

BANK OF GHANA



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Overview

The global economy persistently exhibited uneven growth trends during the fourth quarter of 2010. Economic growth in many emerging and developing countries rebounded strongly after the sluggish recovery in 2009. Notwithstanding the stimulus packages to spur growth at the beginning of the fourth quarter, economic activity in developed countries remained subdued due to continued balance sheet adjustment, sovereign debt crisis (in Spain, Greece and Ireland) and financial reforms, which posed risks to global economic stability in 2010.

On the domestic front, inflation continued on the disinflationary path and significant improvement was also recorded in the external sector. The cedi traded weakly against the major currencies during the review quarter while exports growth remained buoyant propelled by increased production and favourable international prices for gold, 'other' exports (including non-traditional exports) and timber products. In addition, gross international reserves surged to US\$4.7 billion, translating into 3.7 months of imports of goods and services at the end of the last quarter 2010.

Real Sector Developments

Developments in key economic pointers show that real sector activities edged up appreciably in the fourth quarter of 2010, mainly induced by enhanced consumer and business confidence in the economy. Indicators, such as retail sales, domestic VAT collections, income and corporate tax collections, workers contribution to SSNIT, cement production, and vehicle registration, recorded significant growth in the period. However, advertised job vacancies recorded a decline in the period, which is perhaps in line with the historical trends in December as companies wound up activities for the financial year.

Consumer Prices

Headline inflation at the end of the review quarter was 8.58 per cent from 9.38 per cent at the end of the third quarter and 15.98 per cent in December 2009. The current disinflationary process has been ascribed to favourable developments in the food sectors. Food inflation rate fell from 5.7 per cent in September 2010 to 4.5 in December 2010 while the non-food inflation rate declined from 11.84 per cent to 11.22 per cent respectively.

Public Finance

Total revenue and grants realised during the third quarter of 2010 amounted to GH¢2,066.0 million (7.97% of GDP), slightly higher than the budgeted figure of GH¢1,996.19 million (7.7% of GDP). Total government expenditure made in the third quarter of 2010 amounted to GH¢2,635.2 million (10.2% of GDP) which was 3.9 per cent lower than budgeted. Consequently, the budget recorded an overall deficit (including divestiture) of GH¢736.5 million (2.8% of GDP) in the third quarter of 2010. This was financed with a net foreign inflow of GH¢89.9 million and net domestic borrowing of GH¢646.6 million. The non-bank sector financed GH¢79.2 million while the banking sector financed GH¢567.4 million of the deficit.

Monetary and Credit Developments

Broad money supply (M2+) recorded an annual growth of GH¢3,581.0 million (35%) in the fourth quarter of 2010 from GH¢2,735.6 million (38.5%) in the third quarter and GH¢2,172.1 million (26.9%) in December 2009. The growth in M2+ was propelled by 45.1 per cent growth in Net Domestic Assets (NDA) of the banking system mainly from net claims on Government (34.5%) and claims on the private sector (20.6%). Net Foreign Assets (NFA) however grew by 23.2 per cent mainly from Bank of Ghana.

The growth in banks' outstanding credit, in the fourth quarter of 2010, rebounded from the slumps recorded during the third quarter but was lower than the levels recorded in the previous year. Banks' outstanding credit in the fourth quarter of 2010 increased by 15.4 per cent year-on-year compared with a growth of 9.0 per cent in the third quarter of 2010 and 16.1 per cent at the end of 2009. In real terms, the outstanding credit rose to 6.3 per cent year-on-year from increases of 0.6 per cent and 0.1 per cent recorded in the third quarter of 2010 and a year ago respectively.

Financial Markets

The Monetary Policy Committee of the Bank of Ghana maintained the policy rate at 13.5 per cent for the third and fourth quarters of 2010. However, rates on the money market continued to drift downhill in the review quarter. Average bank lending rates and average 3-month time deposit rates plunged by 5.13 and 8.5 percentage points to 27.64 per cent and 10.50 per cent respectively from their respective December 2009 rates of 19.0 per cent and 32.75 per cent. Average interest rates in the treasury security market mimicked the trend in the money market with the 91-day and 182-day rates and 1-year bond peeling off points during the quarter.

Developments in the capital market remained buoyant during the fourth quarter of 2010. The Ghana Stock Exchange (GSE) All-Share Index surged by 7.8 per cent (533.5 points) to close December 2010 at 7,369.2 points, compared with a gain of 3.7 per cent in the previous quarter and 11.4 per cent slump in the corresponding quarter in 2009. Market capitalization soared by 5.9 per cent to GH¢20,116.7 million at the end of December 2010 compared with a marginal growth of 0.2 per cent in the corresponding period in 2009.

The Ghana cedi traded weak in both the inter-bank and forex bureau markets during the review quarter. In the inter-bank market, the Ghana cedi depreciated by 3.2 per cent and 0.9 per cent against the US dollar and pound sterling respectively but appreciated by 0.2 per cent against the euro. The forex bureau market exhibited similar trend with cedi depreciating by 1.3, 1.6 and 3.9 per cent against the US dollar, pound sterling and euro respectively.

External Sector Developments

Preliminary estimates showed that the overall balance of payments recorded a surplus of US\$1.4 billion during the fourth quarter of 2010 and US\$1.5 billion for year 2010, surpassing the surplus of US\$1.2 billion recorded at the end of 2009. The improvement in the balance of payments was mainly underpinned by surpluses in the financial account that offset the deficit on the current account.

Merchandise exports during the fourth quarter of 2010 increased by 22.9 per cent to US\$2.0 billion from US\$1.7 billion recorded in the fourth quarter of 2009, mainly on account of increased receipts from exports of gold, cocoa and timber products. For the whole year, the total proceeds for merchandise exports grew by 35.2 per cent in 2010 to US\$7.9 billion from US\$5.8 billion in 2009. Total merchandise imports however grew by 36.8 per cent from the level recorded in the last quarter of 2009 to US\$2.9 billion during the fourth quarter of 2010. On year-on-year, total merchandise imports surged by 33.0 per cent to US\$10.7 billion during the year 2010 from US\$8.0 billion attained in 2009. The growth was as a result of increases in oil and non-oil imports.

Gross international reserves at the end of December 2010 were valued at US\$4.7 billion, which translated into 3.7 months of imports of goods and services. This compares favourably with the 3.0 months of imports cover recorded in December 2009.

External Debt

Provisional estimates show that the stock of external debt at the end of the review quarter stood at US\$6,118.77 million as against US\$5,007.87 million recorded at the end of the fourth quarter of 2009.

1. Developments in the World Economy

According to the IMF, global economic activity expanded at an annualized rate of just over 3.5 per cent in the fourth quarter of 2010, signalling an improvement from the expected forecast. The expansion was driven by stronger-than-expected consumption in the United States and Japan. More generally, there are increasing signs that private consumption—which fell sharply during the crisis—is starting to gain a foothold in major advanced economies. Growth in emerging and developing economies remained robust in the fourth quarter, buoyed by strong private demand, still-accommodative policy stances, and resurgent capital inflows.

U.S. Economy

At its first meeting of 2011, the Federal Reserve Board remained cautious about the economic recovery, and subsequently kept interest rates unchanged at near historic lows. Furthermore, the Federal Reserve Bank embarked on a second round of quantitative easing to the tune of US\$600 billion to stimulate economic activity. The U.S. economy gained strength at the end of 2010 as consumers spending increased at the fastest pace in four years, while U.S. exports gained ground. These positive signals boosted prospects for stronger growth levels in 2011, although it remains too weak to ease high unemployment. Gross domestic product rose at an annual rate of 3.2 per cent in the fourth quarter of 2010, better than the 2.6 per cent growth recorded in the previous quarter. On the average, the economy grew at 2.8 per cent in all the quarters of 2010, the highest since 2005. While the near-term outlook is encouraging, rising wholesale prices for food and energy are putting pressure on manufacturers and retailers to pass on higher costs on to consumers. Wholesale prices in December 2010 posted their biggest increase in nearly a year, driven by more expensive energy and food costs. But most other prices remained subdued, suggesting dampened inflationary pressures in the economy. Overall consumer prices rose 0.5 per cent in December, but excluding volatile food and energy costs, retail prices rose by just 0.1 per cent.

European Economies

Euro zone GDP is projected to grow by 1.4 per cent in 2011 and by 2.0 per cent in 2012. The growth prospects in Europe remains divided between countries such as Spain, Greece, and Ireland that are carrying out drastic austerity programmes and therefore experiencing less growth and those such as France and Germany with accelerating recoveries. The euro zone crisis shows little sign of spilling over into the larger European economies. However, higher prices for food, oil, and other commodities are instigating inflationary concerns. Against this background, annual inflation in the euro area jumped to 2.2 per cent in December from 1.9 per cent in November, surpassing the ECB's target of just below 2.0 per cent for the first time since November 2008. ECB president Trichet warned that inflation may remain high for months, owing to energy prices, raising expectations about the possibility of an interest-rate hike.

Great Britain's economic growth shrank in the fourth quarter of 2010, which shocked economists and raised questions about the resilience of the economy as the government prepared to implement far-reaching austerity measures. For the first time since the fourth quarter of 2009, GDP fell by 0.5 per cent in the fourth quarter of 2010 when compared with the third quarter, citing weather-related disruptions in economic activity. In contrast, the fourth quarter of 2009, GDP grew by 1.7 per cent. Against this background, the Bank of England left its policy interest rate unchanged at a record low of 0.5 per cent despite rising inflation levels. A record monthly jump in prices pushed British inflation to an eight-month high in December 2010. The annual rate of consumer price inflation rose to 3.7 per cent in December from 3.3 per cent in November.

Asian Economies

China's GDP is expected to expand by 9.2 per cent in 2011, after growing 10.3 per cent in 2010. China's economy grew by 9.8 per cent in the fourth quarter of 2010, up from 9.6 per cent in the third quarter. Despite the drop in inflation to 4.6 per cent in December 2010 from the 28-month high of 5.1 per cent the month before, inflation remained stubbornly high and the central government has taken steps to stabilize prices. China raised interest rates twice last year and raised banks' reserve ratios in an effort to contain inflation.

India's GDP growth is expected to slow in 2011 to 8.4 per cent from 9.5 per cent in 2010. Manufacturing activity in India continued to expand in December 2010, although the momentum eased from November due to capacity

constraints and a slowdown in new orders. India's inflation accelerated at a faster pace than expected in December, deepening worries that the central bank may have to take tightening measures. The country's benchmark wholesale price index-based inflation jumped to 8.43 per cent in December 2010 from 7.48 per cent in November. To rein in inflation, the Reserve Bank of India raised the benchmark interest rate by 0.25 percent, marking the seventh such increase since the beginning of the year.

Sub-Saharan Africa

The overall assessment of economic growth in sub-Saharan Africa is one of resilience in the face of one of the most challenging periods for the global economy. According to the IMF, Sub-Saharan Africa's economic performance is back to pre-crisis levels. Following a sharp drop in the growth rate to 2.0 per cent in 2009, the region's economy is estimated to expand by almost 5.0 per cent in 2010 and 5.5 per cent in 2011. If these projections prevail, economic growth in most countries in the region will have effectively bounced back to the high growth levels registered in the mid-2000s.

World Economic Indicators (%)

	Year-over-Year			
	2008	2009	Projections	
			2010	2011
World Output	2.8	-0.6	4.8	4.2
Advanced Economies	0.2	-3.2	2.7	2.2
United States	0	-2.6	2.6	2.3
Euro Area	0.5	-4.1	1.7	1.5
Japan	-1.2	-5.2	2.8	1.5
United Kingdom	-0.1	-4.9	1.7	2
Canada	0.5	-2.5	3.1	2.7
Other Advanced Economies	1.7	-1.2	5.4	3.7
Newly Industrialised Economies	1.8	-0.9	7.8	4.5
Emerging and Developing Economies	6	2.5	7.1	6.4
Sub-Saharan Africa	5.5	2.6	5	5.5
World Trade Volumes	2.9	-11	11.4	7
Commodity Prices				
oil	36.4	-36.3	23.3	3.3
Nonfuel	7.5	-18.7	16.8	-2
Consumer Prices				
Advanced Economies	3.4	0.1	1.4	1.3
Emerging and Developing Economies	9.2	5.2	6.2	5.2

Source: IMF world Economic Outlook, (percent change, unless noted otherwise)

2. Real Sector Developments

Trends in selected key economic indicators suggest that the real sector activities scaled-up significantly during the fourth quarter of 2010 coupled with improved consumer and business confidence in the economy.

