	0.46
Others Holders	29.47	28.92	25.48	22.38	28.84	25.48
<b>C. Foreign Sector(Non Resident)</b>	<b>18.64</b>	<b>21.46</b>	<b>23.78</b>	<b>21.91</b>	<b>25.50</b>	<b>34.91</b>
<b>TOTAL(A+B+C)</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Bank of Ghana

**Table 5.7: Holdings of Domestic Debt (Per cent of Total)**

	2013	2013	2013	2013	2014	2014	2014	2014	2015	2015
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>A. Banking system</b>	<b>47.6</b>	<b>45.8</b>	<b>52.8</b>	<b>52.4</b>	<b>57.8</b>	<b>55.9</b>	<b>55.0</b>	<b>54.1</b>	<b>53.5</b>	<b>50.7</b>
Bank of Ghana	18.26	17.59	25.33	23.55	33.32	31.53	31.59	26.84	24.65	24.91
Commercial Bank	29.38	28.17	27.52	28.83	24.51	24.36	23.42	27.30	28.87	25.77
<b>B. Nonbank sector</b>	<b>52.4</b>	<b>54.2</b>	<b>47.2</b>	<b>47.6</b>	<b>42.2</b>	<b>44.1</b>	<b>45.0</b>	<b>45.9</b>	<b>46.5</b>	<b>49.3</b>
SSNIT	3.88	3.67	3.19	2.65	2.38	2.17	2.31	4.52	4.04	4.23
Insurance Companies	0.29	0.23	0.16	0.18	0.18	0.18	0.19	0.18	0.21	0.25
NPRA	0.92	0.88	0.30	0.27	0.24	0.00	0.00	0.00	0.00	0.00
Others Holders	47.26	49.45	43.50	44.51	39.37	41.77	42.49	41.16	42.22	44.83
<b>TOTAL(A+B)</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Bank of Ghana

## 6. Balance of Payments Developments

### 6.1 International Trade and Finance

Preliminary estimates of Ghana's balance of payments for the second quarter of 2017 indicate a surplus of US\$1,626.1 million compared to a deficit of US\$397.2 million recorded in the second quarter of 2016. The turnaround in the economy leading to the significant surplus was explained by the improved performance in the capital and financial account arising from increased portfolio investment inflows.

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

	2015	2016+	2017*	Q2'2016/17	
	Q2	Q2	Q2	Absolute	% Change
<b>CURRENT ACCOUNT</b>	<b>-311.2</b>	<b>-633.0</b>	<b>-427.1</b>	<b>205.9</b>	<b>-32.5</b>
<b>Merchandise Exports (f.o.b.)</b>	<b>2,714.6</b>	<b>2,522.6</b>	<b>3239.9</b>	<b>717.3</b>	<b>28.4</b>
Cocoa beans and products	553.5	548.0	796.0	248.0	45.3
Gold	835.7	1,135.1	1263.8	128.7	11.3
Timber products	50.5	73.6	35.8	-37.8	-51.3
Oil	651.1	195.9	610.0	414.1	211.3
Others (including non-trationals)	623.7	570.0	534.2	-35.8	-6.3
<b>Merchandise Imports (f.o.b.)</b>	<b>-3,271.7</b>	<b>-3,250.3</b>	<b>-2790.6</b>	<b>459.7</b>	<b>-14.1</b>
Non-oil	-2,675.7	-2,761.4	-2526.6	234.8	-8.5
Oil	-595.9	-488.9	-264.0	224.9	-46.0
<b>Trade Balance</b>	<b>-557.1</b>	<b>-727.7</b>	<b>449.3</b>	<b>1,176.9</b>	<b>-161.7</b>
<b>Services (net)</b>	<b>-265.6</b>	<b>29.3</b>	<b>-795.1</b>	<b>-824.3</b>	<b>-2,818.0</b>
Receipts	1,651.3	1,625.4	1630.2	4.8	0.3
Payments	-1,916.8	-1,596.2	-2425.3	-829.1	51.9
<b>Income (net)</b>	<b>-184.2</b>	<b>-272.4</b>	<b>-693.7</b>	<b>-421.3</b>	<b>154.7</b>
Receipts	165.6	73.9	74.1	0.1	0.2
Payments	-349.8	-346.3	-767.8	421.4	121.7
<b>Current Transfers (net)</b>	<b>695.7</b>	<b>337.9</b>	<b>612.4</b>	<b>274.6</b>	<b>81.3</b>
Official	97.7	3.8	47.9	44.2	1,177.9
Private	598.0	334.1	564.5	230.4	69.0
<b>Services, Income and Current Transfers (net)</b>	<b>245.9</b>	<b>94.7</b>	<b>-876.3</b>	<b>-971.0</b>	<b>-1,025.4</b>
<b>CAPITAL &amp; FINANCIAL ACCOUNT</b>	<b>-268.7</b>	<b>152.1</b>	<b>1832.3</b>	<b>1,680.3</b>	<b>1,104.9</b>
<b>Capital Account(net)</b>	<b>118.5</b>	<b>68.6</b>	<b>60.2</b>	<b>-8.4</b>	<b>-12.2</b>
Capital transfers	118.5	68.6	60.2	-8.4	-12.2
<b>Financial Account(net)</b>	<b>-387.2</b>	<b>83.5</b>	<b>1772.1</b>	<b>1,688.6</b>	<b>2,022.5</b>
Direct Investments	815.9	834.2	592.9	-241.3	-28.9
Portfolio Investments	-71.0	247.1	2250.0	2,002.9	810.5
Other Investments	-1,132.0	-997.8	-1070.8	-73.0	7.3
Of Which					
Official Capital (net)	27.6	27.7	44.3	16.6	60.0
Sovereign bond					
Other Private Capital (net)	-280.6	-183.8	-683.1	-499.2	271.6
Short-term capital (net)	-932.7	-834.4	-382.1	452.3	-54.2
Government Oil Investments (net)	53.6	-7.2	-49.8	-42.6	589.2
<b>ERRORS AND OMISSIONS</b>	<b>-177.9</b>	<b>83.7</b>	<b>220.8</b>	<b>137.1</b>	<b>163.9</b>
<b>OVERALL BALANCE</b>	<b>-757.8</b>	<b>-397.2</b>	<b>1626.1</b>	<b>2,023.3</b>	<b>-509.4</b>
<b>FINANCING</b>	<b>757.8</b>	<b>397.2</b>	<b>-1626.1</b>	<b>-2,023.3</b>	<b>-509.4</b>
Changes in international reserves	757.8	397.2	-1626.1	-2,023.3	-509.4

