



Bank of Ghana

Quarterly Bulletin

April - June 2012

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OVERVIEW

The global economy continued to slow down amid the persistent banking and sovereign debt problems of the euro zone. Growth momentum in the advanced economies moderated as a result of the euro crises and governments' fiscal squeeze. Emerging economies however performed creditably during the review quarter, boosted by the resilience of domestic demand. Economic activity in most emerging and developing economies remained relatively strong, though growth momentum had reduced due to weaker external demand and past policy tightening.

The domestic economy remained broadly stable with inflation pressures edging up slightly during the review quarter, driven by both the food and non-food indices. Growth in monetary aggregates increased on year-on-year basis but was generally in line with the programme. Government fiscal operations exhibited significant growth in revenue mobilisation matched by strong growth in expenditures. On the external sector, export earnings improved significantly on account of increased receipts from gold and cocoa beans exports but growth in imports outpaced the growth in exports leading to widening trade balance. Gross international reserves at the end of the second quarter of 2012 stood at US\$4,090.94 million, which translated into 2.3 months of imports of goods and services.

Real Sector Developments

Analysis of selected indicators of economic

activity suggested that domestic economic activity scaled-up during the second quarter of 2012 despite the downturn in global economies. This was corroborated by the growth in income and corporate tax collections, retail sales, domestic VAT, workers contribution to SSNIT and vehicle registration.

Price Developments

Annual CPI inflation increased to end the second quarter of 2012 at 9.4 per cent from 8.8 per cent at the end of the first quarter. The increase in the rate of inflation was mainly driven by the depreciation in the external value of the Cedi through the Non-Food index and the Food index as a result of the lean food season. Food inflation rose to 5.4 per cent from 4.4 per cent recorded at the end of the preceding quarter, while Non-Food inflation also rose to 11.9 per cent from the 11.4 per cent recorded in March 2012.

Fiscal Developments

Government fiscal operations during the second quarter showed a significant growth in total revenues and grants, which was matched by an equally strong upsurge in expenditures. Total revenue and grants amounted to GH¢3,867.4 million (5.5% of GDP) in the second quarter of 2012, exceeding the target of GH¢3,676.2 million (5.3% of GDP) by 5.2 per cent. Total Government expenditure in the review quarter amounted to GH¢4,398.5 million (6.3% of GDP) compared to the

budget target of GH¢4,936.2 million (7.1% of GDP). Consequently, the budget recorded an overall deficit of GH¢2,739.6 million (3.9% of GDP) during the second quarter of 2012 which was financed from both domestic and foreign sources of GH¢2,671.3 million and GH¢68.3 million respectively.

Monetary Aggregates and Credit Developments

Growth in monetary aggregates during the second quarter of 2012 showed a declining trend relative to the corresponding quarter of 2011. Broad money, including foreign currency deposits (M2+) grew by 34.0 per cent from 40.2 per cent growth in the corresponding quarter of 2011. The growth in M2+ was driven by both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the Banking system. The NFA grew by 4.4 per cent, while the NDA went up by 65.1 per cent.

Outstanding credit to the private sector stood at GH¢10,038.2 million at the end of the review quarter. In real terms, the annual growth rate of outstanding credit to the private sector also increased to 27.1 per cent at the end of June 2012 from 16.3 per cent at the end of December 2011.

Financial Markets

Interest rate developments during the review quarter generally mirrored the upward trend exhibited in the preceding quarter. The MPC policy rate was reviewed upwards by 150 basis points to 15.0 per cent in the second quarter from 13.50 per cent in the preceding

quarter. The interbank weighted average rate also increased by 858 basis points year-to-date from 6.55 per cent to 15.13 per cent compared with 11.26 per cent recorded in the corresponding quarter of 2011.

In the Treasury securities market, average interest rates on both the short-term (91-day, 182-day, 1-year) and medium-term instruments (2-year notes) rose during the second quarter of 2012, in line with developments in the policy rate.

The performance of the stock market declined at the end of the review quarter, reversing the gains recorded in the preceding quarter. The GSE-CI index registered a cumulative growth of 7.9 per cent at the end of the second quarter of 2012 compared with the 18.9 per cent growth in the index in the corresponding quarter of 2011.

On the domestic currency market, the Ghana cedi traded weak against the major currencies in both the inter-bank and forex bureaux markets during the second quarter. In the Interbank market, the Ghana cedi depreciated by 9.9 per cent, 8.5 per cent and 4.5 per cent against the US dollar, the pound sterling and euro respectively. Similarly, in the forex bureaux market, the Ghana cedi depreciated by 9.4 per cent, 8.1 per cent and 4.3 per cent against the US dollar, the pound sterling and the euro, respectively.

External Sector Developments

The value of goods exported grew by 1.6 per cent to US\$3,407.8 million for the second quarter of 2012 from US\$3,353.1 million

recorded in the corresponding quarter of 2011. The growth was mainly attributed to the increased values of gold and cocoa beans export. Total imports at the end of second quarter of 2012 also grew by 14.8 per cent to US\$4,747.1 million, from the level recorded in the corresponding quarter of 2011. This increase was mainly driven by 15.6 per cent and 14.6 per cent increases in value of oil and non-oil imports respectively.

Gross international reserves declined by US\$1,291.9 million to US\$4,090.9 million at the end of the second quarter of 2012, from the end-December stock position of US\$5,382.8

million. This level of reserves was sufficient to provide cover for 2.3 months of imports of goods and services, compared to 3.2 months of imports cover as at the end of December 2011.

External Debt

Ghana's total outstanding external debt stock at the end of the second quarter of 2012 was US\$7,704.3 million, indicating a decline of 1.5 per cent (US\$116.9 million) above the US\$7,821.3 million recorded at the end of March 2012.

1. Developments in the World Economy

Recovery in the global economy during the second quarter of 2012 remained slow, uneven across regions and subject to considerable fragilities. GDP growth data for some major economies indicated a moderation in the growth momentum in the global economy, mainly driven by the ongoing Eurozone debt crises with its contagion effects. **Euro area** economies continued to slowdown due to the rise in financial market distress in the peripheral economies such as Spain and Italy. Growth in the **United States** was also less robust than earlier predicted. Activities in the Emerging markets including Brazil, China and India however continued to expand at a faster pace than in the advanced economies, albeit at a reduced momentum due to increased risk aversion, weaker external demand and past policy tightening.

EURO AREA

Real GDP in the **Euro Area** shrank by 0.2 per cent (quarter-on-quarter) in the second quarter of 2012, from a zero growth in the preceding quarter. The ongoing and persistent slowdown in economic activity in the **Euro Area** mainly reflected the negative developments in domestic demand and changes in inventories which more than offset the continued positive external contributions to growth. However, **the German** economy remained relatively resilient to the euro debt crisis, although its growth rate slowed down to 0.3 per cent (quarter-on-quarter) in the second quarter, from 0.5 per cent in the preceding quarter. The growth in Germany's economic

activity was mainly driven by domestic consumption and net exports which offset the decline in investments, particularly in industrial equipment. **The French** economy however registered a third successive quarter of zero growth in the second quarter of 2012, resulting in a year-on-year growth of 0.3 per cent. Moreover, **the Netherlands** and **Cyprus** recorded quarterly growth rates of 0.2 per cent and 0.8 per cent respectively in the second quarter, while **the Belgian** economy slumped by 0.6 per cent (quarter-on-quarter). Gross Domestic Product (GDP) in debt-ridden **Greece** shrank by 6.2 per cent (year-on-year) during the second quarter, from 6.5 per cent in the first quarter. **In Italy**, growth declined by 2.5 per cent (0.7%) on year-on-year (quarter-on-quarter) basis in the second quarter. **Spain's** economy suffered a third successive quarter of contraction as GDP declined by 0.4 per cent in the second quarter. Similarly, **Portugal** suffered a seventh successive quarter of contraction as GDP declined by 1.2 per cent in the second quarter, a drop from 0.1 per cent in the preceding quarter.

Looking ahead, the Eurozone debt crisis would remain highly problematic despite some encouraging steps taken at the EU leaders' summit in late June to ease pressure on Spanish and Italian funding costs. Uncertainty in financial markets remains high which is likely to restrain private investments and consumption. Although strong policy responses are expected to be implemented to ease the contraction, modest Eurozone

recession is still expected in the second half of 2012.

UNITED KINGDOM

The **United Kingdom** is still struggling to recover from recession amid the government's fiscal squeeze and the fallout from the euro-area debt crisis. The revised estimate of the second quarter real GDP growth showed that economic activity declined by 0.5 per cent (quarter-on-quarter). The slowdown was mainly driven by negative contributions from private consumption, gross fixed capital formation and net trade balance as well as other erratic factors such as an extra public holiday for the Queen's Diamond Jubilee in June 2012. Although consumer confidence remained weak, labour market conditions showed signs of improvement with the unemployment rate declining to 8.0 per cent while employment grew by 0.7 per cent in the second quarter of 2012. Looking ahead, UK economic activity is likely to gather momentum, albeit gradually, with significant downside risk as domestic demand is expected to remain restrained by tight credit conditions, households' balance sheet adjustments and substantial fiscal tightening.

UNITED STATES

In **the US**, the pace of economic activity also decelerated in the second quarter of 2012. According to the revised estimate by the Bureau of Economic Analysis, real GDP in **the US** grew by an annualised rate of 1.7 per cent (0.4% quarter-on-quarter) in the second quarter of 2012 as against 2.0 per cent in the preceding quarter. The second quarter GDP growth was revised upwards by 0.2 percentage

points due to a significant downward revision in imports and upward revisions in personal consumption expenditure, exports and government expenditure. These were however moderated by the downward revisions in fixed investment and private inventories. Compared with the first quarter, the slow growth in the US economy was primarily due to lower consumption and fixed investments amid cuts in government spending and a negative net trade distribution.

JAPAN

Developments in Japan also showed a slowdown in economic activities in the second quarter of 2012. **Japan's** real GDP decelerated to 0.3 per cent (quarter-on-quarter) in the second quarter of 2012, from 1.0 per cent growth in the first quarter of 2012. The deceleration in economic activity in the review period was mainly due to the slow recovery of the US economy and the renewed deterioration of the EU debt crisis which hurt Japan's exports sector, amid subdued domestic consumption, a strong yen and resilience of imports (especially energy). Looking ahead, economic activity is expected to be restrained with a considerable downside risk originating mainly from a further slowdown in external demand.

EMERGING MARKET

In the **Emerging Market**, economic activity continued to slowdown in the second quarter of 2012 mainly reflecting the weak external environment, in particular Europe and US, as well as the lagged effects of a tight domestic monetary policy. However, domestic demand in most countries remained strong, partly

offsetting the adverse impact from the global headwinds. **In China**, GDP grew by 7.6 per cent (year-on-year) in the second quarter of 2012, the slowest pace in three years, down from 8.1 per cent recorded in the preceding quarter as demand fell in key markets such as the US and Europe. **In India**, GDP growth slowed down for the fourth consecutive quarter from 9.0 per cent (year-on-year) in the second quarter of 2011 to 3.9 per cent in the second quarter of 2012. The slowdown was mainly driven by weak external demand, lagged effect of monetary tightening as well as the subdued consumption and investment expenditures. **In Brazil**, real GDP decelerated to 0.5 per cent year-on-year in the second quarter of 2012 from 0.8 per cent in the preceding quarter. The continued slowdown in economic activity in the review quarter was mainly due to relapse in external demand and subdued domestic demand. Despite the

weakening economic activity, labour market conditions showed signs of improvement in the review quarter with strong job creation and a largely unchanged unemployment rate

Outlook

The threat of a sharp global slowdown eased with improved growth prospects in the **United States** and **Emerging Economies**. Weak recovery will likely resume in the major advanced economies, while activity will remain relatively strong in most emerging and developing economies. Recent improvements however remain very fragile due to the lingering Eurozone sovereign debt crisis. There is the urgent need for policymakers, especially the EU leaders, to formulate and implement prudent policies to enhance growth in the near to medium term.

2. Real Sector Developments

Review of selected indicators of economic activity in the second quarter of 2012 indicated a pick-up in domestic economic activity in spite of the current global economic headwinds. With the exception of cement production, all the real sector indicators such as retail sales, domestic VAT, income and corporate tax collections, SSNIT contributions and vehicle registration increased during the second quarter of 2012.

2.1 Indicators of Economic Activity

2.1.1 Consumer Spending

Retail sales and domestic VAT collections increased during the second quarter of 2012. Retail sales grew by 43.22 per cent to GH¢35.4 million in the review quarter from GH¢24.71 million recorded during the corresponding quarter of 2011. On quarterly basis, retail sales grew by 10.6 per cent in the second quarter of 2012 from GH¢32.0 million registered in the preceding quarter. Similarly, domestic VAT collections for the review quarter amounted to GH¢258.5 million, indicating an increase of 8.0 per cent from GH¢239.5 million recorded in the corresponding quarter of 2011. However, domestic VAT collections in the second quarter declined by 5.7 per cent from GH¢274.1 million collected in the preceding quarter.

2.1.2 Production/Incomes

Activities in the Manufacturing sector measured by performance in income and corporate tax collections and workers' contributions to the SSNIT Scheme improved

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

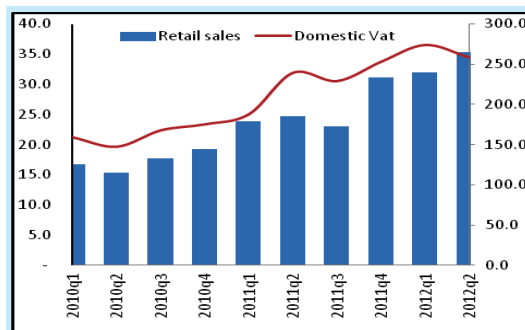


Chart 2.2: SSNIT Contributions (GH¢' million)

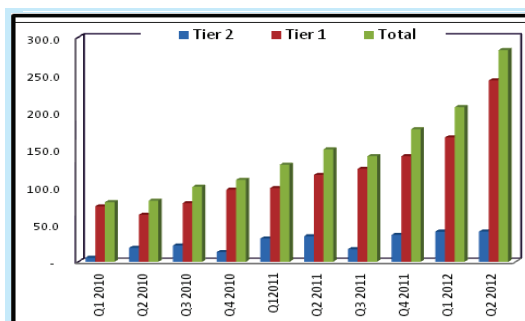
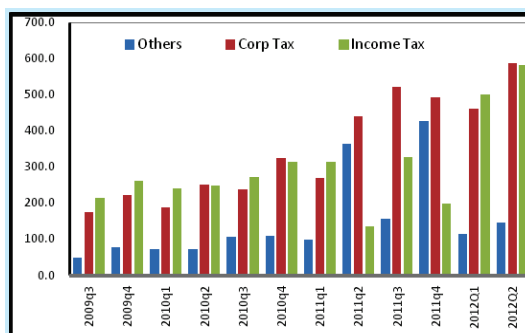


Chart 2.3: Income & Corporate Tax Collection



remarkably during the second quarter of 2012. Income and corporate tax collections went up by 40.0 per cent to GH¢1,315.2 million from GH¢937.3 million collected during the corresponding quarter of 2011. Similarly, the income and corporate tax collections for the second quarter increased by 22.2 per cent from GH¢1,076.2 million collected in the preceding quarter. In terms of relative contributions of the various sub-sectors, corporate tax accounted for 47.0 per cent; P.AY.E and Self-employed constituted 43.0 per cent, while “Other Sources” category contributed 10.0 per cent.

Provisional data from SSNIT suggested that workers’¹ contributions to the SSNIT Scheme, both **Tier 1** and **Tier 2** increased by 36.9 per cent to GH¢283.0 million during the review quarter from GH¢206.8 million recorded in the first quarter of 2012. Similarly, workers’ contribution to the SSNIT scheme in the second quarter represented 88.1 per cent growth from GH¢150.4 million paid to the SSNIT Scheme by workers in the corresponding quarter of 2011. Again, the number of firms that paid contributions on behalf of their workers to the SSNIT scheme went up by 6.3 per cent to 21,053 firms at the end of the second quarter from 19,797 firms registered on the Scheme during the corresponding period of 2011. The improvement in workers’ contribution to the SSNIT scheme in the review quarter was mainly due to registration of new firms onto the Scheme.

Chart 2.4: Quarterly Job Vacancies

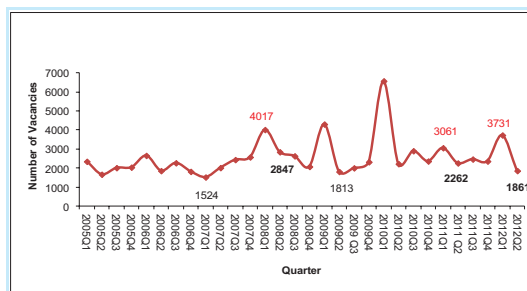


Chart 2.5: Quarterly Trends in Cement Production (tonnes)

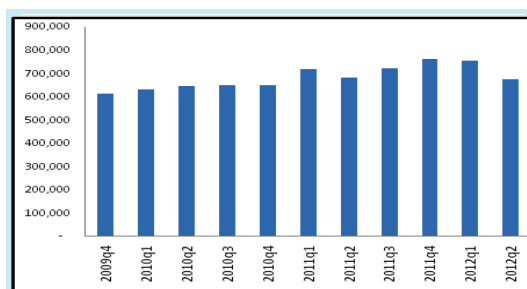
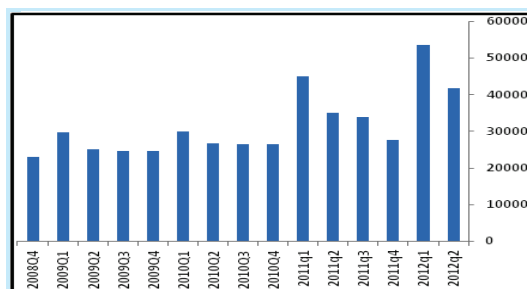


Chart 2.6: Quarterly Vehicle Registration



¹ The new three tier pension scheme classification started in January 2010.