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

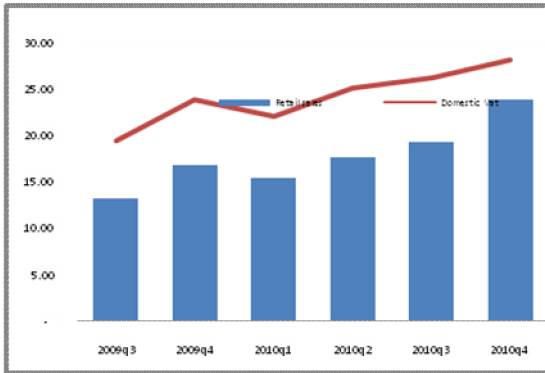


Chart 2.2: SSNIT Contributions (GHC' million)

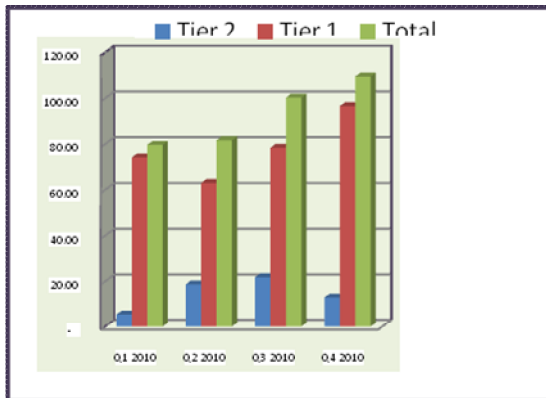
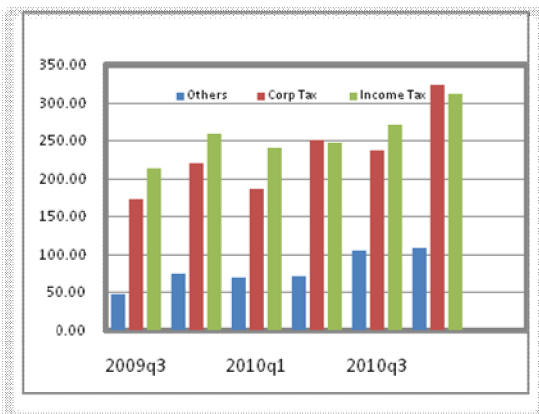


Chart 2.3: Income & Corporate Tax Collection



2.1 Indicators of Economic Activity

2.1.1 Consumer Spending

Consumer spending as proxied by aggregate retail sales and domestic VAT improved markedly during the fourth quarter of 2010. Total retail sales grew by 23.60 per cent in the fourth quarter to GHC23.88 million from GHC19.32 million in the third quarter of 2010. Similarly, retail sales during the fourth quarter grew by 42.40 per cent over GHC16.77 million registered during the same quarter of 2009. The growth in retail sales is corroborated by increased domestic VAT collections which rose by 7.21 per cent to GHC187.92 million from GHC175.28 million collected in the third quarter of 2010. Total domestic VAT collections in the fourth quarter constituted a growth of 18.11 per cent over GHC159.10 million collected during a similar quarter of 2009.

2.1.2 Production/Incomes

There were indications of improved corporate sector activities as indicated by data on income and corporate taxes. Total Income and corporate tax collections during the fourth quarter of 2010 went up by 21.06 per cent to GHC747.19 million from GHC617.21 million collected in the third quarter of 2010. Compared to the same quarter in 2009, the income and corporate taxes collected during the review quarter showed an increase of 33.68 per cent. In terms of relative significance of the various sub-sectors, corporate tax accounted for 43 per cent, followed by P.A.Y.E (42%), while 'Self-employed' and 'Other Sources' together contributed 15 per cent.

Chart 2.4: Vehicle Registration

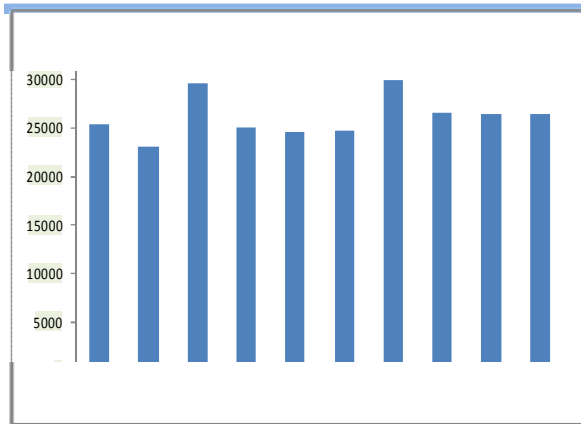
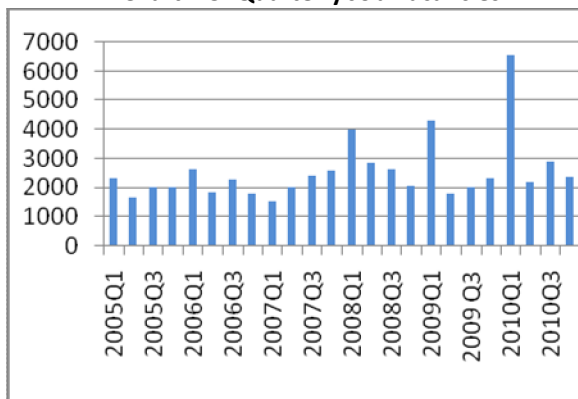


Chart 2.5: Quarterly Job Vacancies



Aggregate pension¹ contributions of workers to the SSNIT Scheme for both **Tier 1** and **Tier 2** improved by 9.21 per cent to GH¢109.57 million during the fourth quarter from GH¢100.33 million collected in the third quarter of 2010. Moreover, the number of contributors to the SSNIT scheme grew by 45.16 per cent at the end of the fourth quarter of 2010 to 683,444 from 470,805 during the corresponding quarter of 2009. The improvement in workers contribution to the SSNIT Scheme was due to improved compliance by employers who paid to the Scheme on behalf of their registered workers.

Auto Sales

Transport sector activities moderated in the fourth quarter of 2010 as evidenced by a marginal increase of 0.05 per cent in vehicle registrations to 26,488 from 26,476 registered at DVLA in the third quarter. Vehicle registration in the fourth quarter of 2010 constituted an improvement of 7.18 per cent over the 24,713 vehicles

licensed during the same quarter of 2009. Further analysis indicates that commercial motor vehicles (up to 2000cc), motor cycles and private motor vehicles collectively continued to dominate in the vehicle registration exercise.

Construction Activities

Activities in the construction sector as measured by cement production scaled-up marginally during the fourth quarter of 2010. Total cement production during the fourth quarter picked up slightly by 0.47 per cent to 651,428 tonnes from 648,382 tonnes produced in the third quarter of 2010. Also, cement production for the fourth quarter of 2010 suggested an increase of 6.31 per cent over 612,750 tonnes produced during the corresponding quarter of 2009.

International Tourists Arrival

International tourist arrivals recorded at the various points of entry into the country declined by 12.20 per cent to 203,831 during the fourth quarter of 2010 from 232,153 in the third quarter. The reduction in international tourist arrivals may be attributed to poor weather conditions that led to cancelation of several flights at various international airports just before the 2010 Christmas festivities. However, the number of international tourists that visited the country in the fourth quarter of 2010 suggested an improvement of 5.10 per cent over 193,942 international tourists that visited the country in a similar quarter in 2009.

2.2 Labour Market Conditions

Advertised Job Vacancies during the fourth quarter of 2010 contracted by 18.60 per cent to 2,363 from 2,903 in the third quarter, compared to a modest growth by 1.71 per cent in the fourth quarter of 2009. The decline in advertised jobs in the fourth quarter of 2010 was attributed to a fall in job adverts during December, in line with historical trends, as companies wound up activities for the financial year. In December 2010, a total of 571 jobs were advertised, down from 919 and 873 in November and October respectively.

2.2.1 Job Vacancies by Sector

A breakdown of advertised job vacancies indicated that a significant proportion of job adverts emanated from the services sector. The services sector accounted for 81.38 per cent of total advertised jobs in the fourth

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

quarter of 2010, compared to the third quarter outturn for the sector which constituted 84.71 per cent. The dominant share in the services sector job adverts was driven by the 'Other services' sub-group, which accounted for 21.48 per cent of the total. Other sub-sectors that made significant contributions were Education (17.58%); Transport Storage & Communication (9.05%); Finance insurance & real estate (8.63%); Wholesale & Retail Trade (8.42%); Business Services (8.37%) and , Restaurants & Hotels (8.27%).

The industrial sector's contribution to the total advertised jobs was 18.24 per cent, higher than the 14.09 per cent share recorded in the third quarter of 2010. However, when compared with 2009 fourth quarter, the share of industry declined by 12.97 per cent. Within the industrial sub-groups, Mining & Quarrying accounted for 48.26 per cent share of the total, followed by Construction (27.38%); Manufacturing (24.13%) and Electricity & Water (0.21%).

Table 1: Job Vacancies (Q4 2010)

	Job Vacancies by Sector and Skills (2010 Q4)						TOTAL	% of total
	Executive & Topher Professionals	Professional & Technicians	Secretarial & Clericals	Sales & Other Service Workers	Artisans & Machine Operators	Others		
AGRICULTURE	2	7	0	0	0	0	9	0.38
Industry	19	239	10	59	104	0	431	18.24
Mining & Quarrying	7	178	2	16	5	0	208	8.80
Manufacturing	5	37	7	35	20	0	104	4.40
Electricity & Water	1	0	0	0	0	0	1	0.04
Construction	6	24	1	8	79	0	118	4.99
Services	255	787	117	511	225	28	1923	81.38
Transport, Storage & Communication	24	95	3	17	35	0	174	7.36
Wholesale & Retail Trade	0	28	2	130	2	0	162	6.86
Restaurant & Hotels	13	34	21	65	26	0	159	6.73
Finance, Insurance & Real Estate	31	76	12	42	5	0	166	7.02
Public Sector	37	13	2	25	10	0	87	3.68
Education	52	231	18	26	9	2	338	14.30
Health	19	68	1	12	5	0	105	4.44
Business Services	34	72	12	33	10	0	161	6.81
Producers of Private non-profit service	12	53	2	6	2	0	75	3.17
Embassies, Intl org, etc	23	46	6	7	1	0	83	3.51
Other Services	10	71	38	148	120	26	413	17.48
TOTAL	276	1033	127	570	329	28	2363	100.00
% of Total	11.7	43.7	5.4	24.1	13.9	1.2	100.0	

The share of agricultural sector in job adverts remained below than 1 per cent, despite estimations that the sector employs about 60 per cent of the total workforce. This can be attributed to the fact that media job adverts are skewed towards formal sector jobs.

2.2.2 Job Vacancies by Skills

Skilled labour continues to be in high demand by employers. Of the total jobs advertised in the review quarter, the most sought after category of workers were those with skilled labour, (Executives, Professionals and Technicians) accounting for 55.4 per cent of the total adverts. This was followed by Sales and Other Service workers (24.1%); Artisans & Machine operators (13.9%); Secretarial & Clericals (5.4%) and 'Others' category representing 1.2 per cent.

2.2.3 Redundancies

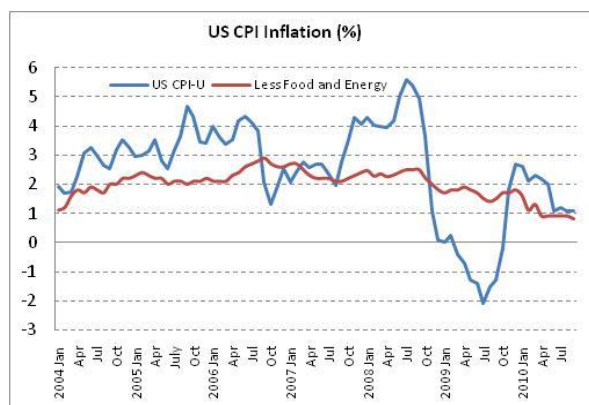
The number of workers rendered redundant in 2010 summed up to 2,702 against 2,620 in 2009 suggesting an increase of 3.13 per cent. On the average, 225 workers were made redundant every month in 2010 compared to 218 in 2009. Major reasons assigned for the layoffs included organizational restructuring, closure of firms, non-renewal of job contract, financial difficulties and completion of projects.

3. Price Developments

3.1 Global Inflation

Global inflationary pressures remained subdued in 2010 despite a slight pickup in inflation rates during the last quarter on the back of higher energy and food prices. In OECD countries, annual inflation declined from a peak of just over 2 per cent in the first quarter of 2010, to 1.5 per cent in the second quarter, before ending the fourth quarter of the year at 1.9 per cent.

Chart 3.1: US CPI Inflation (%)



In the **United States**, the annual CPI inflation remained at a low level in 2010, while core inflation decelerated further. Annual headline inflation ended the fourth quarter of 2010 at 1.5 per cent, down from 2.7 per cent during the same period in 2009. Core inflation (excluding food and energy), hit a record low of 0.6 per cent at the end of 2010 as monthly increases in rent and medical costs were offset by declines in the costs of other items, including vehicles, apparel, recreation and tobacco.

The annual HICP inflation in the **Euro** area ended in the fourth quarter of 2010 at 2.2 per cent, up from 1.8 per cent in the third quarter of the year and 0.9 per cent during the fourth quarter of 2009.

The year-on-year CPI inflation in the **United Kingdom** firmed up in the last quarter of 2010 to 3.7 per cent, compared to 3.1 per cent in the third quarter and 2.9 per cent for the same period in 2009. Air transport and rising petrol, diesel, gas and food prices are the most significant drivers of the increase in UK annual inflation in the fourth quarter of 2010.

Consumer prices in **Japan** continued to decline owing to substantial slack in the economy. During the fourth quarter of 2010, however, Japan's annual CPI inflation

rose to 0.1 per cent, turning positive for the first time in almost two years. The increase was driven in part by a higher tax on cigarettes and higher food and energy prices. Annual CPI inflation (excluding food and energy) remained in negative territory at 0.8 per cent at the end of the fourth quarter of 2010, compared with negative 1.9 per cent in the fourth quarter of 2009.

Developments in the **emerging economies** were mixed with some recording moderate inflation while stronger inflationary pressures persisted in others. In **Turkey**, consumer prices eased to 6.4 per cent at the end of fourth quarter 2010, having recorded a level of 9.2 per cent in the preceding quarter. This was attributed to the downward correction in unprocessed food prices. **India's** consumer price inflation also remained within single digits at 8.3 per cent in the fourth quarter of 2010, compared to 9.8 per cent in the third quarter of 2010 and 14.9 per cent in the same period in 2009.

In **China**, inflationary pressures continued to increase with CPI Inflation reaching a 28-month high of 5.1 per cent in November. Annual inflation ended the fourth quarter of 2010 at 4.6 per cent from 1.9 per cent in the fourth quarter of 2009 and 3.6 per cent in the third quarter of 2010. The increase in CPI Inflation was on account of rising food and property prices, ample liquidity, loose credit conditions and negative real interest rates on deposits. To stem the inflationary pressures, the People's Bank of China raised the one-year benchmark deposit and lending rates were raised by 25 basis points to 2.50 per cent and 5.56 per cent respectively, effective 20th October.