+ Revised \* Provisional

Note: Classification of Balance of Payments is according to Balance of Payments Manual 5 (BPM5)

## **6.2 The Current Account**

The current account deficit improved from US\$633.0 million in the second quarter of 2016 to US\$427.1 million in Q2:2017, down by 32.5 per cent. The narrowing in the current account deficit was influenced by the recording of a trade surplus and an increase in net unilateral transfer, despite increased outflows in the services and investment income accounts.

### **6.2.1 Merchandise Trade**

During the period under review, the trade balance recorded a surplus of US\$449.3 million compared with a deficit of US\$727.7 million registered in Q2:2016, mainly on account of a high export turnout and a lower performance of imports.

#### **Merchandise Exports**

The value of merchandise exports for the second quarter of 2017 was provisionally estimated at US\$3,239.9 million, indicating an increase of US\$717.3 million or 28.4 per cent compared with US\$2,522.6 million recorded in the same period in 2016. The increase was attributable to a marked outturn in receipts from exports of crude oil, gold, cocoa beans and products.

#### **Gold Exports**

Gold exports during the review period rose to US\$1,263.8 million from US\$1,135.1 million recorded during the same period in 2016. The increase in receipts was basically due to an increase in volumes exported. The volume of gold exported increased by 11.8 per cent to 1,005,485 fine ounces whilst the average realized price declined marginally by 0.4 per cent to settle at US\$1,256.9 per fine ounce. (During the period there was an increase in gold exports by the PMMC)

#### **Crude Oil Exports**

Crude oil exports shot up to US\$610.0 million from the US\$195.9 million recorded in 2016. In 2016, Tullow had to cut down on production from the Jubilee field because of planned maintenance and a faulty turret bearing on the FPSO Kwame Nkrumah which left the vessel unstable. As a result there were no exports of oil in the months of March and April. Exports resumed in May 2016. The average realized price of oil in the second quarter of 2017 declined by 0.9 per cent to US\$49.4 per barrel compared to US\$49.8 per barrel registered for the same period last year. Volume exported increased by 214.2 per cent to 12,360,689 barrels in quarter two of 2017. Volumes of oil exported have been boosted following production from the TEN Oil fields which began in August 2016 and its subsequent exports from October 2016.

#### **Cocoa Beans and Products Exports**

Cocoa beans and products exports decreased from US\$688.98 million in the second quarter of 2014 to US\$553.49 million for the same period in 2015. Cocoa beans exports fell by 28.1 per cent to US\$363.62 million (US\$505.96 million in Q2:2014). The decrease was mainly attributable to a fall in volume exported since the average realized price of cocoa increased by 24.7 per cent to US\$3,078.27 per metric tonne. The volume exported dropped by 42.4 per cent to 118,123 metric tonnes. Exports of cocoa products however increased by 3.7 per cent to US\$189.87 million, on account of increases of 2 per cent and 1.7 per cent in both

volume and price respectively to 55,738 tonnes and US\$3,406.45 per metric tonne.

### Timber products

Earnings from exports of timber products decreased by 51.3 per cent to US\$35.8 million as average realized price fell by 22.0 per cent to settle at US\$264.9 per cubic metres and volume also fell by 37.6 per cent to 63,472 cubic metres during the review period.

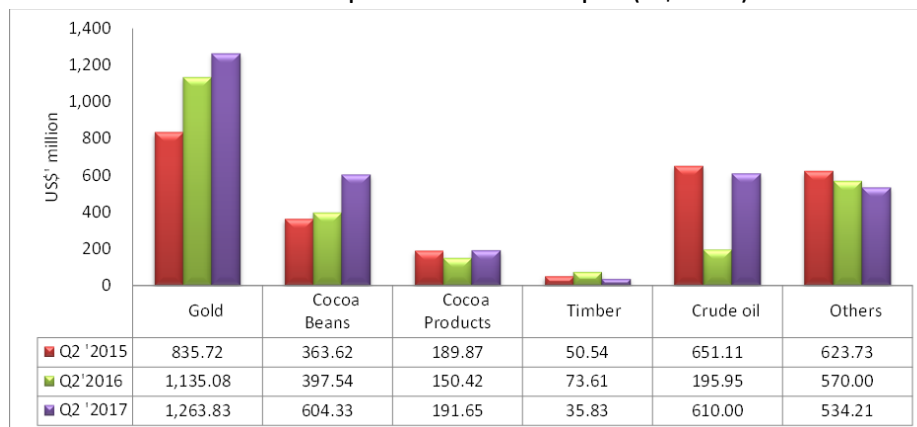
### Other exports

Other exports (including non-traditional exports and other minerals) plunged by 6.3 per cent to US\$534.2 million.

### Top Ten Exported Non Traditional Items

The value of the top ten non-traditional commodities exported during the period under review amounted to US\$263.8 million compared to US\$271.7 million recorded for the same period in 2016. Among the ten top non-traditional items exported are cashew nuts, palm oil and its fractions, prepared or preserved tuna, etc.

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



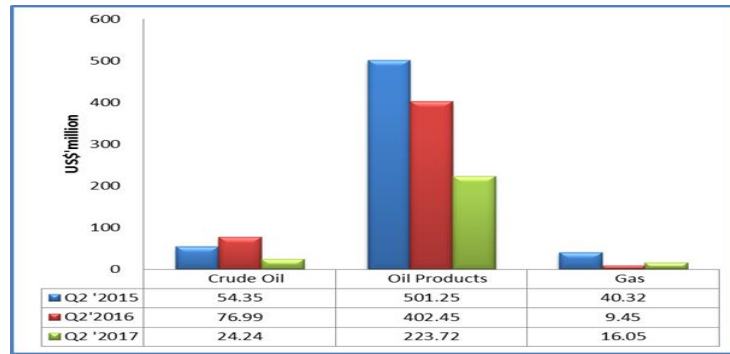
### Merchandise Imports

Total value of merchandise imports for the second quarter of 2017 amounted to US\$2,790.6 million, down by 14.1 per cent or US\$459.7 million from the 2016 Q2. The decline in imports was on account of both non-oil and oil.