Construction Activities

Activities in the construction sub-sector tracked by volume of cement production in the second quarter of 2012 declined by 19.1 per cent to 677,380 tonnes from 681,483.4 tonnes produced during the corresponding quarter of 2011. Also, cement production in the second quarter of 2012 indicated a decrease of 10.3 per cent below 754,757 tonnes produced during the first quarter of 2012.

Vehicle Registration

Transport sector activities proxied by vehicle registrations by DVLA, improved by 19.1 per cent to 41,828 vehicles in the second quarter of 2012 from 35,131 vehicles licensed during the same quarter of 2011. However, vehicle registration by DVLA in the second quarter of 2012 indicated a dip of 22.0 per cent below 53,613 vehicles registered in the first quarter of 2012. By type of vehicles registered, commercial vehicles, private vehicles and motor cycles jointly represented the largest share.

2.2 Labour Market Conditions

Labour market activities, indicated by advertised job vacancies in the ‘Daily Graphic’, declined during the second quarter of 2012. Advertised job vacancies for the review quarter declined by 50.1 per cent to 1,861 from 3,371 recorded in the first quarter of 2012. This compares with a quarter-on-quarter decline of 26.1 per cent in 2011. Similarly, the advertised jobs for the second quarter of 2012 represented a decline of 17.1 per cent from the number recorded a year ago. The decline in labour market activities

in the second quarter was consistent with the cyclical trend.

The Services sector continued to offer bright prospects for employment generation during the review quarter. The sector posted 77.5 per cent of the job vacancies in the second quarter of 2012. However, the share of the Services sector in the advertised job vacancies dropped by 49.8 per cent and 19.3 per cent on quarter-on-quarter and year-on-year basis respectively. Within the Services sector, sub-sectors that made significant contributions were Education (18.0%), Finance, Insurance and Real Estate (13.0%), Health (11.1%), and “Other services” (10.6%).

The share of the Industrial sector’s contribution to the total job vacancies was 21.39 per cent. Within the Industrial sector, the Mining and Quarrying sub-sector led the group with 43.5 per cent of the advertised job vacancies, followed by the Construction sub-sector with a share of 29.7 per cent, Manufacturing sub-sector (19.9%) and the Electricity sub-sector (7.0%). The Agricultural sector contributed 0.6 per cent of total jobs advertised during the review quarter, indicating a decline of 47.8 per cent over the preceding quarter.

2.2.1 Job Vacancies by Skills

In terms of skills breakdown, skilled labour was the most sought-after category of workers with a share of 73.6 per cent, suggesting a growth of 69.6 per cent from the level recorded in the preceding quarter and a year-on-year growth of 24.1 per cent. This was followed by ‘Sales and Other Services workers’ (13.6%), ‘artisans and machine operators’ (6.8%), ‘secretarial and clericals

(4.8%)', and 'Others' (1.2%).

2.2.2 Redundancies

Data gathered from the Labour Department indicates that a total of 535 workers were laid off during the second quarter of 2012, representing a drop of 9.5 per cent from the level recorded in the preceding quarter. The highest number of job losses was recorded in May with 208 workers laid-off. The reasons assigned for the lay-offs were slowdown in business and financial difficulties.

3.4 Outlook

Trends in selected indicators of economic activity suggest that the domestic economy remained resilient in the second quarter of 2012, in spite of the global economic downturn. Looking ahead, prospects of the domestic economy remains positive as the depreciation in the value of the cedi has subsided due to the recent policy implementation by the authorities.

Table 2.1: Quarterly Job Vacancies by Sector and Skills (2012 Q2)

	Executive & Top Professionals	Other Professionals & Technicians	Secretarial & Clericals	Sales & Other Service Workers	Artisans & Machine Operators	Others	TOTAL	% of total	ctn within
AGRICULTURE	0	11	0	0	0	0	11	0.59	
Industry	25	269	17	31	56	0	398	21.39	
Mining & Quarrying	17	145	1	6	4	0	173	9.30	43.47
Manufacturing	0	54	12	5	8	0	79	4.25	19.85
Electricity & Water	2	26	0	0	0	0	28	1.50	7.04
Construction	6	44	4	20	44	0	118	6.34	29.65
Services	88	977	72	223	70	22	1452	78.02	
Transport, Storage & Communication	1	73	2	15	5	0	96	5.16	6.61
Wholesale & Retail Trade	0	51	19	27	9	0	106	5.70	7.30
Restaurant & Hotels	0	26	3	37	1	18	85	4.57	5.85
Finance, Insurance & Real Estate	10	144	0	30	5	0	189	10.16	13.02
Public Sector	21	79	3	0	1	0	104	5.59	7.16
Education	24	222	4	7	3	2	262	14.08	18.04
Health	17	109	14	18	3	0	161	8.65	11.09
Business Services	6	64	5	33	18	1	127	6.82	8.75
Producers of Private non-profit service	1	51	1	7	6	0	66	3.55	4.55
Embassies, Intl org, etc	8	77	9	4	3	1	102	5.48	7.02
Other Services	0	81	12	45	16	0	154	8.28	10.61
TOTAL	113	1257	89	254	126	22	1861	100.00	
% of Total	6.1	67.5	4.8	13.6	6.8	1.2	100.0		
	Skilled Labour	73.6							

3. Price Developments

3.1 Global Inflation

Global inflation eased in the second quarter of 2012, partly in response to the receding commodity prices.

Inflationary dynamics remain contained in the advanced economies. In the **OECD Countries**, consumer price inflation fell to 2.0 per cent at the end of the second quarter of 2012, from 2.7 per cent at the end of the preceding quarter and a peak of 3.3 per cent in the third quarter of 2011. This partly reflected the decline in the annual rate of change in the energy component of consumer price index. Annual inflation, excluding food and energy, declined to 1.8 per cent in the second quarter from 1.9 per cent in the first quarter of 2012.

In the **United States**, annual inflation slowed to 1.7 per cent at the end of the second quarter of 2012, from 2.7 per cent in the preceding quarter, as the pace of increase in the energy prices slowed down. Annual inflation, excluding food and energy, declined to 2.2 per cent in the second quarter, from 2.3 per cent observed in the first quarter.

The **Euro area** annual HICP inflation declined to 2.4 per cent in the review period, from 2.6 per cent in the preceding quarter. The main components with the highest annual rates during the period were Alcohol & Tobacco (4.7%), Housing (3.8%) and Transport (3.2%), while the lowest annual rates were observed for Communications (-3.1%), Education (0.7%) and Recreation & Culture (1.0%).

Chart 3.1: Annual Inflation in Advanced Economies (%)

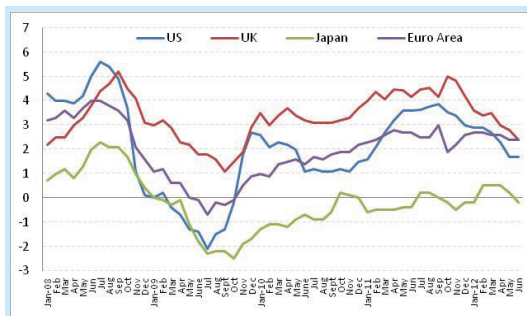


Chart 3.2: Annual Inflation in Emerging Economies (%)

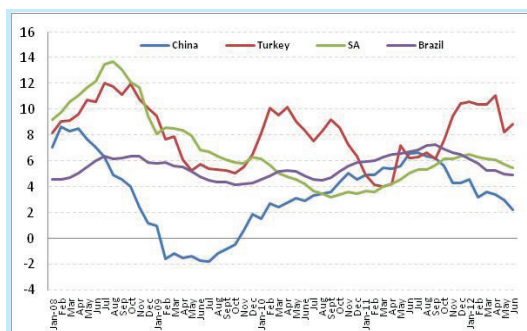
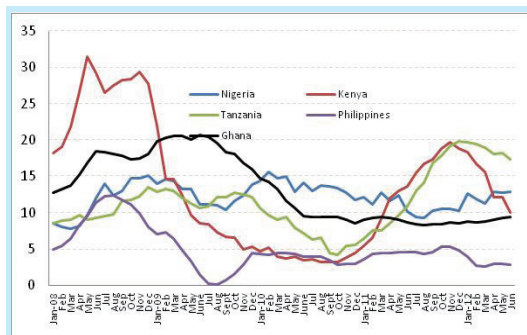


Chart 3.3: Annual Inflation in Developing Economies (%)



Annual inflation in the **United Kingdom** also recorded a decline of 2.4 per cent at the end of the second quarter of 2012, from 3.5 per cent in the preceding quarter. The fall in inflation was mainly due to lower prices of commodities and clothing. Looking ahead, the existence of spare capacity and the sluggish recovery in economic activity should contribute to a further dampening of inflationary pressures in the UK economy.

In **Japan**, the annual inflation recorded a decline of 0.2 per cent in the second quarter of 2012, from negative 0.3 per cent in the preceding quarter, owing mainly to falling prices in energy and consumer durables. Annual inflation, excluding food and energy, remained unchanged at -0.6 per cent in the review quarter.

Like the advanced economies, inflation in the emerging and developing economies has declined in most of the economies.

In **China**, annual inflation fell more sharply than expected in the second quarter of 2012, driven mainly by falling food prices. Annual inflation stood at 2.2 per cent in the review quarter, from 3.6 per cent recorded in the preceding quarter. This has offered Beijing room to loosen monetary policy to boost slowing growth.

Annual consumer inflation in **Brazil** declined more than expected to 5.0 per cent in the second quarter from 5.2 per cent in the previous quarter.

In **Kenya**, inflation declined to 10.1 per cent during the second quarter of 2012, from 15.6 per cent recorded in the preceding quarter.

This was driven largely by the falling food prices and transport fares.

Nigeria, however, recorded an increase in the annual consumer inflation rate to 12.9 per cent in the second quarter of 2012, from 11.3 per cent observed in the preceding quarter.

3.2 Domestic Inflation

In the domestic economy, the annual consumer inflation further accelerated during the second quarter of 2012, partly driven by the weak cedi and the lean season for food production.

Headline inflation increased to 9.4 per cent at the end of the second quarter, from 8.8 per cent in the preceding quarter. The marginal rise in inflation in the review period was driven by both Food and Non-food inflation with Food inflation accounting for a greater share of the rise. Food inflation increased from 4.4 per cent in the first quarter to 5.4 per cent at the end of the second quarter. The Non-Food inflation also rose from 11.4 per cent in the first quarter to 11.9 per cent in the review quarter.

3.3 Group Inflation (yr-on-yr changes)

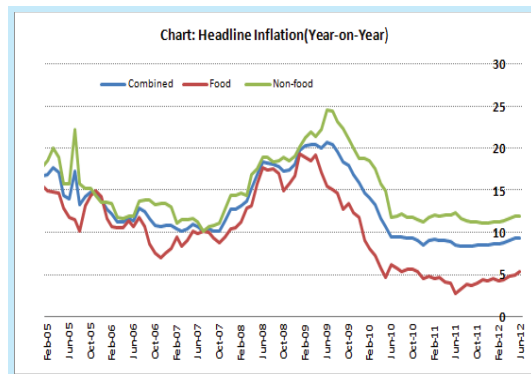
Developments in the sub-groups of the consumer basket exhibited mixed results. While some components posted relative increases, others observed relative declines. The main sub-groups that exerted upward pressures on prices included Transport, Alcoholic Beverages & Tobacco, Recreation and Culture, Education, Health, as well as Housing and Utilities.

3.4 Contributions to the Change in Consumer Prices (%)

In the assessment of the contributions² of the main sub-indices to inflation in the review period showed significant changes on both year-on-year and quarter-on-quarter basis. While Food and Non-Alcoholic Beverages index indicated sharp increases in its contribution towards the upward movements in prices due to the adverse effects of the lean season, the contribution from the Non-Food component declined on account of a slow pass through from the recent volatilities in the exchange rate.

The Food and Beverages sector accounted for 26.6 per cent (23.5% in the first quarter of 2012) towards the upward movements in overall inflation during the review quarter, whereas the remaining 73.4 per cent (76.5%

Chart 3.4: Inflation Trends



in the first quarter of 2012) was contributed by the Non-Food sector.

3.5 Outlook for Inflation

Price developments during the first two quarters of 2012 suggested a build-up in

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

	Headline Inflation (yr-on-yr)			Monthly Changes in CPI (%)		
	Combined	Food	Non-food	Combined	Food	Non-food
Jan-11	9.08	4.84	11.82	2.06	1.63	2.32
Feb	9.16	4.59	12.12	1.59	1.36	1.73
Mar	9.13	4.70	12.00	1.11	1.21	1.04
Apr	9.02	4.18	12.16	1.31	1.22	1.36
May	8.90	3.93	12.15	1.76	2.01	1.61
Jun	8.59	2.78	12.44	1.28	1.13	1.36
Jul	8.39	3.25	11.76	0.63	0.66	0.62
Aug	8.41	3.79	11.38	-0.70	-1.29	-0.33
Sep	8.40	3.74	11.30	-1.53	-3.35	-0.44
Oct	8.56	4.03	11.32	-0.80	-1.95	-0.14
Nov	8.55	4.41	11.08	0.46	0.82	0.26
Dec	8.58	4.27	11.21	1.16	0.89	1.32
Jan-12	8.73	4.54	11.27	2.20	1.89	2.38
Feb	8.64	4.33	11.24	1.50	1.15	1.70
Mar	8.80	4.40	11.40	1.20	1.30	1.20
Apr	9.10	4.80	11.70	1.60	1.50	1.70
May	9.30	5.00	11.90	2.00	2.20	1.80
Jun	9.44	5.40	11.88	1.38	1.50	1.31

² It measures the effective contribution of each sub-group in the CPI basket to the overall inflation by taking into account the price change and the weight of the sub-group in the CPI basket.

inflation expectations. The upside risks to inflation are due to potential lag effects of the cedi depreciation which may emerge in the coming quarter. However, this impact may

be mitigated by the bumper harvest in the third quarter of 2012, which could ease Food inflation.

Table 3.2: Inflation by Sub-groups: Year-on-Year Changes in CPI (%): 2011 - 2012

Food Group	Weight	Jun-11	Mar-12	Jun-12	Mov'ts	Non-Food Group	Weight	Jun-11	Mar-12	Jun-12	Mov'ts
Mineral water, soft drinks & juices	0.95	4.70	8.40	19.10	↑	Transport	6.21	23.35	17.60	19.70	↑
Coffee, Tea & Cocoa	0.69	12.03	17.40	13.60	↓	Alcoholic Beverages, Tobacco	2.23	12.38	14.20	16.30	↑
Meat	4.07	9.13	10.60	10.00	↓	Miscellaneous gds & Serv.	2.99	17.39	16.40	14.50	↓
Sugar, Jam, Chocolate etc.	1.17	14.17	10.70	9.80	↓	Recreation & Culture	3.04	5.98	13.70	14.00	↑
Bread and Cereal	7.97	0.04	8.20	7.50	↓	Furnish, H/H Equipt. Etc	7.83	12.00	14.50	13.80	↓
Milk, Cheese & Eggs	1.69	10.72	5.50	6.80	↑	Clothing and footwear	11.29	13.24	13.90	13.20	↓
Fish	10.24	1.33	5.70	5.90	↑	Education	1.6	2.56	7.20	10.20	↑
Food Products	1.06	-1.57	3.50	4.90	↑	Health	4.33	7.28	7.60	9.20	↑
Vegetables Incl. Potatoes & Tuber	12.46	-0.82	-1.30	1.80	↑	Housing and Utilities	6.98	14.72	7.80	8.80	↑
Oils & Fats	2.48	13.75	3.10	1.40	↓	Hotels, Cafes & Restaurants	8.28	11.21	6.90	6.20	↓
Fruit	2.12	11.92	-1.50	-0.10	↑	Communications	0.31	0.00	0.70	0.70	-

Table 3.3: Contributions of Sub-groups to the Change in Consumer Prices (Averages)

Food Group	Weight	Jun-11	Mar-12	Jun-12	Mov'ts	Non-Food Group	Weight	Jun-11	Mar-12	Jun-12	Mov'ts
Bread and Cereal	7.97	0.0	7.6	6.6	↑	Clothing and footwear	11.29	17.3	18.3	16.3	↑
Fish	10.24	1.6	6.8	6.6	↑	Transport	6.21	16.8	12.7	13.4	↑
Meat	4.07	4.3	5.1	4.5	↓	Furnish, H/H Equipt. Etc	7.83	10.9	13.2	11.8	↓
Vegetables Incl. Potatoes & Tuber	12.46	-1.2	-1.9	2.4	↑	Housing and Utilities	6.98	11.9	6.3	6.7	↑
Mineral water, soft drinks & juices	0.95	0.5	0.9	2.0	↓	Hotels, Cafes & Restaurants	8.28	10.8	6.6	5.6	↓
Milk, Cheese & Eggs	1.69	2.1	1.1	1.3	↑	Miscellaneous gds & Serv.	2.99	6.0	5.7	4.8	↑
Sugar, Jam, Chocolate etc.	1.17	1.9	1.6	1.3	↓	Recreation & Culture	3.04	2.1	4.9	4.7	↓
Coffee, Tea & Cocoa	0.69	0.9	1.4	1.0	↑	Health	4.33	3.7	3.8	4.3	↑
Food Products	1.06	-0.2	0.4	0.5	-	Alcoholic Beverages, Tobacco	2.23	3.2	3.7	4.0	↑
Oils & Fats	2.48	4.0	0.9	0.4	↓	Education	1.60	0.5	1.3	1.8	↓
Fruit	2.12	2.9	-0.4	0.0	↑	Communications	0.31	0.0	0.0	0.0	-
Total	44.9	16.9	23.5	26.6	↑	Total	55.1	83.1	76.5	73.4	↓

4. Money and Financial Markets

Monetary developments in the second quarter of 2012 exhibited a rising trend in the annual growth of Broad money, including foreign currency deposits (M2+).