In **developing economies**, inflationary pressures eased considerably in 2010 after recording a strong tempo in 2009. In **Kenya**, overall 12-month inflation ended the fourth quarter of 2010 at 4.7 per cent, down from 5.3 per cent in the same period of 2009. The decline was largely reflected in the food, communication and health

baskets. **Nigeria's** headline inflation also declined to 11.8 per cent in the fourth quarter of 2010, down from 13.9 per cent during the same period in 2009.

Chart 2.2: Inflationary Trends (%)

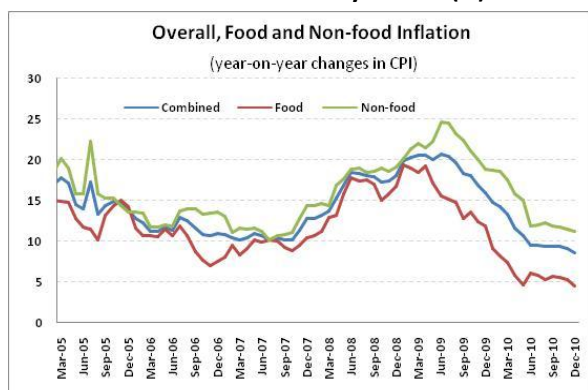
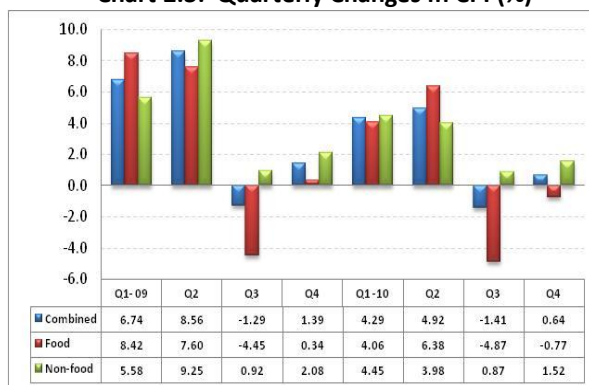


Chart 2.3: Quarterly Changes in CPI (%)



3.2 Domestic Inflation

In the domestic market, inflationary pressures declined sharply in the first two quarters of 2010 reflecting the relative stability in local currency and base drift effects. The disinflation process continued steadily in the third and fourth quarters of 2010 backed by good food harvests. Headline inflation declined sharply to 9.52 per cent in the second quarter of 2010 from 13.3 per cent in the first quarter of 2010. It further declined to 8.58 per cent at the end of 2010, lower than the end year target of 9.50 per cent.

The sharp decline in inflation in the review period emanated from both food and non-food categories of the consumer price index. Food inflation more than halved from the corresponding period of 2009, declining from 11.8 per cent at the end of the fourth quarter of 2009 to 4.5 per cent at the end of the review quarter. Non-food category also ended the fourth quarter of

2010 with inflation of 11.22 per cent, much lower than the 18.82 per cent recorded in the same period in 2009. Quarterly changes in consumer prices also followed a declining pattern. Overall inflation increased by 0.64 per cent during the fourth quarter of 2010 down from 1.39 per cent in the corresponding period in 2009. This, however, was much higher than the negative inflation of 1.4 per cent recorded in the third quarter of 2010.

3.3 Inflation by Group

In the group inflation analysis, almost all the sub-groups of the CPI basket experienced downward inflationary trends during the four quarters of 2010, with the exception of housing and utilities, as well as miscellaneous goods and services.

Analysis of the food and beverages sub group showed that mineral waters, soft drinks and juices recorded the highest inflation of 24.75 per cent at the end of the fourth quarter of 2010. This was followed by sugar, jam, chocolate and others, 22.87 per cent; fruit, 14.87 per cent; and meat, 9.86 per cent. Bread and cereals, on the other hand, recorded negative inflation of 4.86 per cent, the least inflation over the period.

In the non-food category, alcoholic beverages and tobacco ended the fourth quarter with the highest inflation of 20.40 per cent compared with 22.30 per cent in a similar period of 2009. This was followed by the housing and utilities, 15.10 per cent (1.69% in 2009); hotels, cafes and restaurants, 14.90 per cent (17.67% in 2009); and clothing and footwear, 14.10 per cent (18.5% in 2009). Education, on the other hand recorded low inflation of 0.97 per cent (3.0% in 2009) while the Communications sub index remained unchanged.

3.4 Contributions to Changes in CPI

As regards contributions² to changes in consumer prices, the food and beverages group contributed 30.1 per cent towards the upward movements in overall inflation in the fourth quarter of 2010, while the non-food group accounted for 69.9 per cent. This compares with respective food and non-food contributions of 33.5 per cent and 65.5 per cent in the same period in 2009.

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.

In the food sub groups, vegetables including potatoes and other tubers recorded the highest contribution of 7.1 per cent towards the upward movements in overall inflation for the fourth quarter of 2010. This compares with a slightly higher contribution of 8.0 per cent in the same period of 2009. Other major contributors within the food sub group included: fish 5.0 per cent (5.27% in 2009); meat, 4.2 per cent (3.4% in 2009); and sugar, jam, chocolate, 2.4 per cent (1.7% in 2009).

The coffee, tea and cocoa sub-group was the least contributor (0.6%) towards the upward movements in consumer prices in the review quarter.

In the non-food sub group, the clothing and footwear sub group contributed the highest upward movements of 15.3 per cent towards overall inflation outturn in the fourth quarter of 2010, higher than the 12.2 per cent recorded at the end of 2009. Other significant contributors in the non-food group include hotels, cafés and restaurants 13.5 per cent (10.1% in 2009); furnishing, household equipment and routine maintenance, 11.1 per cent (13.4% in 2009); housing and utilities, 6.6 per cent (0.26% in 2009); and recreation and culture, 6.5 per cent (14.3% in 2009). Communications remained the least contributor to the outturn of overall inflation in the review period.

3.6 Outlook for Inflation

Current assessment of the outlook shows that overall inflation may stay within the target levels for the first quarter of 2011. Risks to the outlook for price developments are however tilted slightly to the upside. These relate in particular to potential impulses from fiscal concerns such as wage pressures via implementation of single spine, accumulation of arrears as well as possible upward adjustment of utilities and domestic petroleum prices in the first quarter of 2011.

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

2009	Headline (Yr-on-Yr Changes)			Quarterly Changes in CPI(%)		
	Combined	Food	Non-food	Combined	Food	Non-food
Mar	20.53	18.50	22.00	6.74	8.42	5.58
Jun	20.74	15.54	24.66	8.56	7.60	9.25
Sep	18.37	12.78	22.38	-1.29	-4.45	0.92
Dec	15.97	11.84	18.82	1.39	0.34	2.08
2010						
Mar	13.32	7.35	17.55	4.29	4.06	4.45
Jun	9.52	6.13	11.89	4.92	6.38	3.98
Sep	9.38	5.67	11.84	-1.41	-4.87	0.87
Dec	8.58	4.50	11.22	0.64	-0.77	1.52

Table 3.2: Inflation by Sub-groups: Year- on- Year Changes in CPI (%): 2009 - 2010

	Overall Index	Food & Beverages	Alcohol & Tobacco	Clothing & Footwear	Housing & Utilities	H/H Gds, Health/ Operations & Serv.	Medical Expenses	Transport	Commu- nications	Recreation, & Cultural	Hotels, Cafés & Rest.	Miscel- laneous Gds & Serv.	
		2009											
Q1	20.53	18.50	31.52	17.95	10.11	28.39	51.32	0.02	1.62	52.18	15.55	37.36	16.00
Q2	20.74	15.54	29.90	24.84	6.63	31.10	70.61	-1.11	150.33	84.78	11.58	28.21	22.48
Q3	18.37	12.78	29.43	22.34	0.97	33.83	45.64	5.79	6.19	89.13	11.78	29.74	12.97
Q4	15.97	11.84	22.21	18.51	1.69	29.03	33.19	10.45	4.50	86.96	2.99	17.67	6.69
2010													
Q1	13.32	7.35	16.07	19.78	4.51	22.22	13.27	19.39	4.50	41.03	0.89	20.43	6.34
Q2	9.52	6.13	21.51	13.72	4.90	16.55	-2.61	10.69	-57.58	18.31	1.08	20.49	3.03
Q3	9.38	5.67	19.36	14.75	15.62	10.55	11.03	2.77	0.00	8.85	1.13	15.74	10.69
Q4	8.58	4.50	20.40	14.13	15.08	11.13	11.15	2.57	0.00	7.08	0.97	14.96	10.99

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

Food Group	Q1	Q2	Q3	Q4	Non-Food Group	Q1	Q2	Q3	Q4
Vegetables Incl. potatoes & tuber	4.51	-0.94	6.80	7.06	Clothing and footwear	15.61	15.79	18.39	15.28
Fish	1.83	4.72	5.82	4.99	Furnish, H/H Equipt, & Rout. Maint.	12.70	13.31	8.82	11.11
Meat	4.95	5.67	5.52	4.22	Hotels, Cafés & Resturants	11.95	16.03	14.50	13.53
Sugar, Jam Chocolate etc.	2.75	3.55	2.93	2.42	Housing, Water, Elect, Gas & Fuels	1.98	3.91	11.59	6.59
Bread and Cereal	8.91	3.49	-2.01	2.24	Recreation & Culture	9.95	7.95	3.23	6.52
Fruit	0.13	1.04	2.17	2.19	Health	5.19	1.16	5.03	6.43
Milk, Cheese & Eggs	2.50	2.09	1.92	2.02	Alcoholic Beverages, Tobacco	2.43	4.14	4.51	4.02
Mineral water, soft drks & juices	1.51	1.99	2.35	1.92	Transport	8.33	9.34	1.97	3.08
Food products	1.65	2.63	0.77	1.29	Miscellaneous gds & Serv.	1.70	1.34	3.35	2.68
Oils & Fats	0.54	1.76	1.41	1.17	Education	0.15	0.15	0.19	0.43
Coffee,tea & cocoa	0.65	0.94	0.84	0.61	Communications	0.10	-0.05	-0.10	0.20
Total	29.9	26.9	28.5	30.1	Total	70.1	73.1	71.5	69.9

4. Money and Financial Markets

Provisional estimates indicate that the annual growth rate of M2+ in the fourth quarter 2010 was robust, expanding by GH¢3,581.0 million (35%) from GH¢2,735.6 million (38.5%) in the third quarter and GH¢2,172.1 million (26.9%) a year earlier. The high growth in M2+ originated mainly from the domestic component (M2) which rose by GH¢3,496.2 million (46.2%) in 2010 during the review quarter. Demand deposits rose by GH¢1,438.2 million (69.3%) while savings and time deposits and currency with the Non-Bank Public expanded by GH¢1,177.9 million (34.6%) and GH¢880.0 million (42.2%) respectively. M2+ stood at GH¢13,814.2 million at the end of 2010.

4.1 Sources of Change in M2+

The Net Domestic Assets (NDA) of the banking system was the main source of change in M2+ with some support from the Net Foreign Assets (NFA) in the fourth quarter 2010. The NDA of the banking system rose by GH¢2,488.9 million (45.1%) mainly from net claims of Government (GH¢1,093.3 million or 34.5%) and claims on the private sector (GH¢1,154.8 million or 20.6%) in 2010. The commercial banks were the main source of financing for the Government and the private sector in the review year. The NFA of the banking system, mainly from the Bank of Ghana, grew by 23.2 per cent (GH¢1,092.1 million) in 2010.

Table 4.1: Monetary Indicators (GH¢ millions)

	Levels			Variations (year-on-year)					
	Dec-08	Dec-09	Dec-10	As at end-Dec 2008		As at end-Dec 2009		As at end-Dec 2010	
				abs	per cent	abs	per cent	abs	per cent
Reserve Money	2,432.9	3,039.4	4,413.7	682.3	39.0	606.5	24.9	1,374.3	45.2
Narrow Money (M1)	3,801.7	4,159.8	6,478.0	870.5	29.7	358.1	9.4	2,318.2	55.7
Broad Money (M2)	6,244.4	7,569.1	11,065.2	1,486.6	31.2	1,324.7	21.2	3,496.2	46.2
Broad Money (M2+)	8,061.2	10,233.2	13,814.2	2,310.5	40.2	2,172.1	26.9	3,581.0	35.0
Currency with the Public	1,663.9	2,084.6	2,964.6	361.7	27.8	420.7	25.3	880.0	42.2
Demand Deposits	2,137.8	2,075.2	3,513.4	508.8	31.2	-62.6	-2.9	1,438.2	69.3
Savings & Time Deposits	2,442.7	3,409.3	4,587.2	616.1	33.7	966.6	39.6	1,177.9	34.6
Foreign Currency Deposits	1,816.8	2,664.2	2,749.0	823.9	83.0	847.4	46.6	84.8	3.2
Sources of M2+									
Net Foreign Assets (NFA)	2,182.1	4,713.5	5,805.6	-346.7	-13.7	2,531.3	116.0	1,092.1	23.2
BOG	1,927.3	4,049.4	5,292.5	-539.2	-21.9	2,122.1	110.1	1,243.1	30.7
DMBs	254.8	664.1	513.1	192.5	309.0	409.2	160.6	-151.0	-22.7
Net Domestic Assets	5,879.0	5,519.8	8,008.7	2,657.1	82.5	-359.3	-6.1	2,488.9	45.1
Claims on Government (net)	2,397.7	3,169.2	4,262.5	1,293.8	117.2	771.5	32.2	1,093.3	34.5
BOG	1,448.1	1,355.0	1,281.8	1,193.0	467.7	-93.1	-6.4	-73.2	-5.4
DMBs	949.6	1,814.2	2,980.7	100.8	11.9	864.6	91.1	1,166.5	64.3
Claims on Public Sector	933.6	1,222.6	1,251.0	136.9	17.2	289.0	31.0	28.4	2.3
BOG	-89.1	-5.0	72.0	-79.1	786.8	84.1	-94.4	77.0	-1,540.0
DMBs	1,022.7	1,227.6	1,179.0	215.9	26.8	204.9	20.0	-48.6	-4.0
Claims on Private Sector	4,887.1	5,607.1	6,761.8	1,587.5	48.1	720.0	14.7	1,154.8	20.6
BOG	2.7	-46.9	-14.8	-1.2	-30.0	-49.6	-1,805.4	32.1	-68.4
DMBs	4,884.3	5,654.0	6,776.6	1,588.7	48.2	769.6	15.8	1,122.7	19.9
Other Items (Net) (OIN)	-2,339.4	-4,479.2	-4,266.7	-361.1	18.3	-2,139.8	91.5	212.5	-4.7
o/w BOG OMO (Sterilisation)	-85.8	-607.4	-935.1	273.6	-76.1	-521.6	607.9	-327.7	54.0

Developments in Banks Credit

The growth in banks outstanding credit to public and private institutions in the fourth quarter of 2010 rebounded from the lows recorded during the second and third quarters but was nevertheless lower than a year ago levels. Banks outstanding credit stood at GH¢7,994.7 million in the fourth quarter 2010, indicating an increase of GH¢1,066.00 million (15.4%) year-on-year compared with GH¢605.9 million (9.0%) in the third quarter 2010 and GH¢961.8 million (16.1%) a year ago.