### Oil and Gas Imports

During the period under review, oil imports (including crude, gas and refined products) fell by US\$224.9 million or 46.0 per cent to US\$264.0 million from US\$488.9 million in 2016. Crude oil imports by the Volta River Authority (VRA) increased by 4.0 per cent to US\$22.9 million; that is 399,749 barrels at an average realised price of US\$57.2 per barrel. Other companies (BOST, TOR, PLATON, CENIT & VITOL) also imported 26,610 barrels of crude valued at US\$1.4 million at an average realized price of US\$52.2 per barrel. For the same period last year, they imported 1,140,417 barrels valued at US\$55.0 million.

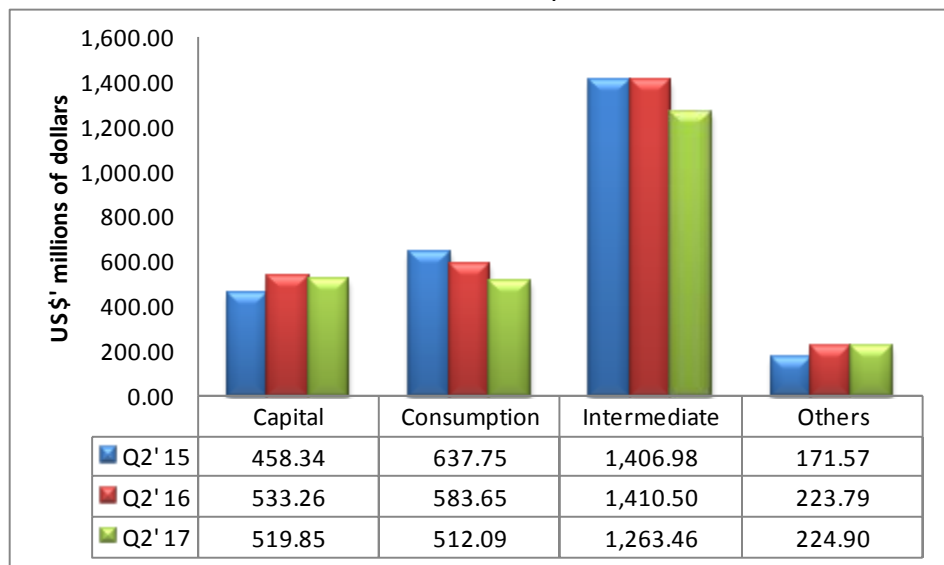
**Chart 6.2: Developments in Merchandise Imports (US\$' million)**



**Volta River Authority (VRA)**

In addition, the VRA imported 1,852,162 MMBTu of gas worth US\$16.0 million from the West African Gas Company (WAGP) at an average price of US\$8.7 per MMBTu (Million Metric British Thermal units) for its operations. For the same period last year 1,033,037 MMBTu of gas worth US\$9.5 million was imported. The value of finished oil products imported in the second quarter of 2017 amounted to US\$223.7 million compared to US\$402.5 million in the same period in 2016.

**Chart 6.3: Non-Oil Imports**



**Non – Oil Imports**

The total non-oil merchandised imports for the second quarter 2017 was provisionally estimated at US\$2,520.30 million compared to an outturn of US\$2,751.20 million recorded in the same period in 2016, down by 8.4 per cent. The decrease was induced by a fall in all the major categories except 'other goods'.

### Capital Goods Imported

The value of **capital goods** during the review period was US\$519.9 million, down by 2.5 per cent or US\$13.4 million from the corresponding period in 2016 driven by a 15.1 per cent decline in Industrial transport.

### Consumption Goods Imported

**Consumption goods** imported, however declined by 12.3 per cent to US\$512.1 million in quarter two of 2017, compared to a US\$583.6 million a year ago. This was due to a fall in imports of all the sub categories apart from durable consumer goods and primary food and beverages, mainly for household consumption.

### Intermediate Goods Imported

The value of **intermediate goods** imported decreased by 10.4 per cent to US\$1,263.5 million compared to US\$1,410.5 recorded a year ago. Sub categories in this classification that accounted for this decrease included primary Industrial supplies (12.3%), processed industrial supplies (19.1%) and transport equipment (parts and accessories) (26.4%).

### Other Goods Imported

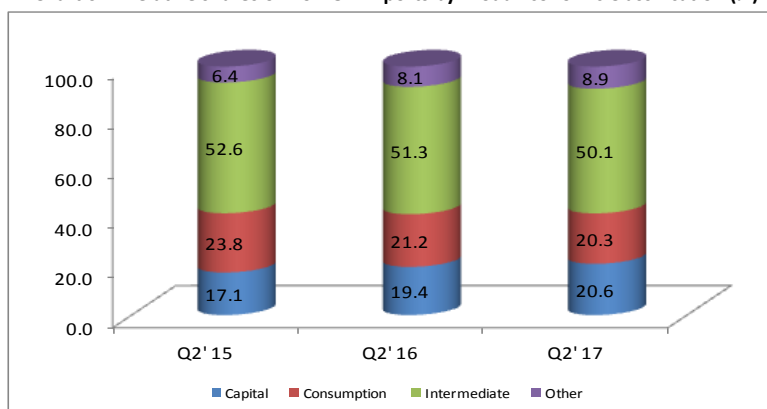
The value of other goods imported was US\$224.9 million, which exceeded the previous year's level marginally by 0.5 percent on account of higher importation of passenger cars.

During the period, 184,655,350 kWh of electricity valued at US\$22.2 million was imported by VRA compared to 5,582,250kWh worth US\$0.6 million, imported during the same period in 2016.