4.1 Broad Money Supply

The annual growth rate of M2+ in the second quarter of 2012 was 34.0 per cent (GH¢5,170.0 million) year-on-year, compared with increases of 40.2 per cent (GH¢4,356.2 million) a year ago, 33.2 per cent (GH¢4,532.2 million) in December 2011 and 29.1 per cent

(GH¢4,166.3 million) in the first quarter of 2012. At the end of June 2012, M2+ totalled GH¢20,370.1 million.

The change in M2+ was reflected in the domestic currency component (M2) with some support from foreign currency deposits. The most liquid components of M2, currency outside banks and demand deposits rose by 29.6 per cent (GH¢825.1 million) and 45.2 per cent (GH¢1,749.4 million) respectively, while foreign currency deposits firmed up by 47.3 per cent (GH¢1,734.9 million) during the

Table 4.1: Monetary Indicators (GH¢' million)

	Levels			Variations (year-on-year)							
	Jun-10	Jun-11	Jun-12	As at end-Dec. 2010		As at end-June 2011		As at end-Dec 2011		As at June 2012	
				abs	per cent	abs	per cent	abs	per cent	abs	per cent
Reserve Money	2,782.60	4,243.40	6,155.87	1,368.70	45.01	1,460.80	52.50	1,370.00	31.07	1,912.47	45.07
Narrow Money (M1)	4,315.90	6,660.96	9,235.43	2,254.12	54.35	2,345.06	54.34	2,312.62	36.12	2,574.47	38.65
Broad Money (M2)	8,440.50	11,532.46	14,967.54	3,385.09	44.84	3,091.96	36.63	3,305.98	30.23	3,435.08	29.79
Broad Money (M2+)	10,845.90	15,202.10	20,372.07	3,451.70	33.80	4,356.20	40.16	4,532.23	33.17	5,169.97	34.01
Currency with the Public	1,841.80	2,786.30	3,611.39	844.80	40.57	944.50	51.28	836.10	28.56	825.09	29.61
Demand Deposits	2,474.10	3,874.66	5,624.03	1,409.32	68.24	1,400.56	56.61	1,476.52	42.49	1,749.38	45.15
Savings & Time Deposits	4,124.60	4,871.50	5,732.11	1,130.98	33.24	746.90	18.11	993.36	21.91	860.61	17.67
Foreign Currency Deposits	2,405.40	3,669.64	5,404.53	66.61	2.50	1,264.24	52.56	1,226.25	44.95	1,734.89	47.28
Sources of M2+											
Net Foreign Assets (NFA)	4,009.35	6,791.94	6,490.75	1,818.88	46.22	2,782.59	69.40	2,126.01	36.95	-301.19	-4.43
BOG	3,530.10	5,485.20	4,483.28	1,969.90	60.22	1,955.10	55.38	1,428.70	27.26	-1,001.92	-18.27
DMBs	479.25	1,306.74	2,007.47	-151.02	-22.74	827.49	172.66	697.31	135.91	700.73	53.62
Net Domestic Assets	6,836.55	8,410.16	13,881.32	1,632.82	26.02	1,573.61	23.02	2,406.22	30.42	5,471.16	65.05
Claims on Government (net)	3,872.20	4,089.61	7,292.37	573.01	15.59	217.41	5.61	931.79	21.93	3,202.76	78.31
BOG	1,256.50	588.90	4,054.17	-18.40	-1.32	-667.60	-53.13	571.70	41.69	3,465.27	588.43
DMBs	2,615.70	3,500.71	3,238.19	591.41	25.87	885.01	33.83	360.09	12.51	-262.52	-7.50
Claims on Public Sector	958.29	524.84	1,111.66	43.18	3.85	-433.45	-45.23	-399.35	-34.31	586.83	111.81
BOG	87.20	24.10	24.10	18.60	338.18	-63.10	-72.36	0.00	0.00	0.00	0.00
DMBs	871.09	500.74	1,087.56	24.58	2.20	-370.35	-42.52	-399.35	-35.03	586.83	117.19
Claims on Private Sector	6,163.96	6,965.06	9,782.67	801.83	14.02	801.10	13.00	1,975.74	30.30	2,817.61	40.45
BOG	-43.40	-255.50	-255.50	-208.61	444.89	-212.10	488.71	0.00	0.00	0.00	0.00
DMBs	6,207.36	7,220.56	10,038.17	1,010.44	17.52	1,013.20	16.32	1,975.74	29.16	2,817.61	39.02
Other Items (Net) (OIN)	-4,157.90	-3,169.35	-4,305.38	214.79	-5.07	988.55	-23.78	-101.96	2.53	-1,136.04	35.84
o/w BOG OMO (Sterilisation)	-662.47	-845.57	-655.34	-313.44	51.60	-183.09	27.64	-54.66	5.94	190.23	-22.50

period.

4.2 Sources of Change in M2+

The annual growth in M2+ in the second quarter of 2012 emanated mainly from Net Domestic Assets (NDA) of the banking system. NDA went up by 65.1 per cent (GH¢5,471.6 million) but was moderated by a 4.4 per cent (GH¢301.2 million) decline in Net Foreign Assets (NFA).

The decline in the NFA during the period was mainly attributed to the decline in Bank of Ghana holdings by GH¢1,001.9 million (18.3%), which was moderated by an increase in commercial banks' holdings of GH¢700.7 million (53.6%).

The change in the NDA of the banking system during the review period was largely reflected in increases in claims on the private sector which went up by 40.5 per cent (GH¢2,817.6 million), net claims on Government went up by 78.3 per cent (GH¢3,202.8 million) and claims on the public sector (GH¢586.8 million or 111.8%). This was partially offset by a 35.8 per cent (GH¢1,136.0 million) decline in Other Items Net (OIN).

4.3 Developments in Banks' Outstanding Credit

In the second quarter of 2012, the nominal annual growth rate of banks' outstanding credit to the public and private institutions increased on year-on-year and on year-to-date basis. The growth rate increased to 44.1 per cent (GH¢3,418.7 million) in June 2012 from 8.6 per cent (GH¢614.3 million)

Chart 4.1: Inflation and Liquidity (%)

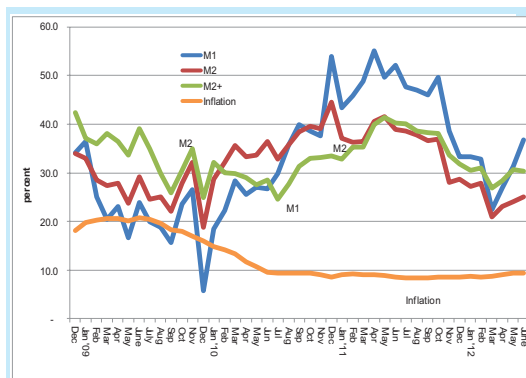


Chart 4.2: Sectoral Allocation of Annual Credit to the Private Sector (2010-2011)

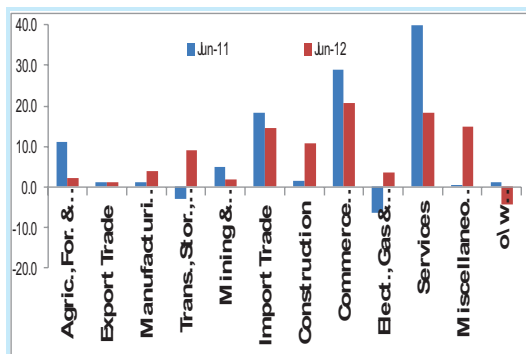
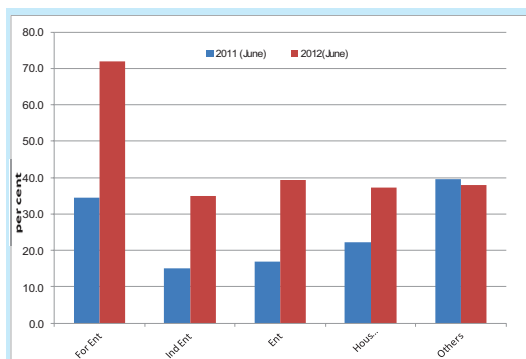


Chart 4.3: Allocation of Annual Flow of Credit to the Private Sector by Borrower (GH¢'M)



in the corresponding quarter of 2011 and 17.0 per cent (GH¢1,357.7 million) growth in December 2011.

Outstanding credit to public and private institutions stood at GH¢11,171.8 million at the end of June 2012. This may be compared with GH¢7,753.1 million and GH¢10,515.0 million recorded in the corresponding period of 2011 and at the end of March 2012 respectively. In real terms, the growth rate in the second quarter rose from 27.3 per cent in March 2012 (7.7% in December 2011) to 31.6 per cent. This may be compared with zero per cent growth in the second quarter of 2011.

Credit to private sector accounted for 89.9 per cent of the total outstanding credit at the end of June 2012, compared to 93.1 per cent and 89.3 per cent recorded in the corresponding quarter of 2011 and the first quarter of 2012 respectively.

4.3.1 *Distribution of Outstanding Credit to the Private Sector*

Developments in outstanding credit to the private sector continued to indicate an upward

trend during the review period. The growth rate increased to 39.0 per cent (GH¢2,817.6 million) at the end of June 2012, from 26.3 per cent (GH¢1,784.3 million) in December 2011. This may be compared with an increase of 18.2 per cent (GH¢1,111.6 million) during the corresponding quarter of 2011.

Outstanding credit to the private sector stood at GH¢10,038.2 million at the end of the second quarter of 2012. In real terms, the annual growth rate of outstanding credit to the private sector also increased to 27.1 per cent during the review quarter, from 16.3 per cent and 8.8 per cent recorded at the end of December and June 2011 respectively.

With the exception of ‘Others’ that experienced a decline in the annual flow of credit, all sectors registered increases above the levels recorded in the corresponding quarter of 2011. The major beneficiaries were Commerce & Finance (20.6%), Services (18.2%), Miscellaneous (14.8%) and Import Trade (14.6%). This may be compared with the declines in the annual flow of credit to the Services, Commerce and Finance as

Chart 4.4: Deployment of Banks’ Annual Flow of Funds

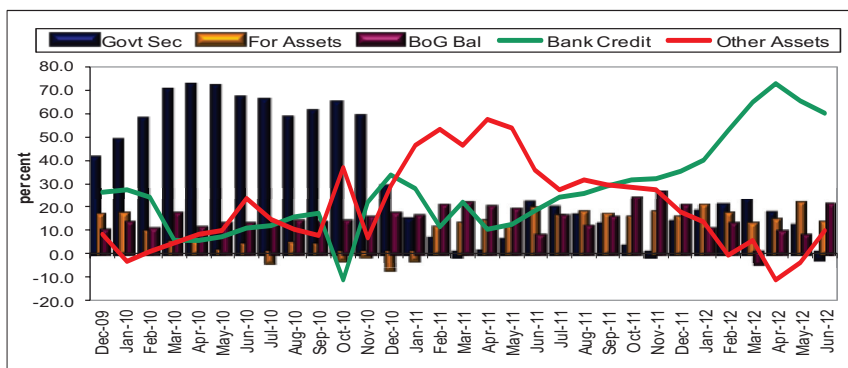


Chart 4.5: Sources of Banks' Annual Flow of Funds

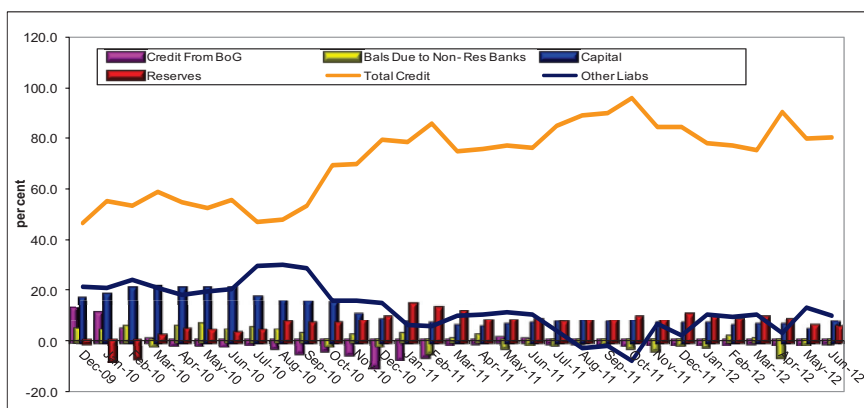


Table 4.2: Sectoral Distribution of DMBs' Outstanding Credit (GH¢' million)

	Jun-10	Jun-11	Jun-12	Year-On-Year Variation					
				As at end-June 2011		As at end-Dec 2011		As at end-June 2012	
				Abs	Per cent	Abs	Per cent	Abs	Per cent
a Public Sector	1,029.88	532.53	1,133.58	-497.35	-48.29	-426.57	-35.02	601.05	112.87
b Private Sector	6,108.93	7,220.56	10,038.17	1111.63	18.20	1784.27	26.33	2817.61	39.02
Agric., For. & Fish.	354.42	476.15	531.68	121.73	34.35	44.76	9.81	55.53	11.66
Export Trade	113.58	125.39	155.75	11.81	10.40	-28.60	-20.89	30.36	24.21
Manufacturing	911.65	921.89	1,026.87	10.24	1.12	-231.43	-21.95	104.98	11.39
Trans., Stor., & Comm.	330.99	296.47	549.90	-34.52	-10.43	79.91	26.90	253.43	85.48
Mining & Quarrying	195.31	249.61	296.09	54.31	27.80	193.39	95.79	46.48	18.62
Import Trade	374.49	576.35	986.90	201.87	53.90	399.75	86.71	410.55	71.23
Construction	610.91	625.86	930.43	14.95	2.45	153.54	26.40	304.56	48.66
Commerce & Finance	817.98	1,140.62	1,721.80	322.64	39.44	244.58	22.46	581.18	50.95
Elect., Gas & Water	423.22	349.39	449.74	-73.83	-17.45	104.00	32.13	100.35	28.72
Services	1,383.29	1,862.91	2,375.88	479.63	34.67	681.24	43.51	512.97	27.54
Miscellaneous	593.09	595.90	1,013.13	2.81	0.47	143.14	23.50	417.23	70.02
c Grand Total	7,138.81	7,753.09	11,171.75	614.28	8.60	1357.70	16.98	3418.66	44.09

well as Agriculture, Forestry and Fisheries sub-sectors in the corresponding quarter of 2011. The Foreign Enterprise sub-sector had the highest growth rate of 71.9 per cent in the annual flow of credit to the private sector, while Indigenous Enterprises held 35.0 per cent. This may be compared with the respective holdings of 34.4 per cent and 15.0 per cent during the corresponding quarter in 2011.

4.4 Sources and Uses of Banks' Funds

Available data for June 2012 indicated that banks deployed a sizeable proportion of their annual flow of funds into credit, Investment in government securities foreign assets and other assets. Funds deployed in bank's credit increased from GH¢1,549.2 million (35.5%) in December 2011 to GH¢3,223.2 million (60.0%) at the end of the review quarter.

This may be compared with an increase of GH¢2,923.1 million (64.8%) during the preceding quarter and GH¢809.7 million (18.6%) in the corresponding quarter of 2011.

Trends in Investment in Government securities exhibited a shift from medium/long term to short-term securities during the review quarter. On a year-on-year basis, banks' investment in Government securities declined by GH¢117.4 million (2.2%) in the second quarter of 2012 from an increase of GH¢570.5 million (13.1%) in December 2011. This may be compared with an increase of GH¢903.4 million (20.7%) in the corresponding period of 2011. Investment in short-term securities increased by GH¢469.6 million (8.8%), while medium/long term securities declined by GH¢587.0 million

(10.9%) during the review quarter.