In real terms, outstanding credit rose to 6.3 per cent year-on-year from increases of 0.6 per cent and 0.1 per cent recorded in the third quarter 2010 and a year ago respectively. Excluding indebtedness of TOR to the banks, the nominal growth rate increased to 18.1 per cent while the real growth rate also increased to 8.8 per cent year-on-year. These may be compared with nominal and real growth rates of 16.5 per cent and 0.5 per cent respectively in 2009. The share of the private sector in banks outstanding credit increased to 84.8 per cent in the fourth quarter of 2010 from 84.1 per cent in the third quarter of 2010 and 81.6 per cent in 2009.

Chart 4.1: Inflation and Liquidity (%)

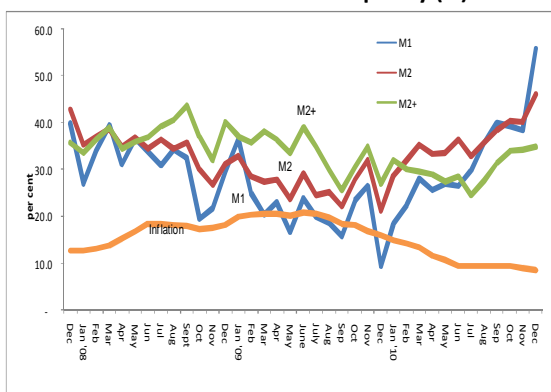


Chart 4.2: Bank Outstanding Credit (Annual growth, %)

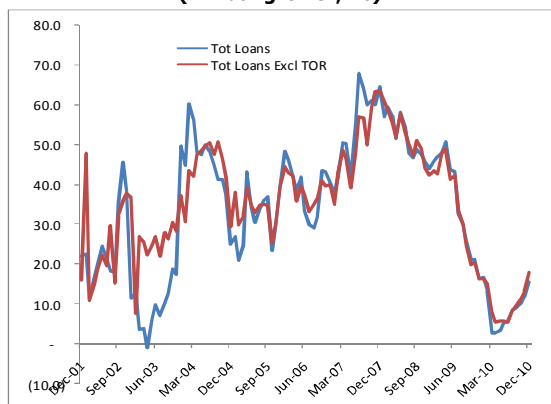
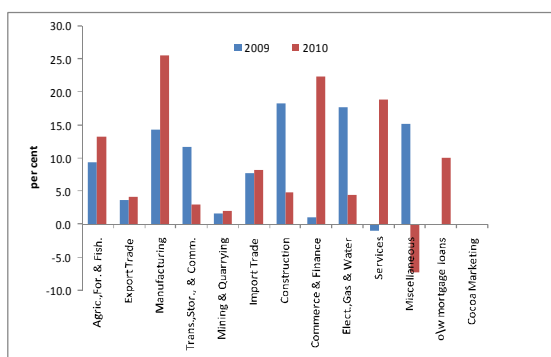


Chart 4.3: Sectoral Allocation of Annual Credit to the Private Sector



4.2 Developments in Bank Outstanding Credit

4.2.1 Distribution of Outstanding Credit to the Private Sector

Developments in outstanding credit to the private sector followed a trend similar to that of total credit in 2010.

The annual growth rate slowed down from GH¢769.6 million (15.8%) in 2009 to GH¢297.8 million (5.3%) in July 2010 and rebounded to GH¢1,122.8 million (19.9%) at the end of fourth quarter 2010.

Outstanding credit to the private sector stood at GH¢6,776.6 million at the end of the fourth quarter 2010. In real terms, the annual growth rate declined from -0.2 per cent at the end of 2009 to -0.3 per cent at the end of the third quarter and then rose to 10.4 per cent in the fourth quarter 2010. This was a reversal of the trend in 2009 when the real growth of credit to the private sector declined from 25.5 per cent year-on-year, at the end of 2008 to -0.2 per cent.

All sub sectors benefited from the annual flow of credit to the private sector with the exception of the Miscellaneous subsector that registered a decline of 7.3 per cent. The top four beneficiary subsectors were Manufacturing (25.5%), Commerce & Finance (22.4%), Services (19.0%) and Agriculture, Forestry & Fishing (13.4%). The four subsectors together accounted for 80.3 per cent of the annual flow of credit to the private sector in 2010.

In terms of holder of credit, the flow of credit to all subsectors went up with the Domestic Enterprises subsector being dominant in the allocation of credit to the private sector in 2010.

4.3 Sources and Uses of Bank's Funds

Balance with the Bank of Ghana was GH¢506.1 million (or 15.9%) whilst Other Assets in the form of real estate and equipment etc amounted to GH¢381.0 million (or 12%). On the other hand, banks investment in foreign assets declined from GH¢562.4 million (15.4%) in 2009 to -GH¢213.6 million (-6.7%) in the review year due to deterioration in the exchange rate of the cedi during the period September to December 2010.

Deposit mobilisation by the banks continued to be the main source of funding for these assets. Its share of the flow of funds rose to GH¢2,603.9 million (81.7%) in 2010 from GH¢1,720.6 million (47.2%) in 2009. Other sources of funds were Reserves (GH¢ 289.4 million or 9.1%), Capital (GH¢257.2million or 8.1%) and Other Liabilities (GH¢406.5 million or 12.8%).

Table 4.2: Sources and Uses of Banks' Funds (GH¢ millions)

	Dec-08	Sep-09	Dec-09	Sep-10	Variation (year-on-year)					
					As at end-Sept 2009		As at end-Dec 2009		As at end-	
					Abs	% of Change	Abs	% of Change	Abs	% of Change
Sources of Funds										
Total Deposits	6,358.4	7,176.3	8,079.0	9,369.5	1,485.5	50.9	1,720.6	47.2	2,193.3	
Domestic	4,541.6	4,820.2	5,414.8	6,731.3	846.6	29.0	873.2	24.0	1,911.1	
Demand Deposits	2,098.9	1,954.3	2,005.5	2,810.3	170.5	5.8	-93.4	-2.6	856.0	
Savings Deposits	965.4	1,102.7	1,257.7	1,561.2	181.0	6.2	292.3	8.0	458.6	
Time Deposits	1,477.4	1,763.2	2,151.6	2,359.7	495.1	17.0	674.2	18.5	596.5	
Foreign Currency	1,816.8	2,356.1	2,664.2	2,638.2	638.9	21.9	847.4	23.3	282.2	
Credit From BOG	12.5	316.6	443.9	144.3	307.4	10.5	431.4	11.8	-172.4	
Balances Due to Non-Resident Banks	724.0	677.1	877.2	759.4	35.6	1.2	153.2	4.2	82.4	
Capital	528.9	770.9	1,131.9	1,274.1	330.1	11.3	603.0	16.6	503.2	
Reserves	666.9	665.6	657.7	783.8	5.1	0.2	-9.2	-0.3	118.2	
Other Liabilities*	2,125.1	2,674.6	2,868.7	3,451.9	756.1	25.9	743.6	20.4	777.3	
Total	10,415.8	12,281.0	14,058.3	15,782.9	2,919.7		3,642.6		3,502.0	
Uses of Funds										
Bank Credit	5,991.3	6,759.1	6,950.3	7,359.2	1,380.6	47.3	959.0	26.3	600.1	
o/w Private Sector Credit	4,884.3	5,688.4	5,654.0	6,175.2	1,178.1	40.4	769.6	21.1	486.9	
Investment in Government Securities	1,299.1	1,539.4	2,266.7	3,179.3	388.0	13.3	967.6	26.6	1,639.9	
Short Term	577.9	1,079.4	1,254.1	836.4	857.2	29.4	676.2	18.6	-243.1	
Medium/Long Term	721.2	460.0	1,012.6	2,343.0	-469.2	-16.1	291.4	8.0	1,883.0	
Foreign Assets	978.8	1,191.8	1,541.2	1,302.7	319.4	10.9	562.4	15.4	110.9	
Balances with BOG	1,071.0	1,261.2	1,413.3	1,684.8	321.4	11.0	342.3	9.4	423.6	
Other Assets**	1,075.5	1,529.4	1,886.9	2,256.9	510.3	17.5	811.3	22.3	727.4	
Total	10,415.8	12,281.0	14,058.3	15,782.9	2,919.7		3,642.6		3,502.0	

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

Table 4.3: Sectoral Distribution of DMB Outstanding Credit (GH¢ millions)

SECTOR	Outstanding			Year-on-Year Variation					
	As at end	As at end	As at end	As at end-Dec 2008		As at end Dec 2009		As at end-Dec 2010	
	Dec-08	Dec-09	Dec-10	ABS.	(%)	ABS.	(%)	ABS.	(%)
1.Agric.,For. & Fish.	255.2	328.3	489.8	72.4	39.6	73.1	28.6	161.5	49.2
2.Export Trade	82.4	117.5	155.1	13.3	19.3	35.0	42.5	37.7	32.1
3.Manufacturing	709.3	805.8	1,060.3	181.0	34.3	96.5	13.6	254.5	31.6
4.Trans.,Stor., & Comm.	176.0	276.5	321.3	12.9	7.9	100.5	57.1	44.9	16.2
5.Mining & Quarrying	172.7	190.4	216.8	41.6	31.7	17.7	10.3	26.4	13.9
6.Import Trade	308.9	368.7	461.8	106.6	52.7	59.8	19.4	93.1	25.2
7.Construction	404.7	543.1	601.8	89.3	28.3	138.4	34.2	58.8	10.8
8.Commerce & Finance	1,560.8	1,669.7	1,859.1	515.6	49.3	108.9	7.0	189.4	11.3
9.Elect.,Gas & Water	237.9	437.3	521.0	101.4	74.3	199.4	83.8	83.7	19.1
10.Services	1,425.2	1,452.6	1,650.0	507.5	55.3	27.4	1.9	197.4	13.6
11.Miscellaneous	574.1	691.9	618.6	163.1	39.7	117.8	20.5	-73.3	-10.6
o/w mortgage loans	91.0	109.1	114.6	28.8	46.4	18.2	20.0	5.5	5.0
12.Sub-Total	5,907.1	6,881.6	7,955.6	1,804.6	44.0	974.5	16.5	1,074.0	15.6
13.Cocoa Marketing	59.7	47.1	39.1	15.7	35.7	-12.7	-21.2	-8.0	-17.0
14.Grand Total	5,966.8	6,928.6	7,994.7	1,820.3	43.9	961.8	16.1	1,066.0	15.4

4.4 The Money Market

4.4.1 Interest Rate Trends

Interest rates in all the money market segments drifted in one direction during year 2010. From the opening rate of 18.0 per cent, the Bank of Ghana policy rate was reduced by a cumulative 450 basis points to 13.5 per cent in July 2010 and maintained at that rate till the end of year.

In the money market, the average interest rate on Bank of Ghana securities registered declines during the year. The average interest rate on the 7-day, 14-day, 28-day and 56-day Bank of Ghana bills and the interbank weighted average rate dropped 654.0, 674.0, 659.0, 339.0 and 486 basis points respectively to 11.70 per cent, 11.75 per cent, 12.08 per cent, 12.23 per cent and 11.65 per cent respectively in 2010. Similarly, the average interest rate on the 91-day and 182-day Treasury bills also shed 1,142 and 1,378 basis points to settle at 12.28 per cent and 12.68 per cent respectively at the end of 2010

The average interest rates on medium-term Government securities, such as the 2-year fixed rate note shed 7.85 percentage points to 12.65 per cent. Commercial banks' average 3-month time deposit rate also lost 8.5 percentage points to 10.50 per cent as well as the average lending rate also stepping back by 5.13 percentage points to 27.64 per cent in 2010. The decline in interest rates during the year is well reflected in massive reduction in the average base rate of banks which ended the year at 25.79 per cent from 31.31 per cent at the beginning of the year.

Settlement of Interbank Transactions

Volume of transactions settled through the Ghana Interbank System (GIS) during the fourth quarter of 2010 totaled 71,020 valued at GH¢73,581.9 million, up 8.42 per cent in volume terms above the level in the previous quarter, and 21.20 per cent a year ago. On the average, a total of 1,110 transactions were settled daily through the GIS, valued at GH¢1,149.7 million in the fourth quarter compared with 1,024 transactions valued at GH¢942.0 million during the third quarter. For a similar period during the previous year, a total of 930 transactions were settled daily through the GIS, valued at GH¢1,258.5 million.