### Relative shares of Non-Oil Imports

In terms of composition of non-oil imports, the share of other goods (mostly passenger cars) accounted for 8.9 per cent of non-oil imports in Q2:2017. That of capital goods increased slightly to 20.6 per cent in Q2:2017. The share of consumer goods dropped to 20.3 per cent while intermediate goods continued to maintain its dominance, accounting for more than half (50.1%) of non-oil imports, despite recording a decrease in its share.

Chart 6.4: Relative shares of Non-Oil Imports by Broad Economic Classification (%)

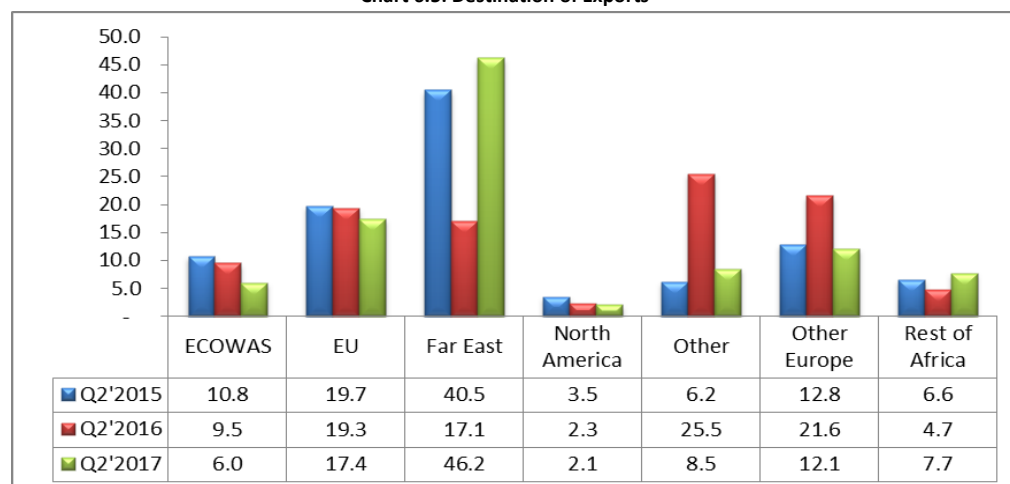


**Top Ten Major  
Non-oil Imports  
6.2.2 Direction of  
Trade**

The total value of the top ten non-oil merchandise imports for the second quarter of 2017 amounted to US\$765.5 million compared to US\$751.82 million recorded a year ago. Key items included motor vehicles for the transport of persons and goods, Self-propelled bulldozers; Frozen Fish, cement and clinker and palm oil and its fractions.

During the review period, the Far East received the largest share of 46.2 per cent of Ghana’s total exports. The other recipients were the European Union (17.4%), Other European countries (12.1%), Other Economies (8.5%), the Rest of Africa (7.7%), ECOWAS (6.0%), and North America (2.1%).

**Chart 6.5: Destination of Exports**

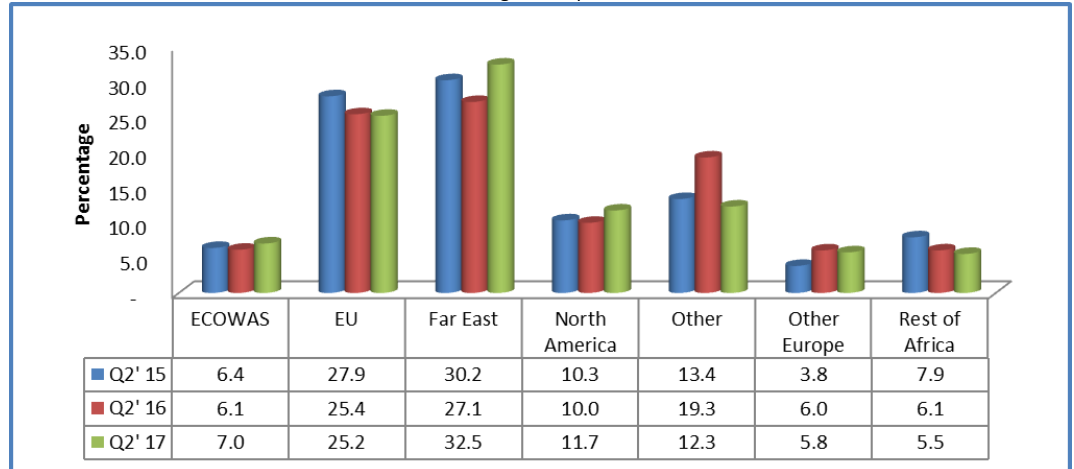


**Origin of Imports**

In terms of geographical distribution, the Far East emerged as the leading source of imports accounting for 32.5 per cent of the total non-oil imports. The European Union followed with a share of 25.2 per cent, other Economies (12.3%), North America (11.7%), ECOWAS (7.0%), Other Europe (5.8%) and Rest of Africa (5.5%).



Chart 6.6: Origin of Imports



### 6.3 Services, Income and Transfers Account

During the period under review, the Services, Income and Unilateral transfers' account recorded a deficit of US\$876.3 million compared to a surplus of US\$94.7 million in 2016. This was on account of significant outflows from the Services and Income accounts. The balance on the Services account worsened from a surplus of US\$29.3 million to US\$795.1 million deficit as a result of payments related to technical, trade and business services as well as professional and management services. Likewise, the income account recorded outflows in respect of dividend payments, taxes, rents and distribution of profits. The balance on the account worsened from a deficit of US\$272.4 million in quarter two of 2016 to US\$693.7 million in quarter two of 2017. Current transfers, on the other hand, mostly private remittances increased from US\$334.1 million in Q2:2016 to US\$564.5 million in Q2:2017.

### 6.4 Capital and Financial Account

The surplus on the capital and financial account improved further from US\$152.1 million in Q2: 2016 to US\$1,832.3 million in the second quarter of 2017. This was attributable to significant inflows of foreign portfolio investment in the financial account during the review period.

#### Capital Account

The capital account received transfers totalling US\$68.6 million during the review period, compared to US\$60.2 million received same period in 2016.