The deployment of funds into foreign assets increased to GH¢2,753.9 million at the end of June 2012, up by GH¢800.1 million (25.2%) from GH¢1,953.8 million recorded at the end of December 2011. This may be compared with an increase of GH¢766.0 million (57.7%) recorded a year ago. Other areas of deployment of funds were balances with the Bank of Ghana as required reserves which increased by GH¢1,067.4 million (19.9%) and other assets which increased by GH¢534.8 million (10.0%).

These assets continued to be funded from deposit mobilisation, mainly domestic deposits, by the banks. The year-on-year growth rate of domestic deposits increased

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

	(Amount in GH¢' million)													
	Dec-10	Jun-11	Dec-11	Jun-12	Variation (year-on-year)						Variations (year-to-date)			
					As at end-June 2011		As at end-Dec 2011		As at end-June 2012		As at end-June 2011		As at end-June 2012	
					Abs	% of Change	Abs	% of Change	Abs	% of Change	Abs	% of Change	Abs	% of Change
Sources of Funds														
Total Deposits	10,573.5	12,285.6	14,255.8	16,606.54	3,325.17	76.31	3,682.33	84.35	4,320.94	80.49	1,712.10	78.7	2,350.7	74.0
Domestic	7,845.6	8,616.0	10,301.7	11,202.01	2,060.88	47.29	2,456.08	56.26	2,586.05	48.17	770.37	35.4	900.3	28.3
Demand Deposits	3,312.3	3,744.5	4,775.0	5,469.90	1,314.00	30.15	1,462.72	33.50	1,725.44	32.14	432.14	19.9	694.9	21.9
Savings Deposits	1,877.6	2,136.8	2,557.8	2,899.64	679.81	15.60	680.23	15.58	762.89	14.21	259.17	11.9	341.8	10.8
Time Deposits	2,655.7	2,734.8	2,968.8	2,832.47	67.08	1.54	313.13	7.17	97.72	1.82	79.05	3.6	-136.4	(4.29)
Foreign Currency	2,727.9	3,669.6	3,954.2	5,404.53	1,264.29	29.01	1,226.25	28.09	1,734.89	32.32	941.74	43.3	1,450.4	45.6
Credit From BOG	134.8	134.0	80.6	95.98	0.24	0.01	(54.22)	(1.24)	(37.98)	(0.71)	(0.84)	0.0	15.4	0.5
Balances Due to Non-Resident Banks	814.6	786.9	743.4	746.41	(40.78)	(0.94)	(71.19)	(1.63)	(40.53)	(0.76)	(27.64)	(1.27)	3.0	0.1
Capital	1,389.1	1,530.9	1,665.5	1,885.89	274.25	6.29	276.39	6.33	355.03	6.61	141.73	6.51	220.4	6.9
Reserves	947.1	1,106.5	1,382.7	1,358.55	346.41	7.95	435.53	9.98	252.05	4.70	159.37	7.3	(24.11)	(0.76)
Other Liabilities*	3,384.6	3,575.4	3,481.5	4,094.15	452.26	10.38	96.92	2.22	518.73	9.66	190.87	8.8	612.7	19.3
Total	17,243.7	19,419.3	21,609.5	24,787.53	4,357.56		4,365.77		5,368.24		2,175.59		3,178.1	
Uses of Funds														
Bank Credit	7,994.7	7,948.5	9,543.9	11,171.75	809.72	18.58	1,549.21	35.49	3,223.22	60.04	(46.15)	(2.12)	1,627.9	51.2
o/w Private Sector Credit	6,776.6	7,220.6	8,560.9	10,038.17	1,013.20	23.25	1,784.27	40.87	2,817.61	52.49	443.94	20.4	1,477.3	46.5
Investment in Government Securities	3,673.4	4,332.6	4,243.9	4,215.16	903.38	20.73	570.53	13.07	(117.41)	(2.19)	659.21	30.3	(28.72)	(0.90)
Short Term	1,062.8	1,031.9	946.4	1,501.42	(858.65)	(19.70)	(116.44)	(2.67)	469.55	8.75	(30.95)	(1.42)	555.0	17.5
Medium/Long Term	2,610.5	3,300.7	3,297.5	2,713.74	1,762.03	40.44	686.96	15.74	(586.96)	(10.93)	690.17	31.7	(583.76)	(18.37)
Foreign Assets	1,327.6	2,093.7	1,953.8	2,753.88	786.71	18.05	626.12	14.34	660.20	12.30	766.04	57.7	800.1	25.2
Balances with BOG	1,919.4	1,857.4	2,761.8	2,924.79	298.33	6.85	842.36	19.29	1,067.40	19.88	(62.00)	(2.85)	163.0	5.1
Other Assets**	2,328.6	3,187.1	3,106.2	3,721.95	1,559.43	35.79	777.55	17.81	534.84	9.96	858.48	39.5	615.8	19.4
Total	17,243.7	19,419.3	21,609.5	24,787.53	4,357.56		4,365.77		5,368.24		2,175.59		3,178.1	

*Includes margin deposits, cheques for clearing, interest in suspense, borrowings from other resident banks and other unclassified liabilities.

from 47.3 per cent (GH¢2,060.9 million) in June 2011 to 56.3 per cent (GH¢2,456.1 million) in December 2011 before declining to 48.2 per cent (GH¢2,586.1 million) at the end of June 2012. Other sources of funds were reserves (GH¢252.1 million or 4.7%), capital (GH¢355.0 million or 6.6%) and Other Liabilities comprising margin deposits, cheques for clearing, borrowing from other resident banks, interest in suspense etc (GH¢518.7 million or 9.7%).

4.5 The Money Market

4.5.1 Interest Rate Trends

Interest rate developments for the second quarter of 2012 continued to show the upward trend that was witnessed from the beginning of the year.

In line with rising inflation and inflation expectations, the policy rate was increased by 150 basis points to 15.00 per cent in the second quarter, from 13.5 per cent in the first quarter of 2012. The interbank weighted average rate also increased by 858 basis points from 6.55 per cent to 15.13 per cent, compared with 11.26 per cent recorded in the first quarter of 2011. Interest rates on Treasury securities namely, the 91-day and the 182-day went up by 1,139 and 1,091 basis points respectively from 10.30 per cent and 11.13 per cent at the end of December 2011 to 21.70 per cent and 22.03 per cent in June 2012. This may be compared with respective increases of 199 and 149 basis points to 12.30 per cent and 12.62 in the first quarter in 2012.

On a year-to-date basis, the average interest rate on the 1-year and 2-year fixed notes

also went up by 1,070 and 1,060 basis points respectively to 22.00 per cent and 23.00 per cent in June 2012. This may be compared with the respective rates of 12.03 per cent and 12.11 per cent in the corresponding quarter of 2011.

Similarly, interest rates on the 3-year and 5-year fixed notes recorded a year-to-date growth of 1,000 and 1,200 basis points respectively to 24.00 per cent and 26.00 per cent in the second quarter of 2012. This may be compared with respective rates of 13.00 per cent and 13.67 per cent in the corresponding quarter of 2011.

The resulting yield curve was upward sloping compared to the one obtained in the same period a year ago.

The Deposit Money banks' average 3-month time deposit rate went up by 50 basis points to 10.00 per cent in the review quarter, from 9.50 per cent in the first quarter of 2012. The average savings rate also rose by 145 basis points to 5.05 per cent during the second quarter of 2012, from 4.05 per cent recorded in the preceding quarter. The average lending rate declined by 128 basis points to 24.65 per cent in the second quarter of 2012, from 25.93 per cent in the preceding quarter.

Consequently, the spread between the borrowing and lending rates reduced from 18.18 per cent in March 2012 to 14.65 per cent in June 2012.

The average base rate of banks declined by 168 basis points to 20.39 per cent during the review quarter, from 22.07 per cent recorded

in the first quarter of 2012.

4.5.2 Settlement of Interbank Transactions

Volume of transactions settled through the Ghana Interbank System (GIS) during the second quarter of 2012 totalled 111,567, valued at GH¢75.3 million, representing an increase of 10.0 per cent in settlements from the preceding quarter, and up by 27.5 per cent from the level recorded in the corresponding period of 2011. On the average, a total of 1,829 transactions, valued at GH¢1,234.6 million were settled daily through the GIS, during the review quarter. This compares with a total of 1,663 cheques, valued at GH¢1,154.3 million settled daily in the first quarter and 1,434 transactions, valued at GH¢1,091.6 million settled daily through the GIS in the corresponding quarter of 2011.

Cheques Cleared

The volume of cheques cleared during the second quarter of 2012 declined by 0.3 per cent to 1,624,793 valued at GH¢15,863.2 million from the level recorded in the first quarter. In value terms, there was a 0.5 per cent increase from the value recorded in the first quarter and an increase of 30.3 per cent when compared with the value attained during the corresponding quarter in 2011. On a daily basis, an average of 26,624 cheques valued at GH¢260.0 million were cleared during the second quarter of 2012 compared with 26,505 cheques valued at GH¢253.1 million cleared daily during the first quarter. A year earlier, a total of 26,230 cheques were cleared daily at a value of GH¢199.6 million.

Chart 4.6: The Yield Curve (%)

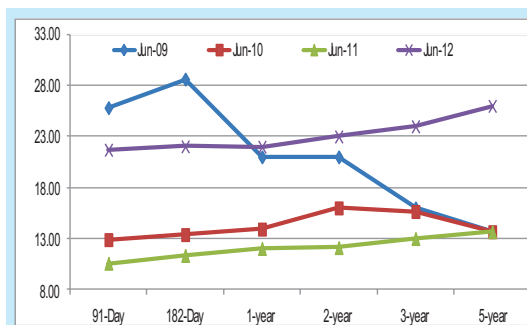


Chart 4.7: Spread between Real Savings and Lending Rates (%)

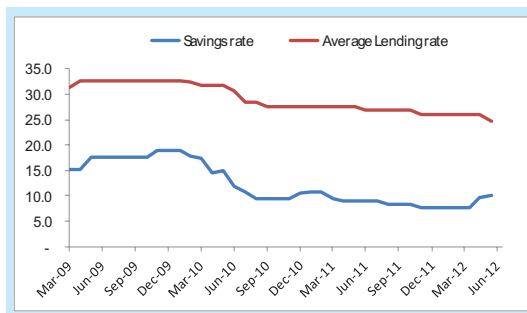
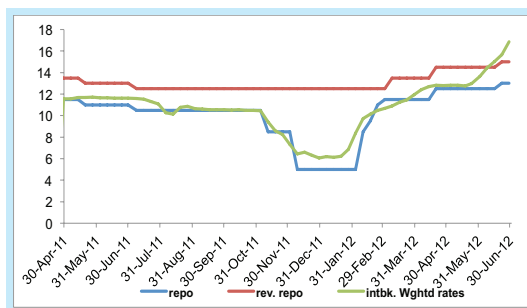


Chart 4.8: Money Market Rate (Second Quarter 2011 and 2012)



4.5.3 Money Market Liquidity

Repo trading in the second quarter of 2012 totalled GH¢5,082.9 million, a decline of 26.9 per cent from GH¢6,951.0 million recorded in the preceding quarter. Reverse repo trading also declined by 8.1 per cent to GH¢823.5 million during the review quarter. The corresponding quarter of 2011 witnessed a significant drop in the level of repo trading (53.3%), while reverse repo trading increased by 135.9 per cent. On the interbank market, traded values were between GH¢1,353.0 million and GH¢546.0 million during the review quarter, compared with ranges of GH¢1,455.6 million and GH¢472.0 million during the preceding quarter. During the second quarter of 2011, trading was within ranges of GH¢1,075.1 million and GH¢527.6 million.

4.5.4 Tender Results

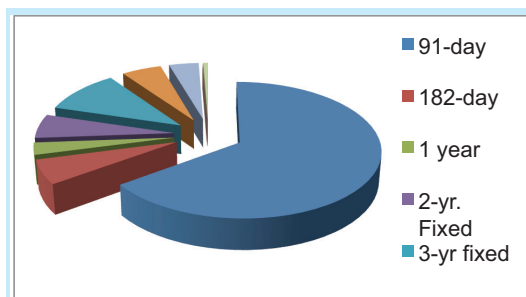
Total sales at the auction during the second quarter totalled GH¢5,117.9 million with maturities totalling GH¢4,160.9 million. This resulted in a net sale of GH¢956.9 million, out of which an amount of GH¢813.5 million was used to finance government activities and a withdrawal through Bank of Ghana's OMO activities to the tune of GH¢143.4 million. The 91-day bill accounted for 65.0 per cent of total sales, followed by the 3-year bond which accounted for 10.5 per cent.

4.6 Currency Markets

4.6.1 International Currency Market

At the onset of the second quarter, the sluggish growth of the global economy as well as the persistence of the Euro zone sovereign debt crises raised concerns and triggered risk aversion in the currency market. Safe haven

Chart 4.9: Distribution of Government Securities



currencies, especially the yen and to a large extent the US dollar, became attractive to investors. However in June, when EU leaders agreed to take action to solve the Greek sovereign debt crisis and to take measures to forestall future occurrence of such crisis in the Euro zone, investors found faith in risky but higher yielding currencies.

The US economy which picked-up during the first quarter lost momentum and the dollar was shunned by investors as a safe haven currency. However in May, the US dollar bounced back strongly with a rise in the US manufacturing sector index which revived hope for better economic prospects in the US economy. The US dollar dipped slightly in June on account of declining consumer sentiments. For the second quarter of 2012 as a whole, the US dollar appreciated by 1.9 per cent and 5.4 per cent against the pound sterling and the euro respectively, but depreciated by 3.4 per cent against the yen

The pound sterling traded quite strongly at the beginning of the second quarter on account of high consumer sentiments, making it attractive to investors. It however retreated

Table 4.4: Analysis of Tender Results (Apr – Jun 2012)