Cheques Cleared

Volume of cheques cleared during the fourth quarter totaled 1,687,923 valued at GH¢12,422.2 million. This may be compared with a volume of 1,493,431 cheques valued at GH¢9,494.0 million cleared during the third quarter of the year. For the corresponding period in the previous year, a total of 1,410,688 cheques valued at GH¢8,315.1 million were cleared. On a daily basis, an average of 26,374 cheques valued at GH¢197.1 million were cleared during the quarter under review, compared with 23,335 cheques valued at GH¢148.3 million cleared daily during the third quarter of the year. For a year earlier, a total of 22,391 cheques were cleared daily valued at GH¢132.0 million.

4.4.2 Money Market Liquidity

The year 2010 saw an ease in liquidity on the money market with positive daily average liquidity levels. From daily average positions ranging from GH¢76.68 million and GH¢355.13 million during the second quarter and GH¢95.40 million and GH¢313.97 million during the third quarter, the position further increased during the fourth quarter with liquidity ranges of GH¢181.16 million to GH¢438.83 million. Repo activities during the quarter also increased to GH¢16,044.70 million from GH¢13,691.80 million during the previous quarter.

Trading in the interbank market also continued its increase during the fourth quarter of 2010 with value of trade transactions ranging from GH¢404.50 million to GH¢944.50 million compared with values of GH¢287.1 million to GH¢694.6 million during the third quarter. Compared with the fourth quarter of the previous year, trading values ranged from GH¢141.30 million to GH¢443.20 million.

Table 4.4: Analysis of Tender Results (Oct – Dec. 2010)

Tender #	Date of Auction	Type of Security	Rates Received		Rates Accepted		Bids Received		Bids Accepted	
			discount rate	int. rate	wghtd. avg. disc.	int. rate	vol	value	vol	value
1191	1-Oct-10	91-day	11.80-12.15	12.16-12.53	12.04	12.41	15494	98,007,188.00	15494	98,007,188.00
		182-day	11.90-12.20	12.65-12.99	12.04	12.81	1152	30,805,162.00	1010	30,256,755.00
		1 year		12.10-13.00		13.00	130	11,736,974.00	130	11,736,974.00
		2-yr. Fixed		12.50-13.00		13.00	15	3,046,658.00	15	3,046,658.00
		3-yr fixed		12.00-14.50		13.3	26	722,465,000.00	23	457,405,000.00
131	6-Oct-10	7-day	11.70	11.73	11.7	11.73	1	5,000,000.00	1	5,000,000.00
		14-day	0.00	0	0	0	0	0.00	0	-
		28-day	0.00	0	0	0	0	0.00	0	-
		56-day	0.00	0	0	0	0	0.00	0	-
1192	8-Oct-10	91-day	11.80-12.41	12.16-12.81	12.03	12.40	10916	91,166,139.00	10914	90,664,075.00
		182-day	12.00-12.15	12.77-12.94	12.05	12.82	1102	36,720,071.00	1096	35,969,371.00
		1 year		12.20-13.00		12.90	110	1,935,467.00	105	1,935,467.00
		2-yr. Fixed		12.80-13.00		13.00	26	10,526,982.00	26	10,526,982.00
132	13-Oct-10	7-day	11.60-11.70	11.63-11.73	11.66	11.68	3	10,000,000.00	3	10,000,000.00
		14-day								
		28-day								
		56-day								
1193	15-Oct-10	91-day	11.80-12.40	12.16-12.80	12.03	12.41	17,336	136,295,134.00	17335	136,287,911.00
		182-day	11.80-12.50	12.54-13.33	12.04	12.81	1131	68,057,858.00	1129	68,055,358.00
		1 year		12.00-12.90		12.9	109	16,481,568.00	109	16,481,568.00
		2-yr. Fixed		12.80-13.00		13	23	10,153,452.00	23	10,153,452.00
133	20-Oct-10	7-day	11.60-11.80	11.63-11.83	11.74	11.77	5	39,600,000.00	5	39,600,000.00
		14-day								
		28-day								
		56-day								
1194	22-Oct-10	91-day	11.80-12.80	12.16-13.22	12.03	12.40	12690	107,860,845.00	12679	107,594,990.00
		182-day	11.80-12.80	12.54-13.68	12.04	12.81	900	60,218,855.00	897	60,200,329.00
		1 year		12.30-12.85		12.85	141	4,800,924.00	141	4,800,924.00
		2-yr. Fixed		12.80-12.95		12.95	10	70,205.00	10	70,205.00
134	27-Oct-10	7-day	11.65-11.70	11.68-11.73	11.69	11.72	6	31,824,900.00	6	31,824,900.00
		14-day	11.74	11.79	11.74	11.79	2	3,100,000.00	2	3,100,000.00
		28-day	12.00	12.11	12	12.11	1	5,000,000.00	1	5,000,000.00
		56-day	12.00	12.23	12	12.23	1	3,056,427.00	1	3,056,427.00
1195	29-Oct-10	91-day	11.65-12.05	12.00-12.42	11.99	12.36	18198	93,282,257.00	18198	93,282,257.00
		182-day	11.75-12.05	12.48-12.82	12.01	12.77	768	52,962,023.00	768	52,962,023.00
		1 year		12.00-12.85		12.85	159	17,365,505.00	159	17,365,505.00
		2-yr. Fixed		12.00-12.90		12.90	15	299,850.00	15	299,850.00
135	3-Nov-10	7-day	11.65-11.67	11.68-11.70	11.66	11.68	2	8,006,800.00	2	8,006,800.00
		14-day	11.74	11.79	11.74	11.79	1	5,100,000.00	1	5,100,000.00
		28-day	12.00	12.11	12	12.11	1	10,000,000.00	1	10,000,000.00
		56-day	12.00	12.23	12	12.23	2	4,000,000.00	2	4,000,000.00
1196	5-Nov-10	91-day	11.70-13.00	12.05-13.44	12.00	12.37	14732	182,504,566.00	14716	182,504,566.00
		182-day	11.75-12.90	12.48-13.79	11.98	12.74	994	30,694,234.00	975	30,689,520.00
		1 year		12.20-12.80		12.80	140	18,472,121.00	140	18,472,121.00
		2-yr. Fixed		12.10-12.90		12.90	39	97,949.00	39	97,949.00
136	10-Nov-10	7-day	11.65	11.68	11.65	11.68	1	5,000,000.00	1	5,000,000.00
		14-day	11.74	11.79	11.74	11.79	1	3,100,000.00	1	3,100,000.00
		28-day	0.00	0	0	0	0	0.00	0	-
		56-day	0.00	0	0	0	0	0.00	0	-
1197	12-Nov-10	91-day	11.70-12.15	12.05-12.53	11.93	12.30	14,819	149,417,064.00	14817	149,348,744.00
		182-day	11.75-12.00	12.48-12.77	11.96	12.72	1332	77,923,819.00	1332	77,923,819.00
		1 year		12.10-12.80		12.78	145	6,492,345.00	140	6,475,145.00
		2-yr. Fixed		12.50-12.80		12.80	9	25,450.00	9	25,450.00
137	10-Nov-10	7-day	11.65	11.68	11.65	11.68	3	32,060,600.00	3	32,060,600.00
		14-day	0.00	0	0	0	0	0.00	0	-
		28-day	0.00	0	0	0	0	0.00	0	-
		56-day	0.00	0	0	0	0	0.00	0	-
1198	19-Nov-10	91-day	11.80-12.90	12.16-13.33	11.95	12.31	9386	75,113,694.00	9384	75,063,434.00
		182-day	11.85-12.74	12.60-13.61	11.96	12.72	587	39,175,581.00	586	39,167,581.00
		1 year		12.50-12.75		12.75	132	18,111,326.00	132	18,111,326.00
		2-yr. Fixed		12.50-12.85		12.80	6	60,480.00	5	20,480.00
138	17-Nov-10	7-day	11.65	11.68	11.65	11.68	2	8,006,740.00	2	8,006,740.00
		14-day	11.70	11.75	11.7	11.75	1	7,000,000.00	1	7,000,000.00
		28-day	11.90-11.98	12.01-12.09	11.94	12.05	1	21,000,000.00	2	21,000,000.00
		56-day	0.00	0	0	0	0	0.00	0	-
1199	26-Nov-10	91-day	11.70-12.30	12.05-12.69	11.96	12.32	20747	216,470,099.00	20746	216,469,067.00
		182-day	11.85-12.00	12.60-12.77	11.95	12.71	1092	35,247,220.00	1092	35,247,220.00
		1 year		12.50-12.85		12.72	111	916,024.00	108	891,024.00
		2-yr. Fixed		12.60-12.75		12.75	9	67,700.00	9	67,700.00
139	1-Dec-10	7-day	11.65	11.68	11.65	11.68	4	28,022,454.00	4	28,022,454.00
		14-day	11.70	11.75	11.70	11.75	1	7,000,000.00	1	7,000,000.00
		28-day	0.00	0	0	0	0	0.00	0	-
		56-day	12.00	12.23	12.00	12.23	2	13,000,000.00	2	13,000,000.00
1200	2-Dec-10	91-day	11.50-11.98	11.84-12.35	11.93	12.30	11698	83,623,133.00	11698	83,623,133.00
		182-day	11.80-12.71	12.54-13.57	11.95	12.70	648	65,714,187.00	618	65,386,725.00
		1 year		12.00-12.75		12.70	105	3,248,124.00	97	3,205,746.00
		2-yr. Fixed		12.50-12.70		12.70	11	1,576,900.00	11	1,576,900.00
140	8-Dec-10	7-day	11.65	11.68	11.65	11.68	2	25,000,000.00	2	25,000,000.00
		14-day	0.00	0	0	0	0	0.00	0	-
		28-day	0.00	0	0	0	0	0.00	0	-
		56-day	0.00	0	0	0	0	0.00	0	-
1201	10-Dec-10	91-day	11.80-11.98	12.16-12.35	11.92	12.29	28272	138,964,537.00	28271	138,464,537.00
		182-day	11.80-11.98	12.54-12.74	11.92	12.67	1677	99,402,633.00	1676	98,902,633.00
		1 year		12.30-12.70		12.68	139	13,025,304.00	116	12,528,369.00
		2-yr. Fixed		12.30-12.70		12.70	20	2,472,980.00	20	2,472,980.00
1202	17-Dec-10	91-day	11.80-11.95	12.16-12.32	11.91	12.28	13771	110,128,726.00	13771	110,128,726.00
		182-day	11.80-12.00	12.54-12.77	11.92	12.68	1480	60,727,361.00	1479	60,717,361.00
		1 year		12.00-12.70		12.65	113	23,164,212.00	107	23,154,812.00
		2-yr. Fixed		12.40-12.70		12.70	14	118,265.00	14	118,265.00
1203	24-Dec-10	91-day	11.70-11.93	12.05-12.30	11.89	12.26	15056	100,086,778.00	15056	100,086,778.00
		182-day	11.70-12.00	12.43-12.77	11.91	12.67	744	59,579,076.00	709	59,162,787.00
		1 year		12.00-12.65		12.65	161	39,734,747.00	161	39,734,747.00
		2-yr. Fixed		12.40-12.70		12.70	7	26,410.00	7	26,410.00
							218,690	3,500,519,083	218,361	3,204,539,104.00

Tender Results

The 91-day instrument continued to dominate, accounting for 58 per cent during the fourth quarter. The 182-day bill followed with 27 per cent. Trading activities for the BOG bills was rather on the lower side and highly concentrated in the 7-day bill.

4.5 The Foreign Exchange Market

4.5.1 International Currency Market

At the beginning of the fourth quarter 2010 the major economies embarked upon quantitative easing to stimulate their economies so as to spur growth. Before the impact of the policy could be felt in the Euro zone, a second major debt crisis emanating from Irish struggling banks hit the region. Safe haven currencies held sway over the major currencies in the market during the first two months of the review quarter. In December, however, economic data in the major economies suggested that the global economic recovery was gathering momentum and that spurred demand for riskier currencies and higher yielding assets boosting their strength.

The **US dollar** depreciated at the beginning of the quarter on account of weak job data and quantitative easing policy adopted by the Fed. The dollar, however, picked strength in November driven by strong US pay roll report and rising economic growth prospects. For the review quarter, the US dollar appreciated by 2.7 per cent and 2.2 per cent against the euro and the pound sterling respectively but depreciated by 2.43 per cent against the Japanese yen.

The **pound sterling** traded mixed on account of strong retail sales and improved economic data. However, low investor confidence about the management of the UK economy drove down the pound sterling which was further dented by Bank of England's adoption of quantitative easing. The pound sterling depreciated by 2.13 per cent and 3.80 per cent against the US dollar and the yen respectively but appreciated by 0.53 per cent against a weak euro during the review quarter.

The European currency was affected by falling German industrial output as well as the Irish debt crisis that hit the euro zone. The **euro** became unattractive and weakened against all the major currencies. It depreciated by 2.62 per cent, 0.50 per cent and 5.38 per cent against the US dollar, the pound sterling and the yen respectively, during the review quarter.

In the light of uncertainty and speculation in the market, the **yen** continued to attract investors as a currency of refuge and remained strong during the quarter. It appreciated by 2.60 per cent, 4.84 per cent and 5.37 per cent against the dollar, pound sterling and euro respectively.

4.5.2 Domestic Currency Market

On the domestic currency market, the Ghana cedi traded strongly in October and November but plunged low in December. Demand for foreign exchange on the market increased in both the official and non-formal sectors. In the official sector, demand for foreign exchange for both oil and non-oil sales recorded increases and in the informal sector, demand for foreign exchange for importation of consumer goods for the Christmas season recorded an appreciable increase.