#### Financial Account

Transactions in the financial account improved from a surplus of US\$83.5 million to a US\$1,772.1 million. This development was as result of net foreign capital inflows largely in the form of portfolio and foreign direct investments. This was moderated by net outflows from Other Investments.

### Foreign Direct Investments

During the second quarter of 2017, foreign direct investments into Ghana by non-residents was US\$592.9 million compared to US\$834.2 million recorded for the same quarter last year.

### Portfolio Investments

Portfolio investments arising from non-residents participation in a bond issuance by government during the review period was US\$2,250.0 million as compared to US\$247.1 million in Q2:2016.

### Other Investments' Account'

'Other investments' worsened from a net outflow position of US\$997.8 million in Q2:2016 to US\$1,070.8 million in Q2:2017 on the back of outflows/payments from the private capital and short term capital.

**Official Capital** increased from US\$27.7 million to US\$44.3 million on account of net project loan disbursements during the quarter.

**Net Private Capital** outflow (payments) increased from US\$183.8 million to US\$683.1 million as a result of increased amortization of private debt.

**Short Term Capital** outflows (net) decreased from US\$834.4 million in Q2:2016 to US\$382.1 million influenced largely by changes (net inflows or reduction in assets) in commercial banks net foreign assets during the review period.

**Government Oil Investments** during the period increased from US\$7.2 million in Q2:2016 to US\$49.9 million.

## 6.5 International Reserves

The stock of net international reserves (NIR) at the end of June 2017 was estimated at US\$4,682.8 million; indicating a build-up of US\$1,217.8 million from a stock position of US\$3,431.0 million at the end of December 2016.

The country's gross foreign assets increased by US\$1,680.2 million to US\$7,842.0 million during the review period from a stock position of US\$6,161.8 million at the end of December 2016. This was sufficient to provide for 4.5 months of imports cover compared with 3.0 and 3.5 months of imports cover as at June 2016 and December 2016 respectively.

The country's gross international reserves also increased by US\$1,047.0 million to US\$5,909.1 million from a stock position of US\$4,862.1 million as at the end of December 2016. This was sufficient to provide 3.4 months of imports cover compared to 2.1 and 2.8 months of imports cover as at June 2016 and December 2016 respectively.

Chart 6.7: Gross International Reserves (US\$' million)

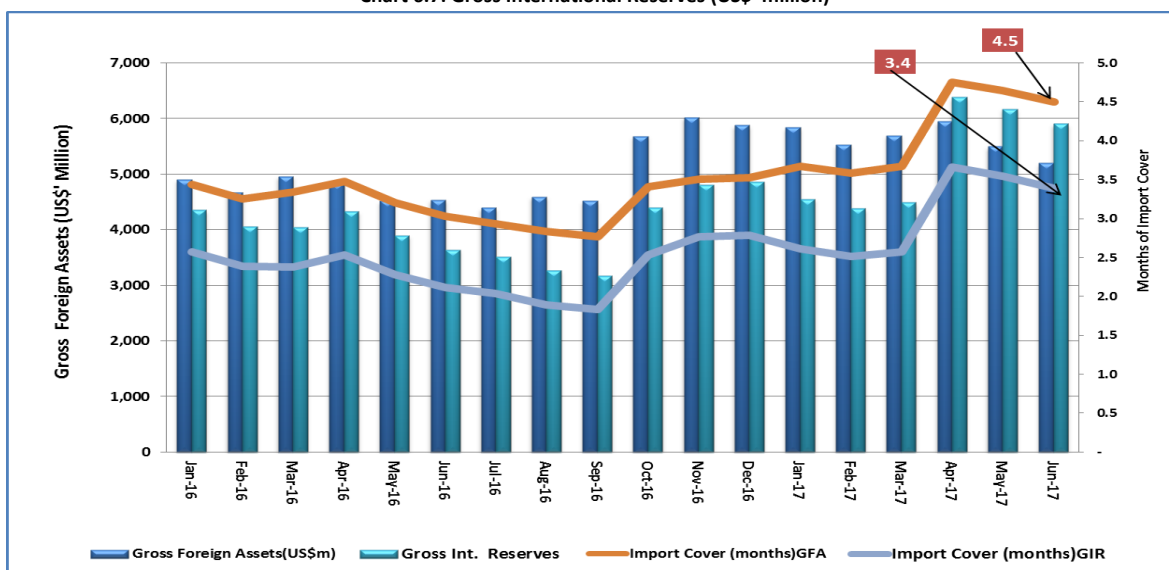


Table 6.2: Developments in Current Account (US\$' million)

	Q2'2015	Q2'2016	Q2'2017	% Change
				Q2'2016/17
<b>Current Account Balance</b>	<b>-311.2</b>	<b>-633.0</b>	<b>-427.1</b>	<b>-32.5</b>
Trade Balance	-557.1	-727.7	449.3	-161.7
Services Balance	-265.6	29.3	-795.1	-2,818.0
Investment income Balance	-184.2	-272.4	-693.7	154.7
Net Unilateral Transfers	695.7	337.9	612.4	81.3

Table 6.3: Top Ten Exported Non –Traditional Exports

April - June 2016			April - June 2017		
Description	US\$'M	% Distr.	Description	US\$'M	% Distr.
Cashew nuts	82.38	30.32	Cashew nuts	99.14	37.58
Prepared or preserved tuna	42.85	15.77	Palm oil and its fractions	41.13	15.59
Palm oil and its fractions	33.62	12.37	Prepared or preserved tuna	33.14	12.56
Medicaments	24.39	8.98	Avocados, guavas, mangoes, pineapples; fr	21.89	8.30
Petroleum oils (light and medium, other than crude)	20.26	7.46	Technically specified natural rubber	16.33	6.19
Avocados, guavas, mangoes, pineapples; fr	17.31	6.37	Tableware, kitchenware, other household	13.22	5.01
Tableware, kitchenware, other household	14.10	5.19	Frozen yellowfin tunas	11.03	4.18
Other fixed vegetable fats (shea & sesamum)	14.00	5.15	Shea (karite) oil and other fixed vegetable f	10.51	3.99
Oil-seeds and oleaginous fruits	11.52	4.24	Aluminium	9.50	3.60
Aluminium	11.23	4.14	Wheat or meslin flour	7.93	3.01
<b>Total</b>	<b>271.65</b>	<b>100.0</b>	<b>Total</b>	<b>263.81</b>	<b>100.0</b>