Tender No.	Date of Auction	Type of Security	Rates Received		Rates Accepted		Bids Received	Amount (GH¢)	Bids Accepted	Amount (GH¢)
			Discount Rates	Interest Rates	Discount Rates	Interest Rates				
1269		91-day	12.1000-16.5000	12.4774-17.2099	12.4774	13.2131	10,165	162,573,449.0	10,157	124,213,899.0
		182-day	12.4000-15.9500	13.2196-17.3322	12.6232	13.4736	729	64,774,388.0	154	2,744,586.0
		1 year		12.1000-16.2000		13.2000	144	6,460,538.0	143	3,960,538.0
		2-yr. Fixed		12.1000-16.6500		13.6000	29	12,917,113.0	24	1,055,686.0
1270	5-Apr-12	91-day	12.5000-15.95000	12.9032-16.6124	13.0312	13.4700	9,664	253,313,296.0	9,660	225,269,255.0
		182-day	12.6000-16.5000	13.4472-17.9800	12.9626	13.8610	1,206	56,468,090.0	1,004	33,452,872.0
		1 year		12.5000-16.7500		13.5000	91	4,167,156.0	90	667,156.0
		2-yr. Fixed		13.4000-16.9000		14.0000	18	30,831,577.0	16	17,331,577.0
1271	13-Apr-12	91-day	12.7500-15.7800	13.1698-16.4281	13.3868	13.8503	7,966	253,296,727.0	7,963	234,296,727.0
		182-day	12.6000-16.2000	13.4472-17.6279	12.9967	13.9000	888	94,719,406.0	884	61,937,406.0
		1 year		11.0000-16.5000		14.5000	139	13,193,928.0	138	9,693,928.0
		2-yr. Fixed		12.8000-16.9000		14.9000	16	20,193,650.0	14	5,193,650.0
1272	20-Apr-12	91-day	13.5000-16.0000	13.9715-16.6667	13.9823	14.4888	15,269	324,041,000.0	12,807	200,467,158.0
		182-day	12.8000-15.5500	13.6752-16.8609	13.1120	14.0319	845	16,359,997.0	843	10,859,997.0
		1 year		12.5000-16.5000		14.5000	132	9,055,252.0	124	7,038,992.0
		2-yr fixed		14.2000-16.8500		14.8000	30	19,767,437.0	28	2,067,437.0
1273	27-Apr-12	91-day	13.8000-15.0000	14.2931-15.5844	14.6900	15.2501	13,913	403,616,722.0	13,911	374,342,697.0
		182-day	13.0000-14.9500	13.9037-16.1578	14.8500	16.0410	583	14,974,774.0	582	13,974,774.0
		1 year		12.5000-15.5000		15.5000	132	3,499,790.0	132	3,499,790.0
		2-yr. Fixed		12.1000-16.0000		16.0000	25	23,697,521.0	25	23,697,521.0
1274	4-May-12	91-day	14.2000-17.3500	14.7227-18.1367	14.8032	15.3721	13,855	266,705,069.0	13,849	211,112,069.0
		182-day	13.7500-18.5000	14.7651-20.3857	14.7262	15.8967	616	26,850,956.0	539	11,949,479.0
		1 year		12.5000-17.2500		15.5000	107	4,772,821.0	106	2,272,821.0
		2-yr. Fixed		15.5000-20.0000		16.0000	11	133,718,710.0	9	109,218,710.0
1275	11-May-12	91-day	14.5000-20.000	15.0454-21.0526	15.0247	15.6111	18,860	387,672,078.0	18,855	342,765,500.0
		182-day	14.5000-19.5000	15.6334-21.6066	14.7993	15.9819	791	50,036,421.0	670	27,528,699.0
		1 year		12.5000-17.8500		15.5000	147	39,119,904.0	139	35,078,755.0
		2-yr. Fixed		15.0000-20.0000		16.0000	24	22,770,732.0	22	1,470,732.0
1276	18-May-12	1-mnth	13.4000-15.6100	13.5396-15.7997	14.7273	14.8960	18	135,706,968.0	18	135,706,968.0
		91-day	14.5000-20.0000	15.0454-21.0526	16.6423	17.3647	14,002	365,932,247.0	14,002	357,682,247.0
		182-day	14.6000-19.7500	15.7497-21.9140	15.8279	17.1882	919	24,362,736.0	918	24,362,736.0
		1 year		12.5000-20.6000		20.0500	130	5,914,957.0	129	3,414,957.0
1277	24-May-12	2-yr. Fixed		15.5000-21.1500		21.1500	16	33,647,499.0	16	33,647,499.0
		91-day	16.4000-23.0500	17.1011-24.4595	18.4693	19.3633	10,512	290,916,617.0	10,501	204,550,293.0
		182-day	15.6000-23.9500	16.9197-27.2082	18.3528	20.2070	776	27,528,756.0	65	859,206.0
		1 year		12.5000-24.1000		20.5000	184	10,049,377.0	183	6,549,377.0
1278	1-Jun-12	2-yr fixed		20.0000-30.0000		21.1500	33	50,463,816.0	29	20,940,766.0
		3-yr fixed		18.9000-32.0000		24.0000	69	775,143,555.0	48	534,163,555.0
		91-day	18.0000-28.0000	18.8482-30.1075	19.6651	20.6819	16,814	375,654,496.0	16,811	335,316,114.0
		182-day	18.0000-23.5000	19.7802-26.6289	18.7432	20.6814	1,107	57,814,480.0	1,106	52,714,480.0
146	6-Jun-12	1 year		12.5000-25.0000		22.0000	152	24,160,886.0	151	21,660,886.0
		2-yr. Fixed		20.0000-30.0000		23.0000	28	57,978,336.0	26	31,878,336.0
		1-mnth	18.0000-18.9500	18.2527	18.0000	18.2527	4	32,458,110.0	1	10,150,580.0
		2-mnth	21.1000	21.8097	0.0000	0.0000	1	-	-	-
1279	8-Jun-12	9-mnth	24.0000	29.2683	0.0000	0.0000	1	-	-	-
		91-day	12.4000-28.0000	12.7967-30.1075	19.2396	20.2118	23,910	311,255,660.0	23,906	284,250,263.0
		182-day	19.0000-23.9000	20.9945-27.1437	19.0000	20.9945	890	35,310,901.0	84	1,024,945.0
		1 year		15.0000-25.1000		22.0000	168	24,076,576.0	167	18,076,576.0
147	13-Jun-12	2-yr. Fixed		15.0000-30.0050		23.0000	33	30,488,627.0	31	3,488,627.0
		5-yr bond		23.9900-33.0000		26.0000	59	516,480,000.0	35	267,280,000.0
		1-mnth	18.0000-20.0000	18.2527-20.3125	18.0831	18.3382	9	65,212,093.0	3	22,676,002.0
1280	15-Jun-12	91-day	18.5000-26.0000	19.3971-27.8075	20.7692	21.9067	11,470	208,046,027.0	10,748	174,873,903.0
		182-day	17.0000-28.5000	18.5792-33.2362	19.0872	21.1010	1,988	52,765,139.0	1,987	46,765,139.0
		1 year		15.0000-23.0000		22.0000	275	33,806,728.0	273	26,806,728.0
		2-yr. Fixed		15.0000-30.0000		23.0000	47	47,637,018.0	45	25,637,018.0
148	30-Jun-12	1-mnth	18.2500-18.9500	18.5098-19.2303	18.2750	18.5336	4	25,000,000.0	2	20,000,000.0
		9-mnth	21.5000-21.7000	25.6334-25.9182	21.5000	25.6334	2	15,000,000.0	1	10,000,000.0
1281	22-Jun-12	91-day	20.0000-26.0000	21.0526-27.8075	21.2509	22.4432	13,250	270,519,586.0	13,512	230,135,413.0
		182-day	19.0000-23.0000	20.9945-25.9887	20.4156	22.7365	544	14,788,151.0	541	9,980,288.0
		1 year		15.0000-24.0500		22.0000	166	13,535,516.0	165	9,535,516.0
		2-yr. Fixed		21.0000-32.0000		23.0000	54	37,551,128.0	52	19,751,128.0
149	27-Jun-12	1-mnth	18.2500-19.8800	18.5099-20.1887	18.2500	18.5099	5	17,500,000.0	1	10,000,000.0
		2-mnth	19.5000-20.0000	20.1031-25.6334	19.5000	20.1031	3	3,000,000.0	1	1,000,000.0
		9-mnth	21.4000-21.5000	25.4914-25.6334	21.4535	25.5673	2	21,500,000.0	2	21,500,000.0
								6,730,774,488.0		5,073,541,957.0

as reports pointed to slump in exports and UK consumer confidence. During the review quarter, the pound sterling depreciated by 1.92 per cent and 5.75 per cent against the US dollar and the yen respectively, but appreciated by 3.41 per cent against the euro.

The euro remained vulnerable in April and May as the Euro Zone struggled with the lingering sovereign debts crisis. France and Greece showed lack of commitment to austerity measures aimed at tackling the Euro zone debt crisis, while concern was raised about troubled Spanish banks. However in June, the euro got a slight boost when pro-austerity parties won the national election and EU leaders pledged to tackle the Greek debt crisis and also create a single supervisory body to oversee Euro zone banks. Consequently, the euro depreciated by 5.12 per cent, 3.27 per cent and 8.59 per cent against the US dollar, the pound sterling and the euro respectively during the review quarter.

In April and May, the concerns raised about the sluggish growth of the global economy and the risk aversion in the currency market boosted the Japanese yen as a safe haven currency. It however lost its allure in June and dropped slightly on account of unfavourable sentiments. The Japanese yen was the strongest currency during the quarter as it appreciated by 3.79 per cent, 5.80 per cent and 9.41 per cent against the US dollar, the pound sterling and euro respectively.

4.6.2 Domestic Currency Market

Inflows of foreign exchange on the domestic currency market from the traditional sources

did not meet demand which remained high throughout the quarter. Demand from official sources for loan repayments, oil importation and non-oil imports as well as demand from the informal sector by traders remained high. Speculation was also rife in the market and continued to exert much pressure on the exchange rate. These developments resulted in high depreciation of the Ghana cedi in the domestic currency market during the quarter.

In the Inter-Bank Market, the Ghana cedi continued to weaken during the review quarter with a rather sharp slide in May. The Ghana cedi recorded depreciations of 9.9 per cent, 8.5 per cent and 4.5 per cent against the US dollar, the pound sterling and euro respectively during the second quarter of 2012. In the preceding quarter, the Ghana Cedi depreciated by 8.2 per cent, 9.8 per cent and 8.5 per cent against the US dollar, the Pounds Sterling and the Euro respectively.

On the Forex Bureau Market, the weakening of the Ghana cedi mirrored developments in the inter-bank market as the currency depreciated by 9.4 per cent, 8.1 per cent and 4.3 per cent against the US dollar, the pound sterling and the euro respectively.

Foreign Exchange Transaction Market

Activity in the foreign exchange transaction market continued to slow down during the second quarter of 2012 as purchases declined by 14.1 per cent to US\$2,322.7 million from US\$2,704.0 million in the preceding quarter. The decline was mainly on account of 28.0 per cent decline in purchases by Bank of Ghana.

Table 4.5: International Market Exchange Rate Movements

End Period	US\$/£ Movements			US\$/E Movements			US\$/¥ Movements		
	Quarterly		Annual	Quarterly		Annual	Quarterly		Annual
2010	1.5470	2.2	3.0	1.3254	2.7	8.1	0.0123	-2.4	-12.2
2011									
Q1	1.6033	-3.5		1.4098	-6.0		0.0121	1.7	
Q2	1.6021	0.1		1.4391	-2.0		0.0123	-1.6	
Q3	1.5580	2.8		1.3595	5.9		0.0130	-5.4	
Q4	1.5529	0.3	-0.4	1.2959	4.9	2.3	0.0130	0.0	-5.4
2012									
Q1	1.6010	-3.0		1.3343	-2.9		0.0121	7.6	
Q2	1.5705	1.9		1.2658	5.4		0.0125	-3.4	

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

Table 4.6: Interbank Market Exchange Rate Movements

End Period	Movement								
	₹/US\$	Quarterly	Annual	₹/GBP	Quarterly	Annual	₹/Euro	Quarterly	Annual
2010	1.4738	-3.2	-3.1	2.2709	-0.9	1.2	1.9407	0.2	5.5
2011									
Q1	1.5021	-1.9		2.4338	-6.7		2.1625	-10.3	
Q2	1.5064	-0.3		2.4166	0.7		2.1523	0.5	
Q3	1.5224	-1.1		2.4308	-0.6		2.1266	1.2	
Q4	1.5505	-1.8	-4.9	2.4946	-2.6	-9.0	2.1076	0.9	-7.9
2012									
Q1	1.6888	-8.2		2.7646	-9.8		2.3025	-8.5	
Q2	1.8735	-9.9		3.0202	-8.5		2.4121	-4.5	

Depreciation (-)/ Appreciation (+)

Table 4.7: Forex Bureaux Exchange Rate Movements

End Period	Movement			Movement			Movement		
	₹/US\$	Quarterly	Annual	₹/GBP	Quarterly	Annual	₹/Euro	Quarterly	Annual
2010	1.4689	-1.3	-0.4	2.2683	-1.6	2.7	1.9550	-3.9	6.4
2011									
Q1	1.5277	-3.8		2.4341	-6.8		2.1128	-7.5	
Q2	1.5173	0.7		2.4382	-0.2		2.1400	-1.3	
Q3	1.5789	-3.9		2.4691	-1.3		2.1469	-0.3	
Q4	1.6596	-4.9	-11.5	2.5473	-3.1	-11.0	2.1591	-0.6	-9.5
2012									
Q1	1.7666	-6.1		2.7882	-8.6		2.3423	-7.8	
Q2	1.9491	-9.4		3.0327	-8.1		2.4473	-4.3	

Table 4.8: Foreign Exchange Transaction Market, (US\$' million)

Period	Purchases				Total	Percentage Change	Cumulative	Year-On-Year	Sales		Total
	BOG	Banks	Interbank	F. Bureau					Interbank	F. Bureau	
2011											
Jan	199.95	343.83	543.78	30.28	574.06	-7.62	574.06	-3.9	574.41	30.18	604.59
Feb	388.32	344.73	733.05	35.34	768.39	33.85	1,342.45	45.3	722.48	35.13	757.61
Mar	419.35	485.54	904.89	49.12	954.01	24.16	2,296.46	30.4	834.22	47.22	881.44
Q1	1,007.62	1,174.10	2,181.72	114.74	2,296.46	15.57		23.6	2,131.11	112.53	2,243.64
Apr	133.92	674.96	808.88	44.11	852.99	-10.59	3,149.45	28.1	781.67	45.90	827.57
May	369.29	607.48	976.77	46.98	1,023.75	20.02	4,173.20	70.4	980.48	46.78	1,027.26
Jun	367.66	555.05	922.71	45.31	968.02	-5.44	5,141.22	47.6	908.57	44.63	953.20
Q2	870.87	1,837.49	2,708.36	136.40	2,844.76	23.88			2,670.72	137.31	2,808.03
2012											
Jan	728.12	336.37	1,064.49	50.85	1,115.34	1.21	1,115.34	94.3	1,000.81	50.58	1,051.39
Feb	308.68	355.80	664.48	41.87	706.35	-36.67	1,821.69	-8.1	695.24	42.26	737.50
Mar	430.85	412.93	843.78	38.57	882.35	24.92	2,704.04	-7.5	853.11	38.93	892.04
Q1	1,467.65	1,105.10	2,572.75	131.29	2,704.04	-14.00		17.7	2,549.16	131.77	2,680.93
Apr	472.95	387.18	860.13	27.43	887.56	0.59	3,591.60	4.1	861.96	27.74	889.70
May	300.34	379.80	680.14	27.62	707.76	-20.26	4,299.36	-30.9	775.07	27.31	802.38
Jun	283.79	412.36	696.15	31.21	727.36	2.77	5,026.72	-24.9	730.26	31.33	761.59
Q2	1,057.08	1,179.34	2,236.42	86.26	2,322.68	-14.10		-18.4	2,367.29	86.38	2,453.67

4.7 The Stock Market

4.7.1 GSE All-Share Index (GSE-CI)

Activity on the Ghana Stock Exchange declined at the end of the review quarter, reversing the gains recorded in the first quarter. The decline in activity on the Exchange may be attributed to continuous attractiveness of money market instruments coupled with the nervousness in the capital market and the rapid depreciation of the cedi.

4.7.2 GSE Composite Index (GSE-CI)

GSE Composite Index recorded a decline of 0.13 per cent (-1.4 points) during the second quarter, compared with a growth of 8.03 per cent (77.9 points) in the preceding quarter. During the second quarter of 2011, the index grew by 11.0 per cent (117 points)

4.7.3 Sectoral Performance

There were significant movements on the Exchange during the review quarter. With the exception of the Food & Beverage and

Chart 4.10: GSE Composite-Index (GSE-CI) (2010-2012)

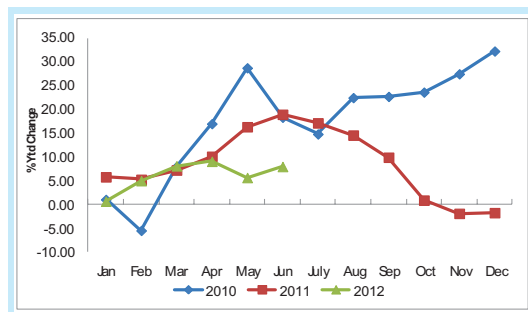
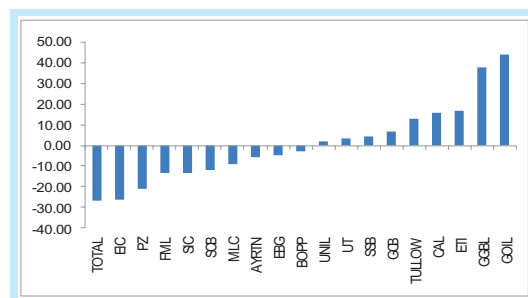


Chart 4.11: Monthly Changes in Share Prices (%) – Jun. 2012



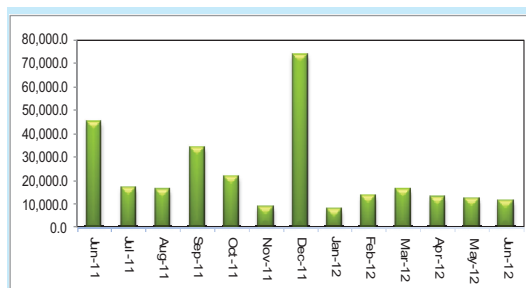
the Petroleum sub-sectors which posted appreciable returns, all the other sub-sectors either traded flat or lost value. The Distribution sub-sector led the losers with 12.1 per cent decline, followed by the Agric sub-sector with 3.0 per cent. The Finance and Manufacturing sub-sectors joined the losers with 2.3 per cent and 2.3 per cent respectively. The food and Beverage and Petroleum sub-sectors however gained 14.8 per cent and 13.1 per cent respectively. The ICT and Mining sub-sectors traded flat during the review quarter.

4.7.4 Market Performance

Volume of shares traded stood at 72.6 million valued at GH¢39.0 million, compared with 250.2 million shares valued at GH¢146.2 million exchanged during the corresponding quarter in 2011. ARYTN accounted for 19.9 per cent of the total volume of trades with 14.4 million exchanges whilst GCB exchanged GH¢6.9 million worth of shares to account for 17.7 per cent in terms of value.

For the period April – June 2012, nine equities advanced in prices while ten retreated. The rest remained unchanged. GOIL led the list

Chart 4.12: Volume of Trade



of advancers with an appreciation of 44.1 per cent, followed by GGBL with a gain of 37.7 per cent. TOTAL however lost 26.7 per cent of its value to stay at the bottom of the losers.

4.7.5 Market Capitalization

The GSE closed the second quarter of 2012 with a market capitalisation of GH¢55,097.2 million, down from GH¢50,688.4 million at the end of the preceding quarter.

4.7.6 Bond Market

Trading in 2-year and 3-year Government of Ghana bonds amounted to GH¢235.33 million and GH¢534.16 million respectively during the review quarter. There was however no activity on the corporate bond market.