In the **Inter-Bank Market**, the Ghana cedi depreciated by 3.2 per cent and 0.9 per cent against the US dollar and pound sterling respectively but appreciated by 0.2 per cent against the euro.

In the **Forex Bureau Market**, the Ghana cedi weakened against all the major currencies during the quarter, depreciating by 1.3 per cent, 1.6 per cent and 3.9 per cent against the US dollar, the pound sterling and the euro respectively.

Chart 4.4: Quarterly Changes in Interbank Exchange Rates (%)

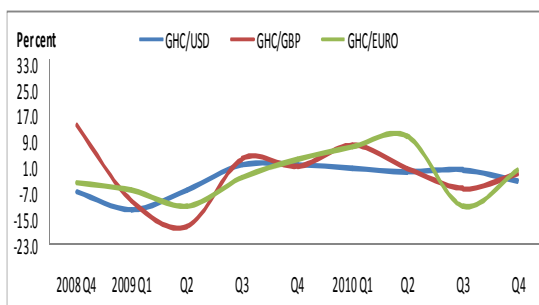
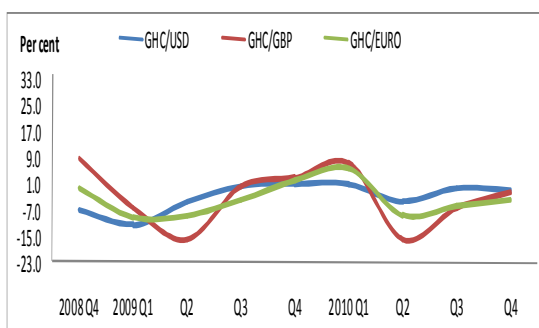


Chart 4.5: Quarterly Changes in Forex Bureau Exchange Rates (%)



Foreign Exchange Transaction Market

Transactions in the foreign exchange market recorded appreciable increase in the fourth quarter. Purchases increased by 9.04 per cent from US\$1,815.80 million in the third quarter to US\$ 1,979.94 million in the fourth quarter. Purchases also increased by 38.74 per

cent over the corresponding period of the preceding year.

per cent during the quarter while trading among the Banks increased by 7.41 per cent. However, purchases by forex bureaux declined by 5.1 per cent.

The increases emanated from the Banking sector, Bank of Ghana sales to the DMB's increased by 16.91

Table 4.5: International Market Exchange Rate Movements

End Period	US\$/£ Movements			US\$/€ Movements			US\$/¥ Movements		
	Quarter	Annual		Quarterly	Annual		Quarterly	Annual	
2008	1.4480	27.4	37.9	1.4096	3.7	4.5	0.0111	-15.3	-19.8
2009									
Q1	1.4213	1.9		1.3208	6.7		0.0103	7.8	
Q2	1.6521	-14.0		1.4049	-6.0		0.0105	-1.9	
Q3	1.5921	3.8		1.4592	-3.7		0.0111	-5.4	
Q4	1.5929	-0.1	-9.1	1.4333	1.8	-1.7	0.0108	2.8	2.8
2010									
Q1	1.5072	5.7		1.3455	6.5		0.0108	0.0	
Q2	1.5072	0.0		1.2209	10.2		0.0113	-4.4	
Q3	1.5808	-4.7		1.3611	-10.3		0.0120	-5.8	
Q4	1.5470	2.2	3.0	1.3254	2.7	8.1	0.0123	-2.4	-12.2

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
2008	1.2141	-6.6	-20.1	1.8049	14.1	8.1	1.7211	-3.9	-16.3
2009									
Q1	1.3832	-12.2		1.9909	-9.3		1.8357	-6.2	
Q2	1.4725	-6.1		2.4141	-17.5		2.0658	-11.1	
Q3	1.4514	1.5		2.3298	3.6		2.1176	-2.4	
Q4	1.4284	1.6	-15.0	2.2991	1.3	-21.5	2.0484	3.4	-16.0
2010									
Q1	1.4168	0.8		2.1357	7.7		1.9108	7.2	
Q2	1.4267	-0.7		2.1191	0.8		1.7277	10.6	
Q3	1.4269	0.0		2.2503	-5.8		1.9440	-11.1	
Q4	1.4738	-3.2	-3.1	2.2709	-0.9	1.2	1.9407	0.2	5.5

Depreciation (-)/ Appreciation (+)

Table 4.7: Forex Bureau Exchange Rate Movements

End Period	Movement			Movement			Movement		
	¢/US\$	Quarter	Annual	¢/GBP	Quarter	Annual	¢/Euro	Quarter	Annual
2008	1.2457	-7.2	-20.6	1.8655	8.3	5.2	1.6887	-0.5	-16.1
2009									
Q1	1.4109	-11.7		1.9990	-6.7		1.8614	-9.3	
Q2	1.4807	-4.7		2.3904	-16.4		2.0402	-8.8	
Q3	1.4757	0.3		2.3946	-0.2		2.1230	-3.9	
Q4	1.4624	0.9	-14.8	2.3305	2.8	-20.0	2.0810	2.0	-18.9
2010									
Q1	1.4489	0.9		2.1755	7.1		1.9691	5.7	
Q2	1.4400	0.6		2.0840	4.4		1.7630	11.7	
Q3	1.4498	-0.7		2.2312	-6.6		1.8791	-6.2	
Q4	1.4689	-1.3	-0.4	2.2683	-1.6	2.7	1.9550	-3.9	6.4

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

Period	Purchases				Total	Percentage Change	Sales		Total
	BOG	Banks	Interbank	F. Bureau			Interbank	F. Bureau	
2009									
Q1	688.32	705.15	1,393.47	77.23	1,470.69	-15.65	1,333.44	77.34	1,410.78
Q2	474.86	744.21	1,219.07	78.15	1,297.21	-11.80	1,123.36	78.25	1,201.61
Q3	245.15	1,076.71	1,321.86	82.37	1,404.22	8.25	1,257.50	82.27	1,339.77
Q4	226.93	1,120.77	1,347.70	79.37	1,427.07	1.63	1,512.53	79.54	1,592.07
2010									
Q1	261.60	1,504.85	1,766.45	91.22	1,857.67	30.17	1,871.92	91.77	1,963.69
Q2	483.42	1,344.86	1,828.28	94.33	1,922.61	3.50	1,735.81	94.86	1,830.67
Q3	424.68	1,305.76	1,730.44	85.36	1,815.80	-5.56	1,901.38	84.72	1,986.10
Q4	496.49	1,402.50	1,898.99	80.95	1,979.94	9.04	1,952.63	80.58	2,033.21

*Provisional

Chart 4.6: GSE All Share Index Growth (%)

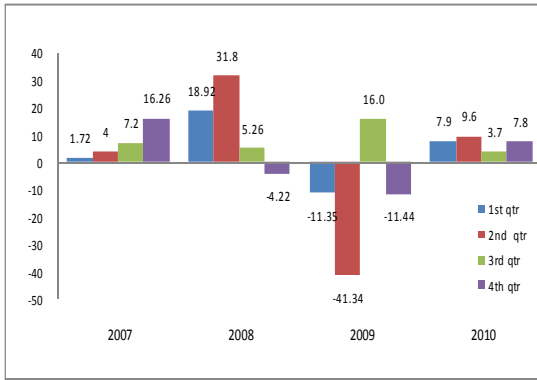


Chart 4.7: Equity Price Changes (%)

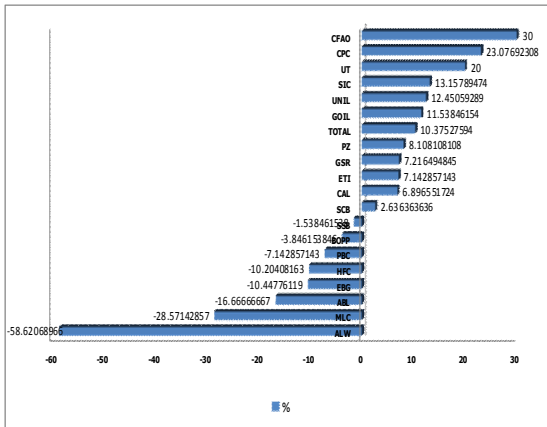
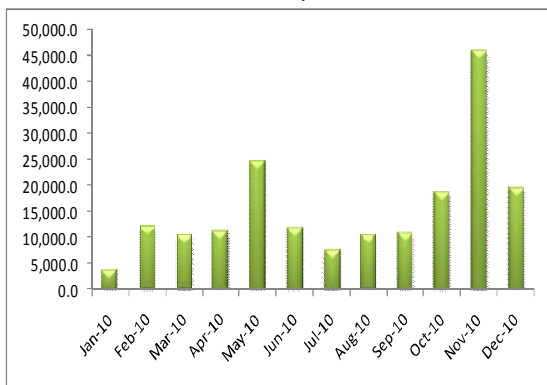


Chart 4.8: Market Activity – Volume of trade



4.6 The Capital Market

The trend in the capital market stayed rather bullish during the fourth quarter of 2010 as macroeconomic conditions continued to favour capital market activity.

4.6.1 GSE All-Share Index

The GSE All-Share index continued to surge upwards during the review quarter, rising by 7.8 per cent (533.5 points) to 7,369.2 points. This may be compared with an increase of 3.7 per cent on the

previous quarter and a fall of 11.4 per cent (719.8 points) a year ago. Cumulatively, the index gained 32.3 per cent (1,796.9 points) over the 12 months of 2010 compared with a drop of 46.6 per cent (4,859.3 points) for the same period in 2009.

4.6.2 Sectoral Performance

With the exception of the Agricultural sector which depreciated in the quarter and the ICT sector that remained flat, shares of all the other sectors appreciated. The Finance sector gained 9.3 per cent (41.3 points). Shares of GCB, UT and SIC appreciated to push the sector’s index up. The Food & Beverages index was up by 21.6 per cent (137.1 points) due mainly to share price appreciation of CPC. The Distribution sub-sector kept the pace and moved 3.9 per cent up as a result of rise in the price of Total Oil Company, GOIL and CFAO shares. The Manufacturing sector gained 6.2 per cent as a result of positive movement in the prices of UNIL and PZC. The Mining sector inched up marginally on account of AADS and GSR.

4.6.3 Market Trading Performance

There was marked improvement in the volume of trades on the market during the fourth quarter of 2010 as trades jumped to 84.6 million from 29.24 million in the previous quarter. Total value of shares traded also increased to GH¢44.2 million from GH¢28.6 million during the preceding quarter. Comparatively, 20.4 million shares valued at GH¢17.7 million were traded during the fourth quarter of last year.

Fourteen equities led by GCB, advanced by varying amounts during the fourth quarter of 2010. Eight equities however retreated. The financial stocks remained strong and continued to influence the direction of trade on the exchange in the review quarter.

Market Capitalization

Market capitalization rose by 5.9 per cent (GH¢1,134.1 million) to GH¢20,116.7 million in December 2010. This may be compared with a growth of 0.2 per cent (GH¢27.8 million) for the corresponding period a year ago. On year-to-date basis, market capitalization went up by 26.2 per cent (GH¢4,174.8 million). The growth in market capitalization was due to share price appreciation and additional listing of shares by AGA.

5. Fiscal Developments

Government budgetary operations in the third quarter of 2010 resulted in an overall fiscal deficit (including divestiture) of GH¢736.5 million (2.8 % of GDP) against a target of GH¢777.2 million (3.0 % of GDP).

The higher domestic expenditure during the quarter vis-à-vis the low domestic revenues resulted in a domestic primary deficit equivalent to 1.5 per cent of GDP compared with a budgeted deficit of GH¢420.9 million (1.6% of GDP). In the corresponding period of 2009, the domestic primary balance recorded a deficit equivalent to 0.5 per cent of GDP.

Table 5.1: Fiscal Indicators, GH¢ m

	PROV	PROV	PROV	BUDGET
	2009	2010	2010	2010
	Q3	Q2	Q3	Q3
Primary Bal	(104.25)	151.74	(395.57)	(420.87)
% of GDP	(0.48)	0.59	(1.53)	(1.62)
Overall Bal	(507.96)	(451.85)	(736.52)	(777.21)
% of GDP	(2.35)	(1.74)	(2.84)	(3.00)
Recc Exp	1,514.04	1,799.65	2,153.65	2,070.34
% of GDP	7.00	6.94	8.30	7.98
Capital Exp	566.32	597.11	444.54	610.98
% of GDP	2.62	2.30	1.71	2.36
Grants	215.52	140.36	151.28	309.84
% of GDP	1.00	0.54	0.58	1.19
Revenue & Grants	1,544.95	1,921.93	2,066.04	1,996.19
% of GDP	7.14	7.41	7.97	7.70
Revenue	1,329.43	1,781.58	1,914.76	1,686.35
% of GDP	6.15	6.87	7.38	6.50
Tax	1,160.97	1,564.86	1,688.10	1,486.64
% of GDP	5.37	6.03	6.51	5.73
Stock of Debt	4,212.47	5,775.54	6,020.30	
% of GDP	19.48	22.27	23.21	-
GDP	21,630.00	25,934.00	25,934.00	25,934.00

5.1 Government Revenue

Government revenue and Grants realised in the third quarter of 2010 amounted to GH¢2,066.0 million. The total receipts were made up of GH¢1,688.1 million tax revenue, GH¢226.7 million from non tax revenue and GH¢151.3 million from grants. The total receipts of GH¢2,066.0 million was 3.5 per cent higher than the budget estimate of GH¢1,996.2 million. The increase in total receipts were from tax sources amounting to GH¢201.5 million and non tax revenue of GH¢27.0 million. Grants however fell short of the target by GH¢158.6 million thereby moderating the overall improvement in total receipts. The increase in tax revenue was manifested mainly in company taxes which was 3.7 per cent above the target, taxes on international trade (37.6 % above target), as well as domestic and external VAT (19.6 per cent above target). Similarly, non tax revenue contributed to the overall improvement in total receipts for the third quarter as it exceeded the budgeted target by 13.5 per cent.