Table 6.4: Top Ten Imported Non-Oil Goods

April - June 2016			April - June 2017		
Description	US\$'M (fob)	% Distr.	Description	US\$'M (fob)	% Distr.
<b>Capital</b>	<b>102.74</b>	<b>13.7</b>	<b>Capital</b>	<b>137.45</b>	<b>18.0</b>
Motor vehicles for the transport of goods	102.74	13.7	Motor vehicles for the transport of goods	97.46	12.7
<b>Consumption</b>	<b>239.08</b>	<b>31.8</b>	Self-propelled bulldozers, excavators and shovel-loaders	39.99	5.2
Rice	77.75	10.3	<b>Consumption</b>	<b>85.27</b>	<b>11.1</b>
Frozen Fish	67.05	8.9	Frozen Fish	52.08	6.8
Weedicides, herbicides and fungicides	54.97	7.3	Weedicides, herbicides and fungicides	33.18	4.3
Sugar	39.31	5.2	<b>Intermediate</b>	<b>323.93</b>	<b>42.3</b>
<b>Intermediate</b>	<b>212.81</b>	<b>28.3</b>	Palm oil and its fractions	95.76	12.5
Cement clinkers	63.59	8.5	Cement clinkers	80.44	10.5
Wheat and meslin	63.23	8.4	Wheat and meslin	60.72	7.9
Mineral or chemical fertilizers with NPK	44.58	5.9	Mineral or chemical fertilizers with NPK	46.26	6.0
Palm oil and its fractions	41.41	5.5	Polyethylene	40.75	5.3
<b>Other</b>	<b>197.19</b>	<b>26.2</b>	<b>Other</b>	<b>218.84</b>	<b>28.6</b>
Motor vehicles for the transport of persons	197.19	26.2	Motor vehicles for the transport of persons	218.84	28.6
<b>Grand Total</b>	<b>751.82</b>	<b>100.0</b>	<b>Grand Total</b>	<b>765.50</b>	<b>100.0</b>

Table 6.5: Service, Income and Current Transfers' Account (US\$' million), Q2'2015 – Q2' 2017

	Q2'2015	Q2'2016	Q2'2017	Q2'2016/17	
			prov.	Abs.	% change
<i>Amounts in millions of U.S. dollars</i>					
<b>Services (net)</b>	<b>-265.55</b>	<b>29.25</b>	<b>-795.06</b>	<b>-824.32</b>	<b>-2,818.04</b>
Freight and Insurance	-189.97	-93.28	-155.97	-62.69	67.20
Other Services	-75.59	122.54	-639.09	-761.63	-621.56
<b>Income (net)</b>	<b>-184.24</b>	<b>-272.41</b>	<b>-693.72</b>	<b>-421.32</b>	<b>154.66</b>
<b>Current Transfers (net)</b>	<b>695.66</b>	<b>337.86</b>	<b>612.44</b>	<b>274.59</b>	<b>81.27</b>
Official	97.66	3.75	47.92	44.17	1,177.87
Private	598.00	334.11	564.52	230.42	68.97
<b>Services, Income and Current Transfers (net)</b>	<b>245.87</b>	<b>94.70</b>	<b>-876.34</b>	<b>-971.04</b>	<b>-1,025.39</b>

Table 6.6: Capital and Financial Account (US\$' million), Q2'2015 – Q2' 2017

	Q2'2015	Q2'2016	Q2'2017	Q2'2016/17	
			(prov.)	Absolute	% change
<i>Amounts in millions of U.S. dollars</i>					
<b>Capital and Financial Accounts</b>	<b>-268.69</b>	<b>152.07</b>	<b>1,832.34</b>	<b>1,680.27</b>	<b>1,104.94</b>
Capital transfers	118.47	68.58	60.21	-8.37	-12.20
<b>Financial Account</b>	<b>-387.16</b>	<b>83.49</b>	<b>1,772.13</b>	<b>1,688.63</b>	<b>2,022.50</b>
Foreign Direct Investments	815.87	834.16	592.89	-241.27	-28.92
Portfolio Investments	-71.02	247.12	2,250.00	2,002.88	810.48
Other Investments	-1,132.01	-997.79	-1,070.76	-72.97	7.31
Official	27.63	27.66	44.25	16.59	59.98
Disbursements	193.70	334.60	279.38	-55.21	-16.50
Amortisation	-166.07	-306.93	-235.13	71.80	-23.39
Private	-280.61	-183.84	-683.09	-499.24	271.56
Disbursements	291.07	4,504.10	11,151.66	6,647.56	147.59
Amortisation	-571.68	-4,687.94	-11,834.75	-7,146.81	152.45
Short-term	-932.66	-834.38	-382.08	452.30	-54.21
Non-Monetary	-682.73	-700.66	-859.42	-158.76	22.66
Monetary	-249.93	-133.72	477.34	611.06	-456.96
Government Oil Investments	53.63	-7.23	-49.85	-42.62	589.24
Inflow	53.63	0.00	0.00	0.00	0.00
Outflow	0.00	-7.23	-49.85	-42.62	589.24