Table 4.9: Stock Market Performance

MONTH	SECTOR								GSE-CI
	F&B	MAN	FINANCE	DISTR	MINING	IT	AGRIC	OIL	
Dec-11	752.4	791.5	863.1	1095.2	128.2	50.0	220.0	100.0	969.0
Mar-12	766.6	930.2	910.6	1311.2	128.3	50.0	338.0	109.8	1046.9
Jun-12	880.1	929.2	881.7	1153.1	128.3	50.0	328.0	124.2	1045.5
Month Change									
ABS	113.5	-1.0	-28.9	-158.1	0.0	0.0	-10.0	14.4	-1.4
(%)	14.8	-0.1	-3.2	-12.1	0.0	0.0	-3.0	13.1	-0.1
YTD. Change									
ABS	127.8	137.7	18.6	57.9	0.1	0.0	108.0	24.2	76.5
(%)	17.0	17.4	2.2	5.3	0.1	0.0	49.1	24.2	7.9

Table 4.10: Top Ten Trades in Volume and Value. Jan-Jun 2012

<i>Equity</i>	<i>Volume Traded</i>	<i>% of Volume Traded</i>	<i>Equity</i>	<i>Value Traded</i>	<i>% Of Value Traded</i>
AYRTN	14,411,093	19.85	GCB	6,895,326.31	17.66
GOIL	10,746,340	14.80	GOIL	4,343,443.56	11.13
ETI	8,277,913	11.40	FML	4,282,459.18	10.97
SG-SSB	8,225,205	11.33	SG-SSB	3,331,684.91	8.54
CAL	7,333,638	10.10	EBG	2,727,863.10	6.99
SIC	4,368,367	6.02	SCB	2,630,230.47	6.74
GCB	3,636,385	5.01	AYRTN	2,449,935.81	6.28
EGL	3,595,956	4.95	CAL	1,861,767.83	4.77
UTB	3,192,025	4.40	SIC	1,634,648.61	4.19
FML	1,953,789	2.69	UNIL	1,293,206.18	3.31

5. Fiscal Developments

Government budgetary operations in the second quarter of 2012 resulted in an overall fiscal deficit (including divestiture) of GH¢2,739.6 million (3.9% of GDP) against a target deficit of GH¢2,488.1 million (3.6% of GDP).

This compares unfavourably with a budgeted deficit of GH¢789.9 million (1.1% of GDP). In the corresponding period of 2011, the domestic primary balance recorded a surplus of GH¢450.1 million (0.8% of GDP).

5.1 Government Revenue

The higher domestic revenues during the quarter, vis-à-vis the high domestic expenditure resulted in a domestic primary deficit of GH¢1,225.4 million (1.8% of GDP).

Government revenue and Grants for the second quarter of 2012 amounted to GH¢3,867.4 million (5.5% of GDP), exceeding

Table 5.1: Fiscal Indicators (GH¢' million)

	PROV	PROV	PROV	BUDGET
	2011	2012	2012	2012
	Q2	Q1	Q2	Q2
Primary Bal	450.08	662.96	-1,225.37	-789.85
% of GDP	0.79	0.95	-1.76	-1.13
Overall Bal	-168.48	-978.87	-2,739.58	-2,488.10
% of GDP	-0.3	-1.4	-3.93	-3.57
Recc Exp	2,426.91	2,978.75	3,655.82	3,424.57
% of GDP	4.27	4.27	5.24	4.91
Capital Exp	696.65	937.16	742.64	1,511.67
% of GDP	1.23	1.34	1.06	2.17
Grants	208.73	462.58	328.18	371.9
% of GDP	0.37	0.66	0.47	0.53
Revenue & Grants	2,878.53	3,704.97	3,867.42	3,676.23
% of GDP	5.07	5.31	5.54	5.27
Revenue	2,669.81	3,242.39	3,539.24	3,304.33
% of GDP	4.7	4.65	5.07	4.74
Tax	2,436.27	2,796.71	3,133.49	2,791.19
% of GDP	4.29	4.01	4.49	4
Stock of Debt	8,139.95	12,712.66	13,508.53	-
% of GDP	14.32	18.22	19.36	-
GDP	56,828.00	69,771.85	69,771.85	69,771.85

Source: Ministry of Finance and Economic Planning and Bank of Ghana

the budget estimate of GH¢3,676.2 million by 5.2 per cent. The total receipts comprised Tax revenue of GH¢3,133.5 million, Non-tax revenue (GH¢405.8 million) and grants (GH¢328.2 million). The increase in total receipts reflected mainly in 12.3 per cent increase in tax revenue. The increase in tax revenue was manifested mainly in personal income tax which was 44.1 per cent above the target, while the other taxes such as taxes on international trade, domestic & external VAT and NHIL also exceeded their respective targets by 6.8 per cent, 8.6 per cent and 13.0 per cent. Non-tax revenue and Grants however fell short of their targets by GH¢107.4 million (20.9%) and GH¢43.7 million (11.8%) respectively.

Income and Property Tax

Taxes from income and property during the second quarter amounted to GH¢1,465.4 million, exceeding the budget target of GH¢1,268.3 million by 15.5 per cent. Personal income taxes and corporate taxes recorded GH¢597.2 million and GH¢616.3 million respectively, while 'Others' direct taxes on income and property amounted to GH¢210.5 million of which the NFSL and airport tax contributed GH¢1.9 million and GH¢14.1 million respectively. The strong performance in income tax collection was mainly attributed to the efficient monitoring and random auditing of tax units. However, improvement in income tax collection was moderated by an unrealised expected increase in corporate tax from a change in tax rate from 25.0 per cent to 35.0 per cent as well as company taxes from petroleum companies.

Domestic Goods and Services

Domestic goods and services tax for the review period amounted to GH¢171.0 million, below the target by GH¢7.2 million (4.0%) but exceeding the collection for the previous quarter and the corresponding quarter of 2011 by GH¢0.5 million (0.3%) and GH¢21.8 million (14.6%) respectively. Under this tax category, excise duty amounted to GH¢38.9 million, while petroleum taxes totalled GH¢132.1 million.

International Trade Taxes

International Trade taxes for the period under review amounted to GH¢490.3 million, compared to the target of GH¢459.2 million. The improved performance of import duty was attributed to a number of factors including increased volume of imports, improvements in import valuations as well as the depreciation of the cedi.

Value Added Tax (VAT)

The VAT collections of GH¢693.5 million was 8.6 per cent above the target for the period under review. This comprised domestic VAT collections of GH¢245.5 million and external VAT collections of GH¢448.0 million, which exceeded their respective targets by 1.6 per cent and 12.9 per cent.

5.2 Government Expenditures

Government expenditure and net lending during the second quarter of 2012 amounted to GH¢4,398.5 million, compared with the targeted amount of GH¢4,936.2 million.

Table 5.2: Government Revenue (GH¢' million)

Millions of Ghana Cedis	PROV Q2 2011	PROV Q1 2012	PROV Q2 2012	BUDGET Q2 2012
TAXES ON INCOME & PROPERTY	960.1	1,117.60	1,465.40	1,268.30
Personal	347.4	432.9	597.2	414.5
Self employed	38.1	37.4	41.4	40.2
Companies	428.8	473.6	616.3	641.8
Others	145.9	173.7	210.5	171.8
Other direct taxes / 1	86.7	25	194.5	147.4
NFSL	48.2	5.9	1.9	15.7
Airport tax	10.8	10.4	14.1	8.7
TAXES ON DOMESTIC GOODS	149.2	170.5	171	178.2
Excise Duty	36.1	41.7	38.9	57.8
Petroleum tax	113.1	128.7	132.1	120.4
O/W Debt recovery levy	12.4	-	-	-
TAXES ON INTERNATIONAL TRADE	369	484.2	490.3	459.2
Imports	369	421.1	490.3	449.6
Import duty	369	421.1	490.3	449.6
Exports	-	63.2	-	9.6
Cocoa	-	63.2	-	9.6
VAT	574.9	622.9	693.5	638.6
Domestic	232.7	225.5	245.5	241.6
External	342.2	397.4	448	397
National Health Insurance Levy (NHIL)	121.7	178.8	155.2	137.4
CEPS Collection	67	84.8	89.8	72.9
VAT Collection	43.6	45.1	42	54.4
SSNIT Contribution	11.1	48.8	23.4	10.1
OTHER REVENUE MEASURES	47.4	28.4	28.8	37.2
Mobile Phone Tax on Air Time	47.4	28.4	28.8	37.2
Import Exemptions	214	194.4	129.2	72.2
TAX REVENUE	2,436.30	2,796.70	3,133.50	2,791.20
NON-TAX REVENUE	233.5	445.7	405.8	513.1
Lodgement	70	198.7	242.3	243.9
Fees & Charges	70	70.2	75.3	66.7
Fines, Penalties & Forfeitures	-	-	-	-
Dividend/ Interest & profits from Oil	-	128.5	167	144.5
Sale of goods and services	-	-	-	14.3
Retention	163.5	247	163.5	269.3
TOTAL REVENUE	2,669.80	3,242.40	3,539.20	3,304.30
GRANTS	208.7	462.6	328.2	371.9
Project grants	97.7	196.8	130.2	174.7
Programme grants	61.8	231.7	66.6	121.5
HIPC assistance (multilaterals)	24.6	-	42.6	45.8
Multilateral Debt Relief Initiative (MDRI)	24.6	34.1	88.8	29.9
African Development Bank	-	34.1	-	15.1
TOTAL REVENUE & GRANTS	2,878.50	3,705.00	3,867.40	3,676.20

Source: Ministry of Finance and Economic Planning and Bank of Ghana

Table 5.3: Government Expenditure (GH¢' million)

	PROV Q2 2011	PROV Q1 2012	PROV Q2 2012	BUDGET Q2 2012
RECURRENT	2,426.90	2,978.70	3,655.80	3,424.60
Non-Interest Expenditure	2,007.30	2,642.90	3,044.10	2,854.50
Personal Emoluments	1,056.30	1,456.90	1,671.20	1,502.30
Goods & Services	203.8	80.6	179.4	234.5
Transfers	667.5	823.9	896.2	852.4
Pensions	82.4	94.1	100.9	62.4
Gratuities	23.7	13.1	27.2	29.8
Social Security	64.9	157.1	105.1	137.4
National Health Fund (NHF)	119	118.3	283.8	187.5
Other Transfers	377.5	441.4	292.7	343.9
o/w safety net for deregulation	163.5	247	163.5	269.3
Reserve Fund	79.7	281.5	297.3	265.3
Interest Payments	419.6	335.9	611.8	570.1
Interest Domestic	312.4	284.2	437.7	415.4
Interest External	107.2	51.6	174	154.7
CAPITAL	696.65	937.16	742.64	1,511.67
Capital (domestic financed)	411.06	479.09	396.51	630.76
Development	411.06	396.84	297.92	540.29
Education Trust fund	96.3	116.9	54.2	123.8
Road Fund	54.3	40.2	60.5	45.5
Petroleum related fund	1.4	1	1.5	2.1
District Assembly Common Fund	209.1	150.5	-	194.9
Other Cash Expenditure	49.9	88.2	181.6	174.1
Trf to GNPC from oil revenue	-	82.3	98.6	90.5
Capital (foreign financed)	285.6	458.1	346.1	880.9
TOTAL EXPENDITURE & NET LENDING	3,123.56	3,915.91	4,398.46	4,936.24

Source: Ministry of Finance and Economic Planning and Bank of Ghana

This comprised recurrent expenditure of GH¢3,655.8 million and capital expenditure of GH¢742.6 million.

5.2.1 Recurrent Expenditure

The recurrent expenditure for the second quarter amounted to GH¢3,655.8 million, above the target by GH¢231.2 million (6.7%).

The recurrent expenditure comprised non-interest payments of GH¢3,044.1 million (83.3%) and interest payments of GH¢611.8 million (16.7%).

The non-interest payments comprised Personnel Emoluments of GH¢1,671.2 million, payments for Goods and Services of

GH¢179.4 million and Transfers of GH¢896.2 million. Personnel Emoluments and Transfers together constituted 97.1 per cent and 72.5 per cent of the non-interest expenditure and domestic revenues respectively. In fact, Personnel Emoluments was the government's biggest expense, accounting for 38.0 per cent of total government expenditure and net lending. Transfer payments and payment for goods and services were below their respective targets by 5.2 per cent and 23.5 per cent.

Domestic and external interest payments amounted to GH¢437.2 million and GH¢174.0 million respectively, exceeding their respective targets by GH¢22.0 million and GH¢17.3 million.

The increase in non-interest expenditure could also be attributed to the domestic fuel prices that remained unchanged during the review quarter despite a 15 per cent drop from the cost-recovery level in May 2012 due to the cedi depreciation. This translated into implied monthly subsidies of about GH¢60 million which was moderated by the subsequent decline in oil prices on the international market to monthly subsidies of about GH¢45 million (about 10 per cent below the cost-recovery level)³.

5.2.2 Capital Expenditure

Total capital expenditure for the second quarter was GH¢742.6 million, below the target by GH¢769.0 million (50.9%). The total Capital Expenditure comprised domestically financed payments of GH¢396.5 million (53.4%) and foreign financed capital

expenditure of GH¢346.1 million (46.6%). Statutory Payments in respect of Education Trust Fund, Road Fund and District Assembly Common Fund were GH¢54.2 million, GH¢60.5 million and GH¢1.5 million respectively.

5.3 Financing

The budget recorded an overall deficit of GH¢2,739.6 million (3.93% of GDP) in the second quarter of 2012. The deficit was financed from domestic sources of GH¢2,671.3 million and a net foreign inflow of GH¢68.3 million. The breakdown of the Net Domestic Financing showed a borrowing from the banking and Non-Bank Public of GH¢1,903.5 million (71.3%) and GH¢767.8 million (28.7%) respectively.

5.4 Domestic Debt

5.4.1 Composition of Domestic Debt

The stock of domestic debt at the end of the second quarter of 2012 was GH¢13,508.5 million (19.4% of GDP), comprising marketable securities from the primary issues of government securities of GH¢10,859.8 million (15.6 % of GDP) and non-marketable securities of GH¢2,648.7 million (3.8% of GDP).

The stock of domestic debt (including revaluation stocks) at the end of second quarter of 2012 was 24.8 per cent higher than the level recorded in the corresponding period of 2011. The growth in the debt stock reflected in increases in short-term, medium-term and long-term securities by 22.4 per cent, 72.8 per

³ IMF (2012), *Ghana: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding*

Table 5.4: Government Financing (GH¢' million)

	PROV	PROV	PROV	BUDGET
	Q2 2011	Q1 2012	Q2 2012	Q2 2012
REVENUE	2,878.50	3,705.00	3,867.40	3,676.20
PAYMENTS	3,123.60	3,915.90	4,398.50	4,936.20
OVERALL BALANCE (COMMITMENT BASIS)	-245	-210.9	-531	-1,260.00
% of GDP	-0.43	-0.3	-0.76	-1.81
ROAD ARREARS	-8.20	-	-	-62.50
NON-ROAD ARREARS	-113.90	-1,310.50	-884.50	-556.60
VAT REFUND	-22.70	-40.90	-34.50	-19.70
OVERALL BALANCE (CASH BASIS)	-389.80	-1,562.30	-1,450.10	-1,898.90
% of GDP	-0.69	-2.24	-2.08	-2.72
DISCREPANCY	221.30	583.50	-1,289.50	-589.20
OVERALL BALANCE (INCL. DIVESTITURE)	-168.50	-978.90	-2,739.60	-2,488.10
% of GDP	-0.30	-1.40	-3.93	-3.57
FINANCING	168.50	978.90	2,739.60	2,488.10
DOMESTIC (NET)	60.10	740.60	2,671.30	1,902.90
BANKING SECTOR	-325.10	208.30	1,903.50	974.30
Bank of Ghana	-624.90	-22.80	2,133.90	1,257.00
Deposit Money Banks	299.90	231.10	-230.50	-250.40
NON-BANK SECTOR	385.20	532.30	767.80	928.60
FOREIGN (NET)	108.40	238.20	68.30	124.60
INFLOWS	247.70	348.80	215.90	319.20
Project Loans	187.90	261.20	215.90	245.70
Programme Loans	59.80	87.60	-	73.50
AMORTIZATION	-163.90	-110.60	-147.60	-232.90
EXCEPTIONAL FINANCING	24.60	-	-	38.40
HIPC Relief (Cologne terms)	24.60	-	-	38.40
DOMESTIC REVENUE	2,669.80	3,242.40	3,539.20	3,304.30
DOMESTIC EXPENDITURE	2,219.70	2,579.40	4,764.60	4,094.20
PRIMARY BALANCE	450.1	663	-1,225.40	-789.9
ASA % GDP	0.79	0.95	-1.76	-1.13
GDP	56,828.00	69,771.90	69,771.90	69,771.90

Source: Ministry of Finance and Economic Planning and Bank of Ghana

cent and 50.6 per cent respectively.

5.4.2 Holdings of Domestic Debt

Bank of Ghana's holdings of domestic debt at the end of the review quarter stood at GH¢2,895.0 million (21.4%), compared with its holdings of GH¢2,147.7 million (19.8%) during the corresponding quarter of 2011. The Deposit Money Banks

(DMBs) held GH¢4,354.0 million (32.2%), SSNIT GH¢513.1 million (3.8%), Insurance companies, GH¢56.5 million (0.4%), while Other holders held GH¢5,689.9 million (42.1%). This compared with the DMBs' holdings of 41.0 per cent, SSNIT (1.5%), Insurance companies (0.4%) and Other holders (37.2%) in the corresponding quarter of 2011.