Income and Property Tax

Taxes from income and property during the third quarter amounted to GH¢569.4 million compared with GH¢428.9 million for a similar period in 2009 and GH¢564.7 million budgeted for the period under review. Personal income taxes continue to dominate the income and property tax category recording GH¢245.3 million. This was followed closely by taxes from corporate sources which raked in 209.5 million. Other direct tax made up GH¢59.7 million of the total income and property tax with NFSL and airport tax contributing GH¢21.6 million and GH¢8.6 million respectively. Improvement in internal processes such as computerisation of personal income tax payments as well as improved public education to enhance compliance mainly accounted for the strong performance in this category of taxes.

Domestic Goods and Services

Domestic goods and services tax of GH¢95.2 million was above the target by 2.5 per cent for the review period. It was however below the collection for the previous quarter by GH¢5.6 million and also more than that of the corresponding quarter of 2009 by GH¢25.6 million.

Of the total, excise duty amounted to GH¢29.7 million while petroleum taxes totalled GH¢65.4 million, of which GH¢11.03 million represented debt recovery levy.

International Trade Taxes

International Trade taxes for the period under review amounted to GH¢349.1 million, compared to the target of GH¢253.6 million. The total import duty realised during the period was GH¢274.4 million, 11.7 per cent over the budgeted target of GH¢247.1 million. The restoration of tariffs on dutiable food items contributed significantly to the improved performance compared to the corresponding period of 2009 with import duty of GH¢174.5 million. Total export duty collections for the third quarter of 2010 amounted to GH¢74.7 million.

Value Added Tax (VAT)

The VAT collections of GH¢442.8 million was 19.6 per cent above the target for the period under review. This was made up of domestic and external components which contributed GH¢186.6 million and GH¢256.3 million respectively. These were above their respective targets by 46.0 per cent and 5.7 per cent. The improved performance in VAT collections is explained by the increase in economic activity over time. Their respective collections in the corresponding period of 2009 were GH¢132.6 million and GH¢185.5 million respectively.

Table 5.2: Government Revenue (GH¢ m)

	PROV Q3 2009	PROV Q2 2010	PROV Q3 2010	BUDGET Q3 2010
TAXES ON INCOME & PROPERTY	428.9	622.2	569.4	564.7
Personal	195.0	249.8	245.3	253.3
Self employed	19.1	23.8	24.4	27.6
Companies	158.3	264.5	209.5	201.9
Others	56.4	84.0	90.2	81.9
Other direct taxes /1	47.4	55.0	59.7	66.1
NRL(Arrears)	0.1	1.4	0.4	-
NFSL	2.4	15.1	21.6	8.9
Airport tax	6.6	12.5	8.6	6.8
TAXES ON DOMESTIC GOODS	69.6	100.7	95.2	92.9
Excise Duty	12.2	32.9	29.7	16.7
Petroleum tax	57.4	67.8	65.4	76.2
O/W Debt recovery levy	11.0	12.4	11.0	-
TAXES ON INTERNATIONAL TRADE	174.5	244.6	349.1	253.6
Imports	174.5	239.6	274.4	247.1
Import duty	174.5	239.6	274.4	247.1
Exports	-	5.0	74.7	6.5
Cocoa	-	5.0	74.7	6.5
VAT	318.1	406.3	442.8	370.3
Domestic	132.6	180.1	186.6	127.8
External	185.5	226.2	256.3	242.5
National Health Insurance Levy (NHIL)	76.3	74.5	111.9	118.3
CEPS Collection	38.5	42.4	48.4	52.2
VATS Collection	22.9	32.1	38.9	30.5
SSNIT Contribution	14.8	-	24.6	35.6
OTHER REVENUE MEASURES	21.5	39.3	29.2	32.7
Mobile Phone Tax on Air Time	21.5	39.3	29.2	32.7
Import Exemptions	72.1	77.3	90.6	54.2
TAX REVENUE	1,161.0	1,564.9	1,688.1	1,486.6
NON-TAX REVENUE	168.5	216.7	226.7	199.7
Lodgment	36.8	120.0	174.3	98.2
Fees & Charges	36.8	120.0	174.3	98.2
Retention	131.7	96.7	52.3	101.5
TOTAL REVENUE	1,329.4	1,781.6	1,914.8	1,686.3
GRANTS	215.5	140.4	151.3	309.8
Project grants	149.4	57.9	22.3	175.5
Programme grants	8.3	53.5	80.3	93.3
HIPC assistance (multilaterals)	39.5	18.7	29.4	26.6
Multilateral Debt Relief Initiative (MDRI)	18.3	10.2	19.2	14.4
World Bank	18.1	8.4	19.2	13.1
African Development Bank	0.2	1.8	-	1.4
TOTAL REVENUE & GRANTS	1,544.9	1,921.9	2,066.0	1,996.2

5.2 Government Expenditures

During the third quarter of 2010, Government expenditure and net lending amounted to GH¢2,635.2 million compared with targeted amount of GH¢2,736.9 million. This comprised recurrent expenditure of GH¢2,153.6 million, capital expenditure of GH¢444.5 million, HIPC financed expenditure GH¢31.0 million and MDRI financed expenditure of GH¢6.0 million.

Table 5.3: Government Expenditure (GH¢ m)

	PROV Q3 2009	PROV Q2 2010	PROV Q3 2010	BUDGET Q3 2010
RECURRENT	1,514.0	1,799.6	2,153.6	2,070.3
Non-Interest Expenditure	1,297.7	1,415.4	1,823.5	1,770.9
Personal Emoluments	624.1	695.0	914.2	942.7
Goods & Services	199.1	251.1	277.1	149.1
Transfers	384.6	376.4	580.4	525.3
Pensions	46.4	48.9	57.6	53.4
Gratuities	19.0	26.3	24.8	18.8
Social Security	30.7	56.4	76.4	44.3
National Health Fund (NHF)	84.8	70.7	114.5	157.0
Other Transfers	203.8	174.0	264.9	162.3
o/w safety net for deregulation	-	96.7	174.3	98.2
o/w lifeline consumers of electricity	-	-	-	8.3
Tax Expenditure (Exemptions)	-	-	-	1.6
Subsidies to utility companies	-	77.3	90.6	54.2
o/w TOR FOR under recovery	-	-	42.2	89.5
Reserve Fund	89.9	92.9	51.8	153.7
Interest Payments	216.4	384.2	330.2	299.5
Interest Domestic	172.1	287.0	305.7	238.7
Interest External	44.3	97.3	24.5	60.8
CAPITAL	566.32	597.11	444.54	610.98
Capital (domestic financed)	209.29	281.28	283.10	275.00
Development	209.29	281.28	283.10	275.00
Education Trust fund	17.91	57.6	90.8	72.9
Road Fund	28.11	35.3	31.8	34.5
Petroleum related fund	0.72	0.9	0.8	1.2
District Assembly Common Fund	68.21	96.4	84.0	101.9
Other Cash Expenditure	94.34	91.1	75.7	64.5
Capital (foreign financed)	357.03	315.8	161.4	336.0
HIPC financed expenditure	49.67	94.8	31.0	43.0
MDRI financed expenditure	20.93	14.5	6.0	12.6
TOTAL EXPENDITURE & NET LENDING	2,150.96	2,506.03	2,635.18	2,736.93

Recurrent Expenditure

The recurrent expenditure comprised non-interest payments of GH¢1,823.5 million (84.7%) and interest payments of GH¢330.2 million (15.3%).

The non-interest payments comprised Personnel Emolument of GH¢914.2 million, payments for Goods and Services GH¢277.1 million as well as Transfers of GH¢580.4 million. Personnel Emoluments and Transfers together constituted the largest component of the non-interest expenditure. Whilst personnel emoluments were short of target by 3.0 per cent transfer payments were above the target by 10.5 per cent. Domestic interest payments amounted to GH¢305.7 million indicating payment of GH¢67 million over the budget target while external interest totalled GH¢24.5 million representing 40.3 per cent of the budgeted amount of GH¢60.8 million.

Capital Expenditure

Total capital expenditure for the third quarter was GH¢444.5 million. This amount was below the budgeted amount for the quarter by GH¢166.4 million. Of the total Capital Expenditure GH¢283.1 represented domestically financed payments while GH¢161.4 million was in respect of foreign financed capital expenditure. Statutory Payments in respect of Education Trust Fund, Road Fund and District Assembly Common Fund were GH¢90.8 million, GH¢31.8 million and GH¢84.0 million respectively.

5.3 Financing

The budget recorded an overall deficit of GH¢736.5 million (2.8% of GDP) in the third quarter of 2010. The deficit was financed with a net foreign inflow of GH¢89.9 million and GH¢646.6 million from domestic sources. A breakdown of the Net Domestic Financing of GH¢646.6 million showed an amount of GH¢567.4 million from the Banking sector and GH¢79.2 million from the non- banking sector.

Table 5.4: Government Financing (GH¢ m)

	PROV	PROV	PROV	BUDGET
	Q3 2009	Q2 2010	Q3 2010	Q3 2010
REVENUE	1,544.9	1,921.9	2,066.0	1,996.2
PAYMENTS	2,151.0	2,506.0	2,635.2	2,736.9
OVERALL BALANCE (COMMITMENT BASIS)	(606.0)	(584.1)	(569.1)	(740.7)
% of GDP	(2.80)	(2.25)	(2.19)	(2.86)
ROAD ARREARS	-	(0.7)	-	(22.0)
NON-ROAD ARREARS	(45.8)	(43.2)	(0.7)	(8.7)
VAT REFUND	(8.7)	(11.8)	(10.7)	(5.8)
OVERALL BALANCE (CASH BASIS)	(660.6)	(639.8)	(580.5)	(777.2)
% of GDP	(3.05)	(2.47)	(2.24)	(3.00)
DISCREPANCY	152.6	187.9	(156.1)	(0.0)
OVERALL BALANCE (INCL. DIVESTITURE)	(508.0)	(451.9)	(736.5)	(777.2)
% of GDP	(2.35)	(1.74)	(2.84)	(3.00)
FINANCING	508.0	451.9	736.5	777.2
DOMESTIC (NET)	225.0	86.3	646.6	421.5
BANKING SECTOR	54.7	(111.3)	567.4	421.5
Bank of Ghana	(95.3)	(58.0)	237.8	421.5
Deposit Money Banks	150.0	(53.3)	329.6	-
NON-BANK SECTOR	170.3	197.6	79.2	-
FOREIGN (NET)	283.0	365.5	89.9	355.7
INFLOWS	428.5	461.1	139.1	450.5
Project Loans	207.6	257.9	139.1	160.5
Programme Loans	220.8	203.2	-	290.0
AMORTIZATION	(159.7)	(102.7)	(49.2)	(119.9)
EXCEPTIONAL FINANCING	14.2	7.1	-	25.1
HIPC Relief (Cologne terms)	14.2	7.1	-	25.1
DOMESTIC REVENUE	1,329.4	1,781.6	1,914.8	1,686.3
DOMESTIC EXPENDITURE	1,433.7	1,629.8	2,310.3	2,107.2
PRIMARY BALANCE	(104.3)	151.7	(395.6)	(420.9)
AS A % GDP	(0.48)	0.59	(1.53)	(1.62)
GDP	21,630.0	25,934.0	25,934.0	25,934.0

5.4 Domestic Debt

5.4.1 Composition of Domestic Debt

The stock of domestic debt at the end of the third quarter of 2010 was GH¢7,591.9 million (29.3% of GDP) while that of marketable securities arising out of primary issues of government securities was GH¢6,020.3 million (23.2 % of GDP).

The stock of domestic debt (including revaluation stocks) at the end of third quarter 2010 was 24.4 per cent higher than the level for the corresponding period last year. The increase in the debt stock reflected mainly in the short-term and medium term securities which increased by GH¢420.5 million and GH¢1,143.5 million respectively. The stock of long term securities however decreased by GH¢75.0 million.

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

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
91-Day Treasury Bill	817.0	649.6	821.6	819.5	808.0
182-Day Treasury Bill	1,556.6	1,767.0	1,601.5	1,196.5	1,176.8
1-Year Treasury Note	147.9	122.3	495.5	738.7	974.5
Short term Advance	304.2	104.2	104.2	104.2	104.2
A. Short-Term Instruments	2,825.7	2,643.1	3,022.9	2,858.9	3,063.6
2-Year Fixed Treasury Note	426.5	1,001.4	1,317.0	1,582.5	1,622.7
3-Year Fixed Treasury Note	690.5	627.6	1,039.6	1,064.4	1,149.7
5-Year GOG Bond	268.8	268.8	268.8	268.8	268.8
5-year Golden Jubilee Bond	19.8	19.8	19.8	19.8	19.8
GOG Petroleum Finance Bond	80.0	80.0	80.0	80.0	80.0
TOR Bonds	110.0	110.0	110.0	110.0	110.0
B. Medium-Term Instruments	1,595.6	2,107.5	2,835.2	3,125.5	3,251.0
Long Term Government Stocks	421.6	748.8	748.8	673.8	673.8
Telekom Malaysia Stocks	109.5	109.5	109.5	109.5	109.5
Revaluation Stock	493.1	493.1	493.1	493.1	493.1
Others Government Stocks	1.0	1.0	1.0	1.0	1.0
C. Long-Term Instruments	1,025.1	1,352.3	1,352.3	1,277.3	1,277.3
TOTAL(A+B+C)	5,446.4	6,103.0	7,210.4	7,261.7	7,591.9

5.4.2 Holdings of Domestic Debt

Bank of Ghana's holdings of domestic debt at the end of the third quarter of 2010 stood at GH¢1,564.6 million (20.6%) compared with its holdings of GH¢1,868.4 million (34.4%) as at the third quarter of 2009. The Deposit Money Banks (DMBs) held GH¢3,263.0 million (43.0%), SSNIT GH¢220.3 million (2.9%), Insurance companies, GH¢39.4 million (0.5%), with other holders having GH¢2,504.6 million (23.0%).