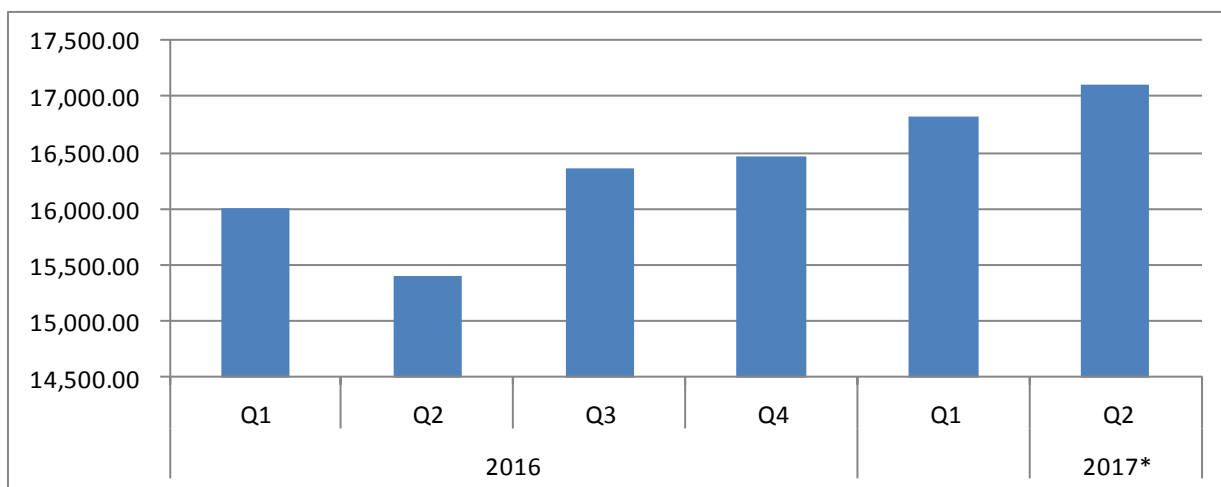
## 7. External Debt

### 7.1 Debt Stock

Ghana's total external debt stock outstanding at the end of the Q2 2017 was estimated at US\$17,099.42 million. This represented an increase of US\$287.14 million (1.71%) and US\$1,702.76 million (11.06%) from the previous quarter and on year-on-year basis respectively. The increase in the total external debt was mainly as a result of additional disbursements and new loans contracted over the period.

The outstanding total external debt stock at the end the second quarter of 2017 represented 36.93 per cent of the country's estimated Gross Domestic Product, (GDP).

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



#### 7.1.1 Composition of External Debt by Borrowers

Out of the total external debt recorded at the end of Q2 2017, multilateral debt stood at US\$5,940.71 million (34.74%). This showed an increase of US\$295.24 million (5.23%) over US\$5,645.47 million recorded at the end of the previous quarter and 17.61 per cent year-on-year.

During the review quarter, Ghana owed her bilateral creditors US\$1,212.43 million (7.09%) an increase of US\$29.11 million (2.46%) from US\$1,183.32 million recorded at the end of the previous quarter and US\$118.32 million (10.81%) at the end of the corresponding quarter of 2016.

At the end of Q2 2017, the country owed US\$2,795.32 million to her commercial creditors. Compared to the previous quarter, debt owed to commercial creditors increased by US\$2.14 million (0.07%) and US\$12.50 million (0.44%) for the corresponding quarter in 2016.

Table 7.1: External Debt Stock by Borrower Category (US\$' million)

	2016				2017*	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>Total External Debt</b>	<b>16,002.64</b>	<b>15,396.66</b>	<b>16,351.23</b>	<b>16,460.99</b>	<b>16,812.28</b>	<b>17,099.42</b>
<b>Multilateral Creditors</b>	<b>5,396.05</b>	<b>5,051.26</b>	<b>5,233.19</b>	<b>5,547.96</b>	<b>5,645.47</b>	<b>5,940.71</b>
<b>Bilateral Creditors</b>	<b>1,102.80</b>	<b>1,094.11</b>	<b>1,199.95</b>	<b>1,136.47</b>	<b>1,183.32</b>	<b>1,212.43</b>
Export Credit Agencies	1,328.90	1,223.33	1,388.35	1,315.22	1,518.13	<b>1,515.77</b>
Other Concessional	1,826.02	1,733.47	1,769.55	1,730.13	1,793.06	<b>1,756.07</b>
<b>Commercial Creditors</b>	<b>2,818.36</b>	<b>2,782.82</b>	<b>2,811.18</b>	<b>2,782.20</b>	<b>2,793.18</b>	<b>2,795.32</b>
<b>Int. Capital Market</b>	<b>3,530.51</b>	<b>3,400.60</b>	<b>3,949.01</b>	<b>3,949.01</b>	<b>3,879.12</b>	<b>3,879.12</b>

## 7.2 Debt Service Payments

Government of Ghana external debt service payments made through Bank of Ghana in the second quarter of 2017 amounted to US\$360.04 million compared with US\$345.81 million paid in the previous quarter, and US\$388.25 million in the corresponding quarter of 2016. This showed a rise of US\$14.23 million (4.11%) from the first quarter of 2017 and a fall of US\$28.21 million (7.23%) from the corresponding quarter of 2016. In the review quarter, Capital payments amounted to US\$234.78 million and interest payments of US\$125.26 million.

In terms of the creditor category, Commercial creditors received the highest payment of US\$235.54 million, 65.42 per cent of the total payments in the review quarter. This resulted in decreases of US\$32.36 million (12.08%) from payments made in the previous quarter of 2017 and US\$93.79 million (28.45%) in the end of the corresponding quarter of 2016.

On the other hand, payments made to bilateral creditors increased by US\$25.67 million (129.31%) from US\$19.85 million at the end of Q1 of 2017 to US\$45.52 million. Compared to the corresponding period in 2016, payments made to bilateral creditors rose by US\$28.52 million (167.76%).

Multilateral creditors received US\$25.23 million (7.01%) at the end of Q2 2017. This resulted in increases of US\$1.86 million (7.96%) from payments made at the end of the previous quarter of 2017 and US\$5.19 million (25.9%) at the end of Q2 2016.