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

Instruments	2011			2012	
	Q2	Q3	Q4	Q1	Q2
91-Day Treasury Bill	652.2	816.6	1,225.00	2,221.10	3,220.80
182-Day Treasury Bill	1,578.70	1,291.10	1,291.10	1,206.00	706.1
1-Year Treasury Note	1,164.80	1,540.00	1,733.00	1,686.80	1,318.60
Short term Advance	104.2	104.2	104.2	104.2	104.2
A. Short-Term Instruments	3,500.00	3,752.00	4,353.30	5,218.20	5,349.80
2-Year Fixed Treasury Note	1,815.90	1,651.50	1,174.10	792.3	796.2
3-Year Fixed Treasury Note	2,492.80	2,543.80	2,743.80	2,963.60	3,497.70
3-Year Floating Treasury Note(SADA-UBA)				167.5	167.5
3-Year Stock(SBG)	29.9	29.9	29.9	29.9	29.9
3-Year Stock(SSNIT)	0	162	162	162	162
5-Year GOG Bond	268.8	574.1	695.1	695.1	820
5-year Golden Jubilee Bond	31.6	32.7	34.1	35.3	36.6
GOG Petroleum Finance Bond	80	80	80	80	80
TOR Bonds	682	682	682	682	682
B. Medium-Term Instruments	5,401.00	5,756.00	5,601.10	5,607.70	6,272.00
Long Term Government Stocks	1,320.60	1,320.60	1,320.60	1,320.60	1,320.60
Telekom Malaysia Stocks	109.5	109.5	109.5	109.5	109.5
Revaluation Stock	493.1	455.7	455.7	455.7	455.7
Others Government Stocks	1	1	1	1	1
C. Long-Term Instruments	1,924.00	1,886.70	1,886.70	1,886.70	1,886.70
TOTAL(A+B+C)	10,825.00	11,394.70	11,841.10	12,712.70	13,508.50

Source: Bank of Ghana

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

Category	2011			2012	
	Q2	Q3	Q4	Q1	Q2
A. Banking system	6,589.00	6,576.10	7,004.60	7,330.40	7,249.00
Bank of Ghana	2,147.70	2,393.00	2,702.30	2,829.90	2,895.00
Commercial Bank	4,441.40	4,183.10	4,302.30	4,500.50	4,354.00
B. Nonbank sector	4,236.00	4,818.70	4,836.50	5,382.30	6,259.50
SSNIT	164.3	421	475.1	497.4	513.1
Insurance Co.s	48	36.1	39	47.8	56.5
Others Holders	4,023.60	4,361.60	4,322.40	4,837.10	5,689.90
TOTAL(A+B)	10,825.00	11,394.70	11,841.10	12,712.70	13,508.50

Table 5.7: Holdings of Domestic Debt (%)

Category	2011			2012	
	Q2	Q3	Q4	Q1	Q2
A. Bankings system	60.90	57.70	59.20	57.70	53.70
Bank of Ghana	19.84	21.00	22.82	22.26	21.43
Commercial Bank	41.03	36.71	36.33	35.40	32.23
B. Nonbank sector	39.10	42.30	40.80	42.30	46.30
SSNIT	1.52	3.69	4.01	3.91	3.8
Insurance Co.s	0.44	0.32	0.33	0.38	0.42
Others Holders	37.17	38.28	36.50	38.05	42.12
TOTAL (A+B)	100.00	100.00	100.00	100.00	100.00

Source: Bank of Ghana

6. Balance of Payments Developments

6.1 Review of International Trade and Finance

The provisional estimates of Ghana's balance of payments for the second quarter of 2012 recorded a deficit of US\$708.1 million,

compared with a surplus of US\$144.7 million recorded in the corresponding quarter of 2011. The deficit was mainly on account of worsening of the current account position as well as reduction in inflows to the capital and financial account.

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

	2010			2011			2012*		Q2'2012 - Q2'2011	
	Q1	Q2	Annual	Q1	Q2	Annual	Q1	Q2	Absolute	% Change
CURRENT ACCOUNT	-565.78	-624.59	-2,769.71	-492.54	-499.95	-3,675.13	-1,284.59	-1,658.21	-1,158.26	231.68
Merchandise Exports (f.o.b.)	1,865.11	2,070.13	7,960.09	3,104.30	3,353.11	12,785.40	4,121.00	3,407.80	54.69	1.63
Cocoa beans and products	682.45	640.22	2,219.54	940.91	745.14	2,870.87	1,143.50	781.80	36.66	4.92
Gold	787.00	957.84	3,803.52	1,151.47	1,257.34	4,920.22	1,766.10	1,415.30	157.96	12.56
Timber products	43.69	46.56	189.47	40.99	43.37	165.66	31.10	31.20	-12.17	-28.06
Oil			0.00	482.29	704.69	2,778.53	700.10	657.70	-46.99	-6.67
Others (including non-traditionals)	351.97	425.51	1,747.56	488.64	602.57	2,050.12	480.20	521.80	-80.77	-13.40
Merchandise Imports (f.o.b.)	-2,449.33	-2,723.35	-10,922.11	-3,343.11	-4,133.66	-15,968.42	-4,117.80	-4,747.10	-613.44	14.84
Non-oil	-1,955.84	-2,114.85	-8,686.18	-2,650.90	-3,143.74	-12,672.28	-3,484.30	-3,602.30	-458.56	14.59
Oil	-493.49	-608.50	-2,235.93	-692.21	-989.92	-3,296.14	-633.50	-1,144.80	-154.88	15.65
Trade Balance	-584.22	-653.22	-2,962.02	-238.81	-780.55	-3,183.02	3.20	-1,339.30	-558.75	71.58
Services (net)	-454.33	-390.81	-1,595.17	-762.05	-233.58	-1,859.44	-1,060.21	-249.69	-16.11	6.90
Receipts	361.29	332.05	1,477.29	352.19	478.49	1,810.12	378.00	866.00	387.51	80.99
Payments	-815.62	-722.86	-3,072.46	-1,114.24	-712.07	-3,669.56	-1,438.21	-1,115.69	-403.62	56.68
Income (net)	-87.06	-118.61	-534.95	-249.04	-162.02	-1,230.09	-882.13	-584.78	-422.76	260.93
Receipts	13.23	13.23	52.92	13.85	13.84	55.37	15.50	54.80	40.96	295.95
Payments	-100.29	-131.84	-587.87	-262.89	-175.86	-1,285.46	-897.63	-639.58	-463.72	263.69
Current Transfers (net)	559.83	538.05	2,322.43	757.36	676.20	2,597.42	654.55	515.56	-160.64	-23.76
Official	109.91	37.83	199.74	83.60	81.06	228.65	140.28	39.48	-41.58	-51.30
Private	449.92	500.22	2,122.69	673.76	595.14	2,368.77	514.27	476.08	-119.06	-20.01
Services, Income and Current Transfers (net)	18.44	28.63	192.31	-253.73	280.60	-492.11	-1,287.79	-318.91	-599.51	-213.65
CAPITAL & FINANCIAL ACCOUNT	729.54	938.92	4,289.55	516.49	747.38	4,479.32	224.27	570.39	-176.99	-23.68
Capital Account	147.40	85.50	337.46	127.97	164.33	445.06	31.80	5.10	-159.23	-96.90
Capital transfers	147.40	85.50	337.46	127.97	164.33	445.06	31.80	5.10	-159.23	-96.90
Financial Account	582.14	853.42	3,952.09	388.52	583.05	4,034.26	192.47	565.29	-17.76	-3.05
Direct Investments	551.43	840.14	2,527.36	781.56	963.58	3,222.25	897.52	796.25	-167.33	-17.37
Portfolio Investments	360.61	-6.87	620.47	108.64	98.45	117.57	23.58	68.77	-29.68	-30.15
Of which										
Sovereign bond										
Other Investments	-329.90	20.15	804.26	-501.68	-478.98	694.44	-728.63	-299.73	179.25	-37.42
Of Which										
Official Capital (net)	263.1	378.14	879.63	321.49	100.93	649.62	198.06	56.89	-44.04	-43.63
Sovereign bond										
Other Private Capital (net)	-247.58	-43.80	-493.38	-264.23	3.30	-359.11	35.09	-22.88	-26.18	-793.33
Short-term capital (net)	-345.42	-314.19	418.01	-558.94	-583.21	403.93	-961.78	-333.74	249.47	-42.78
ERRORS AND OMISSIONS	-8.91	-269.51	-57.17	-178.16	-102.70	-257.66	-196.18	379.77	482.47	-469.79
OVERALL BALANCE	154.85	44.82	1,462.67	-154.21	144.73	546.53	-1,256.50	-708.05	-852.78	-589.22
FINANCING	-154.85	-44.82	-1,462.67	154.21	-144.73	-546.53	1,256.50	708.05	852.78	-589.22

* Provisional

6.2 The Current Account

The balance on the current account at the end of the second quarter of 2012 indicated a deficit of US\$1,658.2 million, compared with a deficit of US\$499.9 million recorded in the corresponding quarter of 2011. The deterioration in the current account was mainly due to the worsening of the trade balance as well as the increase in net outflows with regards to the services, income and current transfers account.

6.2.1 Merchandise Trade

During the second quarter of 2012, the balance of trade recorded a deficit of US\$1,339.3 million, worsening by US\$558.8 million from a deficit of US\$780.6 million recorded in the corresponding quarter of 2011. The deterioration was mainly attributed to a 14.8 per cent growth in the import bill which more than offset the marginal growth of 1.6 per cent in export earnings.

Merchandise Exports

The value of merchandise exports for the review quarter was estimated at US\$3,407.8 million, up by 1.6 per cent from US\$3,353.1 million recorded in the corresponding quarter of 2011. The growth in exports earnings was largely attributed to increases in exports of gold and cocoa beans.

The value of **gold** exports grew by 12.6 per cent year-on-year to US\$1,415.3 million, mainly as a result of both volume and price effects. The volume of gold exports during the review quarter inched up by 4.7 per cent to 880,137 fine ounces, while the average realised prices increased by 7.5 per cent to

US\$1,608.1 per fine ounce.

Receipts from **cocoa beans** exports increased by 21.9 per cent to US\$633.8 million in the second quarter of 2012, from US\$520.1 million recorded in the corresponding quarter of 2011. This development was mainly due to volume effect. The volume of cocoa beans increased by 29.3 per cent to 207,037 metric tonnes, while average realised prices declined by 5.8 per cent to US\$3,061.4 per metric tonne.

Export earnings from **cocoa products** decreased by 34.3 per cent (US\$77.1 million) to US\$147.9 million from the level recorded in the corresponding quarter of 2012, mainly as a result of both volume and price effects. The volume of cocoa products declined by 31.4 per cent to 38,828 metric tonnes, while average realised prices also declined by 4.2 per cent to US\$3,810.1 per metric tonne.

The value of **crude oil** exports for the review quarter declined by 6.7 per cent to US\$657.7 million from US\$704.7 million recorded in the corresponding quarter of 2011. This was mainly due to both volume and price effects. Export volumes declined by 1.6 per cent to 5.9 million barrels, while prices also decreased by 5.1 per cent to US\$112.0 per barrel.

Provisional estimates for exports of timber and timber products showed a decrease of 28.2 per cent to US\$31.2 million from the outturn in the corresponding quarter of 2011, mainly due to a 34.0 per cent decline in volume to 61,377 metric tonnes

The value of “other” exports (including non-traditional) declined by 13.4 per cent to

US\$521.8 million at the end of the second quarter of 2012, from US\$602.6 million recorded in the corresponding quarter of 2011. This was mainly attributed to the decline in volume of all exported items.

Top Ten Non – Traditional Exports

The value of the top ten non-traditional commodity exports amounted to US\$428.0 million, almost equivalent to the US\$428.4 million recorded a year ago. The main commodities exported included prepared or preserved tuna, crude palm kernel, kerosene type jet fuel, tableware, kitchenware and household articles, cotton, aluminium alloys, cashew nuts, mixtures of fruits, natural rubber in primary form and prefabricated buildings.

Merchandise Imports

Total merchandise imports at the end of second quarter of 2012 was provisionally estimated at US\$4,747.1 million, up by 14.8 per cent (US\$613.4 million) from the level recorded a year ago. This was mainly on account of 15.6 per cent and 14.6 per cent increases in oil and non-oil imports respectively.

Oil Imports

Total oil imports (crude oil, gas and products) at the end of the second quarter of 2012 were estimated at US\$1,144.8 million, an increase of 32.5 per cent from US\$864.2 million recorded in the corresponding period a year ago.

Total crude oil imports were valued at US\$370.5 million, a decline of 14.0 per cent

Chart 6.1: Developments in Current Account (US\$' million)

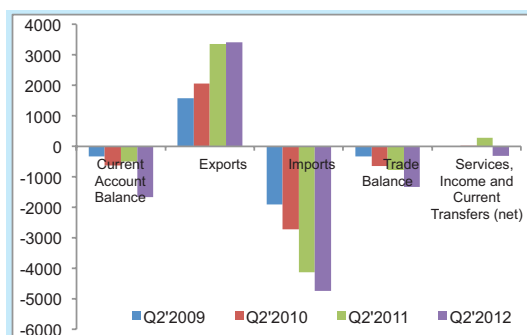


Chart 6.2: Quarterly Developments in Merchandise Exports (US\$' million)

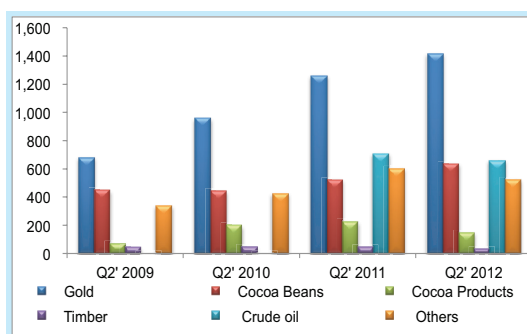
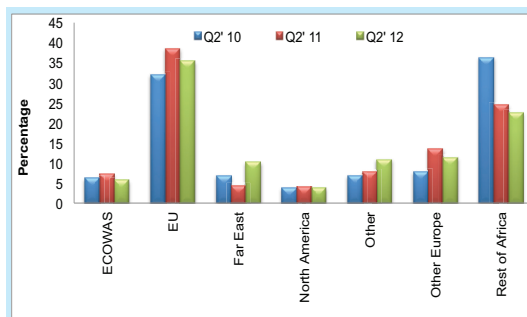


Chart 6.3: Destination of Exports (2010-2012)



from the level recorded in the corresponding quarter of 2011. This was due to a 15.8 per cent year-on-year drop in volume which more than offset the 2.1 per cent increase in prices. Tema Oil Refinery (TOR) and Volta River Authority (VRA) imported US\$209.4 million and US\$161.0 million respectively during the review quarter. Crude oil imports by TOR declined by 57.3 per cent, while VRA's crude oil imports increased by 74.5 per cent when compared with the respective levels recorded in the corresponding quarter of 2011.

Volta River Authority (VRA) imported 4.9 MMBTu (an acronym for Million Metric British Thermal units) of gas estimated at US\$41.3 million through the West African Gas Company (WAGP) in the second quarter of 2012.

Refined oil products imported increased by 86.1 per cent to US\$733.0 million during the review period.

Non – Oil Imports

The value of non-oil imports for the second quarter of 2012 was estimated at US\$3,602.3 million, up by 14.6 per cent (US\$458.6 million) from US\$3,143.7 million recorded a year ago. The growth in the value of imports was observed in all the broad economic categories, signifying plausible increase in economic activity in the economy.

The value of capital goods imported amounted to US\$787.2 million, up by 19.8 per cent from the level in the corresponding quarter of 2011. The value of capital goods (except transport) grew by 13.5 per cent (US\$524.7 million), while industrial transport

Chart 6.4: Developments in Merchandise Imports (US\$' million)

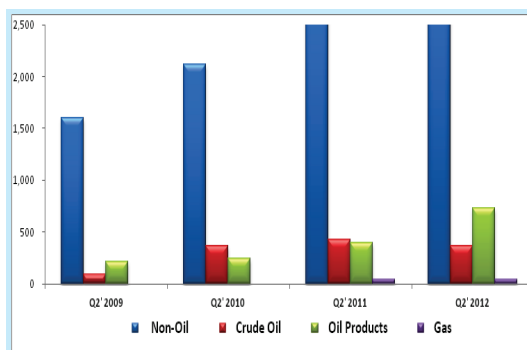


Chart 6.5: Non-Oil Import Classification (US\$' million)

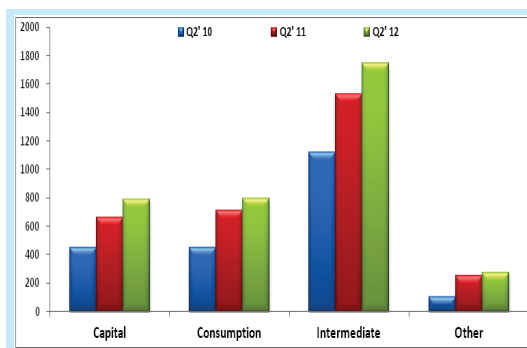
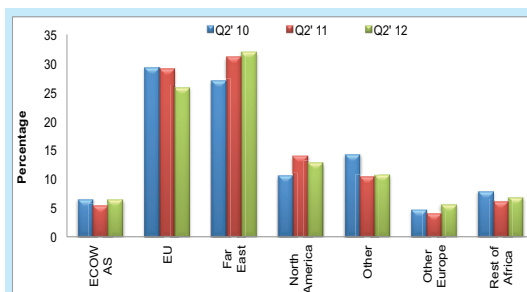


Chart 6.6: Origin of Imports (% shares)



also grew by 34.5 per cent (US\$262.5 million).

Imports of **consumption goods** were estimated at US\$795.3 million, indicating an increase of 11.7 per cent from the level recorded a year ago. This was mainly due to increases in imports of all the sub-categories with the exception of semi-durable consumer goods and primary food & beverages (mainly for household consumption) which declined by 6.1 per cent and 6.4 per cent respectively.

The value of **Intermediate goods** imported during the quarter was estimated at US\$1,747.1 million, indicating an increase of 14.6 per cent from the level recorded in the corresponding quarter of 2011. This was mainly due to increases in imports of processed industrial supplies and capital goods – spare parts and accessories.

The value of **other goods** imported was estimated at US\$272.8 million, up by 9.5 per cent (US\$23.7 million) from the level recorded in the corresponding quarter of 2011. The increase was attributed mainly to significant increase of US\$272.8 million (11.6%) in imports of passenger cars.

Top Ten Non – Oil Imports

The total value of the top ten non-oil merchandise imports at the end of the second quarter of 2012 was estimated at US\$1,658.2 million, an increase 8.6 per cent (US\$130.6 million) from the level recorded in the corresponding quarter of 2011. The prominent items of imports included motor vehicles for transport of persons and goods, broken rice, un-milled wheat, sugar, frozen

fish and poultry cuts, offal etc.

6.2.2 Direction of Trade

Destination of Exports

On the basis of regional blocks, the European Union received the largest share of 35.4 per cent of Ghana's total exports during the second quarter of 2012. The rest were distributed as follows: the Rest of Africa (22.6%), Other European countries (11.4%), Other Economies (10.2%), Far-East (10.2%), ECOWAS (5.7%) and North America (3.9%).

Origin of Imports

During the quarter under review, the Far East emerged as the leading source of imports, accounting for 31.9 per cent of the total imports. The European Union followed with a share of 25.9 per cent, North America (12.7%), 'Other economies' (10.7%), the rest of Africa (6.8%), ECOWAS (6.4%) and Other European economies (5.5%)

6.3 Services, Current Transfers and Income Account

The Services, Income and Transfers Account recorded a deficit of US\$318.8 million for the second quarter of 2012, compared with a surplus of US\$283.6 million recorded for the corresponding quarter in 2011. The outflow was as a result of an increase in net payments in the services and income accounts which recorded a year-on-year growth of 6.9 per cent and 260.9 per cent respectively to US\$249.7 million and US\$584.8 million, coupled with a year-on-year decline of 23.8 per cent to a net

receipt of US\$515.6 million into the current transfers account. The decline in net receipts in the current transfers account was due to decreases in both private and official inflows.

6.4 Capital and Financial Account

During the second quarter of 2012, the capital and financial account recorded a surplus of US\$570.4 million, compared with a surplus of US\$747.4 million recorded in the corresponding quarter a year ago. This was largely as a result of a drop in net inflows into the capital accounts by 96.9 per cent (US\$5.1 million) at the end of the second quarter of 2012.

Transactions in the financial account resulted in a net inflow of US\$565.3 million compared to US\$583.1 million recorded in the second quarter of 2011, showing a decline of 3.1 per cent. This was largely attributed to reductions in inflows of foreign direct investments in the country which more than offset the reduction in net outflows on the ‘other’ investments.

Direct Investments in Ghana

Direct investments in Ghana by non-residents were estimated at US\$796.3 million during the review quarter, indicating a year-on-year decline of 17.4 per cent (US\$167.3 million).

Portfolio Investments

Net portfolio investment, primarily made

up of investments in Government of Ghana bonds purchased by non-residents, was US\$68.8 million compared to an outturn of US\$98.5 million recorded during the corresponding quarter of 2011.

Other Investments

The ‘Other investments’ account recorded a net outflow of US\$299.7 million at the end of the second quarter of 2012, compared with US\$478.9 million recorded in the corresponding quarter of 2011. During the period under review, there was a net official financing of US\$56.9 million whilst short term capital and other private capital recorded significant outflows of US\$333.7 million and US\$22.9 million respectively.

6.5 International Reserves

As at the end of June 2012, the stock of net international reserves (NIR) was estimated at US\$2,474.4 million, indicating a drawdown of US\$1,964.6 million from a stock position of US\$4,438.9 million at the end of December 2011.

The country’s gross international reserves also fell by US\$1,291.9 million to US\$4,090.9 million from a stock position of US\$5,382.8 million at the end of December 2011. This was sufficient to provide a cover of 2.3 months of imports of goods and services compared to 3.2 months of imports cover as at the end of December 2011.

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

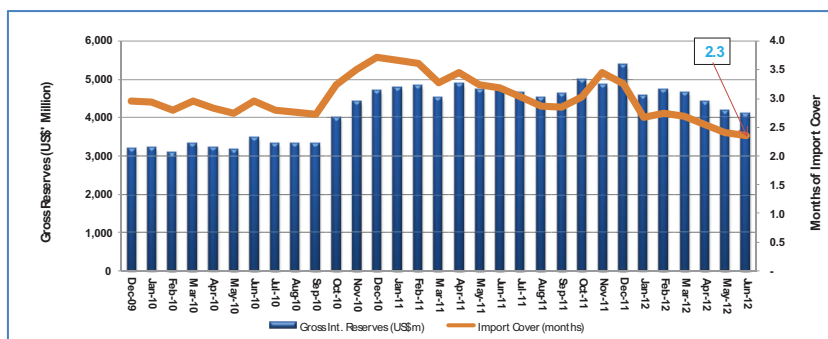


Table 6.2: Top Ten Imported Non-Oil Goods: (Jan-June, 2011/2012)

TOP TEN NON-OIL IMPORTS: 2011 AND 2012					
January - June 2011			January - June 2012		
Description	US\$' M	%share	Description	US\$' M	%share
Capital	321.2	21.0	Capital	379.6	22.9
Motor vehicles for the transport of goods, n.e.s.	196.1	12.8	Motor vehicles for the transport of goods, n.e.s.	295.6	17.8
Machine for the reception, conversion and transmission	125.1	8.2	Self-propelled bulldozers and excavators, nes	84.0	5.1
Consumption	456.2	29.9	Consumption	515.0	31.1
Rice	192.2	12.6	Rice	207.1	12.5
Sugar	92.1	6.0	Sugar	107.5	6.5
Frozen chicken of cuts and offal	90.0	5.9	Frozen fish, nes	101.4	6.1
Frozen fish, nes	81.9	5.4	Frozen chicken of cuts and offal	98.9	6.0
Intermediate	382.6	25.0	Intermediate	336.5	20.3
Cement clinkers	139.7	9.1	Wheat	149.4	9.0
Wheat	181.4	11.9	Cement clinkers	121.5	7.3
Polyethylene, in primary forms	61.4	4.0	Polyethylene, in primary form	65.6	4.0
Other	367.6	24.1	Others	427.1	25.8
Motor vehicles for the transport of persons, n.e.s.	367.6	24.1	Motor vehicles for the transport of persons, n.e.s.	427.1	25.8
Grand Total	1,527.6	100.0	Grand Total	1,658.2	100.0

Table 6.3: Top Ten Exported Non –Traditional Exports: (Jan-June, 2011/2012)

TOP 10 Non-Traditional Exports					
January - June 2011			January - June 2012		
Description	US\$' M	%share	Description	US\$' M	%share
Tableware and kitchenware for household uses	125.4	29.3	Prepared or preserved tuna	77.3	18.1
Prepared or preserved tuna	67.8	15.8	Crude palm kernel	66.9	15.6
Aluminium, not alloyed and alloyed	54.6	12.7	Medium oils, kerosine type jet fuel	61.9	14.5
Medium oils, kerosine type jet fuel	47.4	11.1	Tableware and kitchenware for household uses	47.6	11.1
Colloidal precious metals	37.6	8.8	Cotton	43.7	10.2
Cashew nuts	32.6	7.6	Aluminium, not alloyed	43.6	10.2
Nuts and other seeds, n.e.s.	22.8	5.3	Cashew nuts	40.8	9.5
Mixtures of fruits	16.4	3.8	Mixtures of fruits	18.5	4.3
Oil-seeds and oleaginous fruits, n.e.s.	12.0	2.8	Natural rubber , in primary form	14.6	3.4
Ammonium nitrate	11.8	2.7	Prefabricated buildings	13.1	3.1
Grand Total	428.4	100.0	Grand Total	428.0	100.0

7. External Debt

7.1 Debt Stock

The stock of public and publicly-guaranteed external debt was estimated at US\$7,704.3 million at the end of the second quarter of 2012, indicating a marginal decline of 1.5 per cent from the stock position of US\$7,821.3 million recorded at the end of March 2012. The decline reflected net repayments during the period. On year-on-year basis, the end June 2012 debt stock showed an increase of US\$346.6 million (4.7%) over the stock of US\$7,357.7 million recorded at the end of June 2011. The current stock of external debt represented 17.2 per cent of estimated GDP ratio.

7.1.1 *External Debt by Borrower category*

Multilateral creditors continued to hold the largest proportion of US\$3,638.4 million (47.2%) of the total external debt portfolio of the country in line with current government policy to access loans on concessional terms.

Bilateral creditors held US\$2,678.0 million (34.7%) of total external debt while commercial debt, including the US\$750.0 million sovereign bond floated in 2007 constituted 18.0 per cent of the external debt stock at the end of the review period.

7.1.2 *Interest rate structure of the Debt Portfolio*

At the end of the second quarter of 2012, 85.7 per cent of the debt stock was of fixed interest rate terms, while liabilities under variable interest rate arrangements constituted 9.2 per

cent of external debt. The residual of 1.64 per cent of the external debt stock was interest-free. The high proportion of fixed interest rate structure of the debt stock minimises interest rate risk associated with the debt portfolio.

7.2 Currency Composition of Debt Stock

The United States Dollar (USD) continued to be the currency in which the bulk of external debt stock is denominated. The USD accounted for 40.8 per cent of the total external debt as at end June 2012 compared with 38.9 per cent recorded at the end of March 2012. The SDR's constituted the second largest component with 29.8 per cent of the debt stock during the period, down from 31.0 per cent at the of March 2012. The Euro component of the debt stock also went down from 19.3 per cent to 18.9 per cent. The debt stock holdings in the other currencies such as Chinese Yuan and Japanese Yen, constituted the remaining 10.4 per cent at the end of the review quarter.

7.1.3 *External Debt and Debt-Service Indicators*

At the end of the second quarter of 2012, the debt-to-GDP ratio continued to improve relative to the previous year, mainly due to improvements in economic activity amid marginal decline in the debt stock. Consequently, the ratio continued to hover around 17.2 per cent, well below the policy-dependent threshold of 50.0 per cent as provided by the CPIA index. The liquidity

measuring indicators relative to external debt also improved slightly in the second quarter, compared to the preceding quarter, except for the debt service-to-domestic revenue ratio which went to 7.8 per cent, from 4.9 per cent. These developments suggest that the country did not have any threat of debt distress with respect to solvency and liquidity.

7.3 Debt Service Payments

Government external debt service made through Bank of Ghana within the second quarter of 2012 was US\$148.8 million, compared with US\$124.2 million made in the corresponding quarter of 2011. Payments in the review period comprised principal

repayments of US\$76.4 million and interest payments of US\$72.3 million. In the second quarter of 2011, principal repayments amounted to US\$67.6 million while interest payments totalled US\$56.6 million.

The higher debt service in the second quarter of 2012 was due to more commercial debt falling due during the period. For the review period, US\$68.8 million (46.0%) of the total debt service was paid to commercial creditors (excluding sovereign bond holders), while an additional US\$31.9 million was paid on the 10-year sovereign bond. Bilateral creditors received US\$37.4 million (25%) of the payments while the residual of US\$10.6 million went to multilateral creditors.

Chart 7.1: Debt-Stock to GDP Ratio (%)

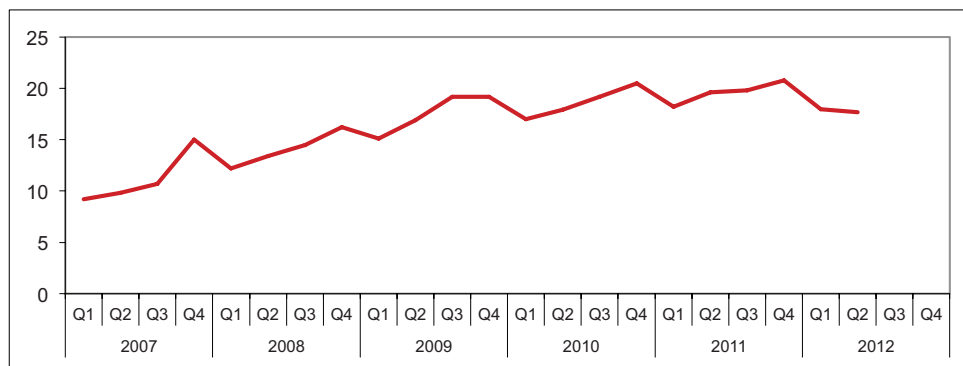


Chart 7.2: Selected Liquidity Measuring Indicators (%)

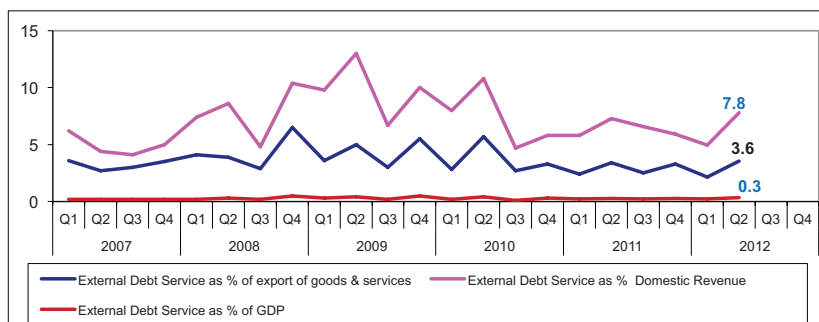


Table 7.1: External Debt Service Payments

Payment of Government and Government-Guaranteed Debt by creditor									
	Q2-2011			Q1-2012			Q2-2012		
	prin	int	total	prin	int	total	prin	int	total
Total	67.64	56.56	124.20	57.14	38.41	95.55	76.44	72.32	148.76
Multilateral Creditors	10.9	4.39	15.29	5.42	8.15	13.57	4.67	5.92	10.59
IDA	1.39	3.67	5.06	2.95	4.15	7.10	1.17	3.17	4.34
ADB/ ADF	0.23	0.5	0.73	0.14	1.52	1.66	0.37	1.42	1.79
Others	9.28	0.22	9.50	2.33	2.48	4.81	3.13	1.33	4.46
Bilateral Creditors	28.86	8.96	37.82	25.19	11.56	36.75	26.34	11.11	37.45
Paris Club	23.52	6.05	29.57	20.37	8.69	29.06	24.49	8.32	32.81
Non-Paris Club	5.34	2.91	8.25	4.82	2.87	7.69	1.85	2.79	4.64
Commercial Creditors	27.88	11.33	39.21	26.53	18.70	45.23	45.43	23.41	68.84
10Year Sovereign Bond	0.00	31.88	31.88	0.00	0.00	0	0.00	31.88	31.88

8. The Rural Banking Sector

8.1 Performance of RCBs

Total assets of Rural and Community Banks (RCBs)¹ at the end of July 2012 amounted to GH¢1,272.7 million, up by 11.4 per cent from the level of GH¢1,054.89 million at the end of December 2011. The assets of RCB as at July 2012 constituted about 5.0 per cent of the total assets of the banking system. Loans and advances given out by RCBs over the first seven months of 2012 amounted to

GH¢505.17 million, representing a growth of 23.8 per cent compared to the level at the end of December 2011.

During the review period, deposits of RCBs grew from GH¢814.7 million at the end of December 2011 to GH¢939.6 million, representing 23.8 per cent growth. The level of rural banks deposits constituted about 5.5 per cent of total deposits of the banking system.

Table 8.1: Proportion of RCBs' Consolidated Assets, Deposits and Loans & Advances of the Banking System

	Dec-11		Jul-12	
	Amount (GH¢'M)	% Share	Amount (GH¢'M)	% Share
Total Asset				
Commercial Banks	21,609.47	95.35	24,574.44	95.08
Rural Banks	1,054.89	4.65	1,272.70	4.92
Total	22,664.36	100	25,847.14	100
Loans and Advances				
Commercial Banks	9,352.42	95.8	11,662.07	95.8
Rural Banks	407.76	4.2	505.17	4.2
Total	9,760.18	100	12,167.24	100
Total Deposits				
Commercial Banks	14,255.80	94.6	16,050.60	94.5
Rural Banks	814.68	5.4	939.58	5.5
Total	15,070.48	100	16,990.18	100

¹ Data for July 2012 was compiled from Returns of 117 out of the 135 RCBs.