Table 7.2: Payment of Government and Government-Guaranteed Debt by creditor

	Q2-2016			Q1-2017			Q2-2017		
	prin	int	total	prin	int	total	prin	int	total
<b>Total</b>	<b>202.12</b>	<b>186.13</b>	<b>388.25</b>	<b>176.37</b>	<b>169.44</b>	<b>345.81</b>	<b>234.78</b>	<b>125.26</b>	<b>360.04</b>
<b>Multilateral Creditors</b>	<b>11.07</b>	<b>8.97</b>	<b>20.04</b>	<b>11.29</b>	<b>12.08</b>	<b>23.37</b>	<b>14.45</b>	<b>10.78</b>	<b>25.23</b>
IDA	3.25	5.89	9.14	6.79	8.32	15.11	4.98	7.48	12.46
ADB/ ADF	1.83	1.47	3.30	1.15	2.78	3.93	2.11	1.60	3.71
Others	5.99	1.61	7.60	3.35	0.98	4.33	7.36	1.70	9.06
<b>Bilateral Creditors</b>	<b>11.29</b>	<b>5.71</b>	<b>17.00</b>	<b>16.11</b>	<b>3.74</b>	<b>19.85</b>	<b>37.55</b>	<b>7.97</b>	<b>45.52</b>
Paris Club	7.22	4.89	12.11	3.28	0.84	4.12	18.03	4.61	22.64
Non-Paris Club	4.07	0.82	4.89	12.83	2.90	15.73	19.52	3.36	22.88
<b>Commercial Creditors</b>	<b>179.76</b>	<b>149.57</b>	<b>329.33</b>	<b>148.97</b>	<b>118.93</b>	<b>267.90</b>	<b>182.78</b>	<b>52.76</b>	<b>235.54</b>
<b>10Year Sovereign Bond</b>	<b>0.00</b>	<b>21.88</b>	<b>21.88</b>	<b>0.00</b>	<b>34.69</b>	<b>34.69</b>	<b>0.00</b>	<b>53.75</b>	<b>53.75</b>



## 8. The Rural Banking Sector

### 8.1 Performance of RCBs

The performance of the rural/community banks (RCBs) improved during the second quarter of 2017 compared with the same period in 2016.

**Assets** Total assets of RCBs at the end of the second quarter of 2017 stood at GH¢3,438.2 million, up by 3.7 per cent from GH¢3,315.6 million in the first quarter of 2017. On year-on-year basis, total asset grew by 23.5 per cent in 2017. Total assets of RCBs comprise 4.1 per cent of the total assets of the banking system at the end of the review quarter, an uptick of 0.2 percentage points compared to the first quarter of 2017.

**Deposits** Deposit mobilisation by the RCBs continued to improve significantly in the second quarter of 2017. Total deposits of RCBs increased by 3.9 per cent to GH¢2,701.7 million at the end of the second quarter of 2017 compared with GH¢2,599.2 million at the end of the first quarter of 2017. The level of RCBs deposits at the end of the review quarter constituted 4.1 per cent of total deposits of the banking system, compared with the share of 3.9 per cent in the previous quarter and 4.0 per cent at the end of the second quarter of 2016.

**Loans and Advances** Loans and advances made by RCBs stood at GH¢1,076.7 million in the second quarter of 2017, indicating an increase of 5.6 per cent from GH¢1,019.3 million recorded at the end of the previous quarter.

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

	2015		2016			2017		Variations (2016-2017)	
	Q2	Q1	Q2	Q3	Q4	Q1	Q2	Q-on-Q	Y-on-Y
<b>Assets</b>									
Cash Holdings & Balances with Banks	317.6	354.6	369.6	358.2	413.6	435.1	447.5	2.9	21.1
Bills and Bonds	712.9	975.6	999.9	944.6	1,150.0	1,324.4	1,335.4	0.8	33.6
Loans and Advances	823.8	887.8	946.6	981.5	989.0	1,019.3	1,076.7	5.6	13.7
Other Assets	408.6	445.5	468.1	472.0	501.7	536.8	578.6	7.8	23.6
<b>Total Assets</b>	<b>2,263.0</b>	<b>2,663.4</b>	<b>2,784.1</b>	<b>2,756.3</b>	<b>3,054.3</b>	<b>3,315.6</b>	<b>3,438.2</b>	3.7	23.5
<b>Liabilities</b>									
Total Deposits	1,735.9	2,070.3	2,149.1	2,116.1	2,383.4	2,599.2	2,701.7	3.9	25.7
Shareholders' Funds	305.0	362.4	397.5	392.1	405.4	446.1	447.7	0.3	12.6
Other Liabilities	221.8	230.7	237.6	248.1	265.5	270.2	287.1	6.2	20.8
<b>Total Liabilities</b>	<b>2,263.0</b>	<b>2,663.4</b>	<b>2,784.1</b>	<b>2,756.3</b>	<b>3,054.3</b>	<b>3,315.6</b>	<b>3,438.2</b>	3.7	23.5
<b>No. of Reporting Banks</b>	139	139	139	139	139	140	140		

\* Provisional

**Table 8.2: Proportion of RCBs' Total Assets of the Banking System (GH¢ million)**

	2016						2017			
	Q2		Q3		Q4		Q1		Q2	
	GH¢	% Share	GH¢	% Share	GH¢	% Share	GH¢	% Share	GH¢	% Share
Commercial Banks	66,389.5	96.0	70,886.2	96.3	79,297.2	96.3	82,705.9	96.1	81,375.0	95.9
Rural Banks	2,784.1	4.0	2,756.3	3.7	3,054.3	3.7	3,315.6	3.9	3,438.2	4.1
<b>Total</b>	<b>69,173.7</b>	<b>100.0</b>	<b>73,642.6</b>	<b>100.0</b>	<b>82,351.4</b>	<b>100.0</b>	<b>86,021.5</b>	<b>100.0</b>	<b>84,813.2</b>	<b>100.0</b>

**Table 8.3: Proportion of RCBs' Deposits of the Banking System (GH¢ million)**

	2016						2017			
	Q2		Q3		Q4		Q1		Q2	
	GH¢	% Share	GH¢	% Share	GH¢	% Share	GH¢	% Share	GH¢	% Share
Commercial Banks	37,656.6	94.6	39,314.7	94.9	44,946.8	95.0	47,321.2	94.8	49,360.6	94.8
Rural Banks	2,149.1	5.4	2,116.1	5.1	2,383.4	5.0	2,599.2	5.2	2,701.7	5.2
<b>Total</b>	<b>39,805.7</b>	<b>100.0</b>	<b>41,430.8</b>	<b>100.0</b>	<b>47,330.1</b>	<b>100.0</b>	<b>49,920.4</b>	<b>100.0</b>	<b>52,062.3</b>	<b>100.0</b>