Comparative holdings at end of the third quarter of 2009 for DMBs, SSNIT and Insurance companies and other holders were 31.4 per cent, 4.6 per cent, 0.9 per cent and 28.6 percent respectively.

Table 5.6: Holdings of Domestic Debt (GH¢ m)

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
A. Banking system	3,583.6	4,247.6	4,700.9	4,577.8	4,827.7
Bank of Ghana	1,868.4	1,754.3	1,624.5	1,576.6	1,564.6
Commercial Bank	1,715.2	2,493.3	3,076.5	3,001.2	3,263.0
B. Nonbank sector	1,862.8	1,855.4	2,509.5	2,683.9	2,764.3
SSNIT	250.1	246.7	288.7	253.8	220.3
Insurance Companies	50.2	52.9	57.2	60.3	39.4
Others Holders	1,562.5	1,555.8	2,163.7	2,369.8	2,504.6
TOTAL(A+B)	5,446.4	6,103.0	7,210.4	7,261.7	7,591.9

Table 5.7: Holdings of Domestic Debt (%)

	2009		2010		
	Q3	Q4	Q1	Q2	Q3
A. Banking system	65.8	69.6	65.2	63.0	63.6
Bank of Ghana	34.31	28.75	22.53	21.71	20.61
Commercial Bank	31.49	40.85	42.67	41.33	42.98
B. Nonbank sector	34.2	30.4	34.8	37.0	36.4
SSNIT	4.59	4.04	4.00	3.49	2.90
Insurance Companies	0.92	0.87	0.79	0.83	0.52
Others Holders	28.69	25.49	30.01	32.63	32.99
TOTAL(A+B)	100.0	100.0	100.0	100.0	100.0

6. Balance of Payments Developments

6.1 Review of International Trade and Finance

Provisional estimates of balance of payments indicated an overall balance surplus of US\$1.4 billion during the fourth quarter of 2010 compared with a surplus of US\$1.2 billion recorded in the corresponding period of 2009. The growth in the overall balance was mainly due to improvement on the financial account that more than offset the deficit on the current account. Provisional outturn for the financial year 2010 as a whole indicates a favourable balance of payments position with an overall surplus of US\$1.5 billion, which was US\$303.9 million higher than the US\$1.2 billion recorded in 2009.

Table 6.1: Balance of Payments (US\$ m)

	2008		2009		2010*				
	Q4	Annual	Q4	Annual	Q1	Q2	Q3	Q4	Annual
CURRENT ACCOUNT	-813.77	-3,543.09	-159.91	1,598.46	-593.86	-587.72	-456.95	-955.17	-2,593.71
Merchandise Exports (f.o.b.)	1,195.04	5,269.74	1,665.53	5,839.70	1,865.11	2,070.13	1,914.53	2,046.48	7,896.25
Cocoa beans and products	334.82	1,487.00	577.61	1,866.03	682.45	640.22	346.72	486.31	2,155.70
Gold	495.24	2,246.25	730.52	2,551.36	787.00	957.84	1,018.30	1,040.38	3,803.52
Timber products	82.05	316.80	45.57	179.83	43.69	46.56	45.85	53.37	189.47
Others (including non-traditionals)	282.93	1,219.69	311.83	1,242.48	351.97	425.51	503.66	466.42	1,747.55
-	-	-	-	-	-	-	-	-	-
Merchandise Imports (f.o.b.)	2,434.41	10,268.50	2,110.66	8,046.25	2,476.74	2,687.35	2,651.56	2,887.31	10,702.96
Non-oil	-2,095.30	-7,911.75	-1,617.62	-6,557.28	-1,955.84	-2,114.85	-2,208.73	-2,406.75	-8,686.18
Oil	-339.11	-2,356.75	-493.04	-1,488.97	-520.90	-572.49	-442.83	-480.56	-2,016.78
-	-	-	-	-	-	-	-	-	-
Trade Balance	1,239.37	-4,998.76	-445.13	2,206.55	-611.63	-617.22	-737.03	-840.83	-2,806.71
-	-	-	-	-	-	-	-	-	-
Services (net)	11.83	-497.16	-211.15	1,173.42	-455.00	-389.94	-323.44	-408.09	-1,576.44
Receipts	561.32	1,800.90	514.30	1,769.70	361.28	332.05	382.05	446.13	1,521.53
Payments	-549.49	-2,298.06	-725.45	-2,943.12	-816.28	-721.99	-705.49	-854.22	-3,097.97
Income (net)	-81.03	-258.67	-100.59	-296.48	-87.06	-118.61	-90.36	-236.92	-532.95
Receipts	25.55	85.57	25.83	101.12	13.23	13.23	15.23	13.23	54.92
Payments	-106.58	-344.24	-126.42	-397.60	-100.29	-131.84	-105.59	-250.15	-587.87
Current Transfers (net)	494.80	2,211.50	596.96	2,077.99	559.83	538.05	693.88	530.67	2,322.43
Official	14.51	241.11	102.54	289.62	109.91	37.83	52.00	0.00	199.74
Private	480.29	1,970.39	494.42	1,788.37	449.92	500.22	641.88	530.67	2,122.69
Services, Income and Current Transfers (net)	425.60	1,455.67	285.22	608.09	17.77	29.50	280.08	-114.34	213.04
CAPITAL & FINANCIAL ACCOUNT	716.44	2,943.29	1,591.57	3,067.07	980.95	849.03	417.55	1,963.36	4,210.89
Capital Account	103.81	463.31	127.08	563.89	147.41	85.50	15.60	88.96	337.47
Capital transfers	103.81	463.31	127.08	563.89	147.41	85.50	15.60	88.96	337.47
Financial Account	612.63	2,479.98	1,464.49	2,503.18	833.54	763.53	401.95	1,874.40	3,873.42
Direct Investments	421.65	2,111.59	414.44	1,677.84	551.43	840.14	619.69	516.10	2,527.35
Portfolio Investments	-43.91	-49.01	41.27	-43.64	360.61	-6.87	32.13	234.60	620.46
Of which									
Sovereign bond			41.27						
Other Investments	234.89	417.40	1,008.78	868.98	-78.49	-69.74	-249.86	1,123.70	725.61
Of Which									
Official Capital (net)	104.42	486.62	110.95	1,086.20	263.1	378.14	174.42	63.97	879.63
Sovereign bond									
Other Private Capital (net)	47.43	195.61	78.52	-135.16	-247.58	-43.80	50.00	-262.00	-503.38
Short-term capital (net)	83.04	-264.83	819.31	-82.06	-94.01	-404.08	-474.28	1,321.73	349.36
ERRORS AND OMISSIONS	-126.60	-340.95	-243.42	-309.83	-232.24	-216.49	-58.62	355.65	-154.71
OVERALL BALANCE	-223.93	-940.75	1,188.24	1,158.78	154.02	44.83	-98.02	1,363.84	1,462.47
-	-	-	-	-	-	-	-	-	-
FINANCING	223.93	940.75	1,188.24	1,158.78	-154.02	-44.83	98.02	1,363.84	-1,462.47
Changes in international reserves	223.93	940.75	-1,188.24	-1,158.78	-154.02	-44.83	98.02	-1,363.84	-1,462.47

* Provisional

6.2 The Current Account

The deficit on the current account widened to US\$955.2 million in the fourth quarter of 2010 compared to a deficit of US\$159.9 million recorded in the fourth quarter of 2009. This was as a result of worsened balances on the merchandise trade, services, income and current transfer accounts relative to levels recorded in the corresponding quarter of 2009. For the period spanning January to December 2010, the current account deficit deteriorated by US\$995.2 million (or 62.2%) to US\$2.6 billion, from US\$1.6 billion recorded in 2009.

Merchandise Trade

The deficit on the merchandise trade balance deteriorated by US\$395.7 million to US\$840.8 million in the fourth quarter of 2010 compared with a deficit of US\$445.1 million recorded in the corresponding quarter a year ago. The development in the trade balance reflected a growth in imports bills that more than outstripped the growth in

exports. Provisional estimates for the year 2010 as a whole indicate that the trade balance worsened by US\$600.2 million (or 27.3%) from a deficit of US\$2.2 billion in 2009 to a deficit of US\$2.8 billion.

Chart 6.1: Developments in Current Accounts (US\$ m)

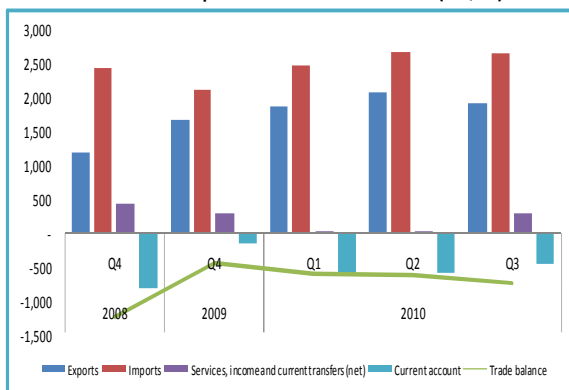


Chart 6.2: Composition of Export (US\$ m)

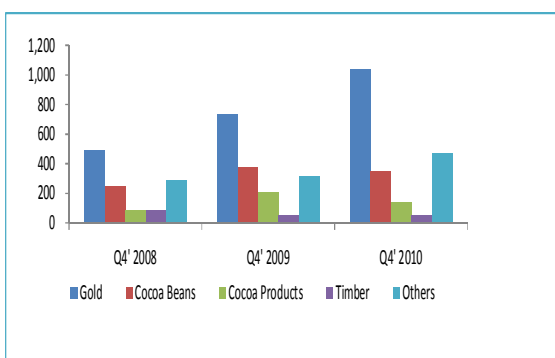


Chart 6.3: Destination of Exports (% shares)

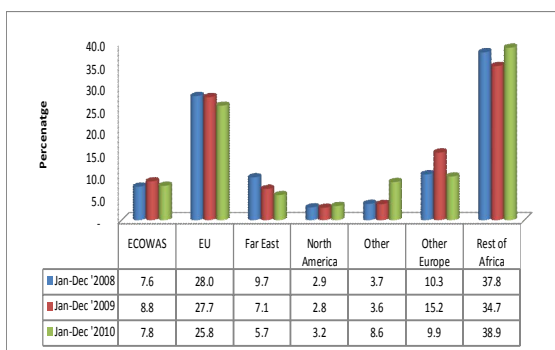
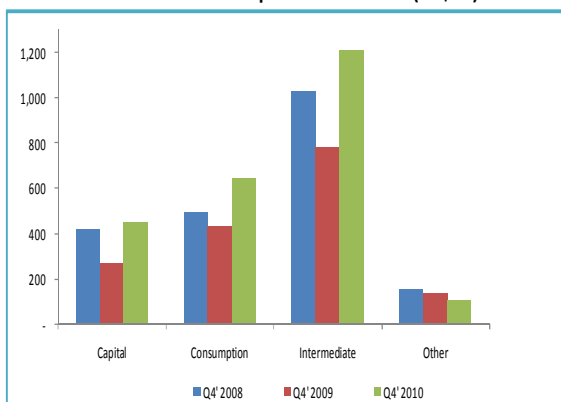


Chart 6.4: Non-Oil Import Classification (US\$ m)



6.2.1 Merchandise Exports

Earnings from merchandise exports, during the last quarter of 2010, went up by 22.9 per cent to US\$2.0 billion, which was mostly explained by increased receipts from exports of gold, other exports (including non-traditional exports) and timber products. Cumulatively, total earnings from merchandise exports improved by 35.2 per cent in 2010 to US\$7.9 million from US\$5.8 million in 2009.

Revenue from **gold** exports in the review quarter amounted to US\$1.0 million, compared to US\$730.5 million recorded during the fourth quarter of 2009. The increase was on account of both volume and prices effects. The volume of gold exports increased by 13.5 per cent to 763,177 fine ounces, while realized average prices improved by 25.4 per cent to US\$1,363.2 per fine ounce. Cumulatively, gold exports receipts for 2010 amounted to US\$3.8 billion compared with US\$2.6 billion earned in 2009, representing a growth of 46.2 per cent.

Receipts from **cocoa** (beans and products) exports in review quarter however, declined by US\$91.3 million (15.8%) from the corresponding quarter of 2009 to US\$486.3 million. Earnings from cocoa beans, in particular, declined by US\$25.5 million (6.8%) to US\$348.4 million which were largely attributed to volume and price effects. Whilst volume declined by 16.5 per cent to 107,750 metric tonnes, average realized prices improved by 11.6 per cent to US\$3,233.0 per metric tonne in prices. Cumulatively, earnings from cocoa beans exports in the year 2010 amounted to US\$1.5 billion which compared favourably with US\$1.4 billion registered in 2009. Receipts from cocoa products in 2010 also totaled US\$625.2 million compared to US\$443.7 million earned in 2009.

Timber exports revenue improved by 17.2 per cent to US\$53.4 million during the review quarter, thus bringing total earnings in 2010 to US\$189.5 million compared with US\$179.8 million earned in 2009.

The value of **“other”** exports (including non-traditional goods) also went up to US\$466.42 million in the review quarter from US\$311.83 million recorded in the last quarter of 2009. This brought cumulative earnings from other exports in 2010 to US\$1.7 billion compared with US\$1.2 billion in 2009.

6.2.2 Merchandise Imports

Merchandise imports grew by 36.8 per cent from the level recorded in the fourth quarter of 2009 to US\$2.9 billion. This development was influenced largely by a 48.8 per cent growth in non-oil imports, with oil imports (including products), declining marginally by 2.5 per cent. For the year as whole, total merchandise imports bill amounted to US\$10.7 billion compared to US\$8.0 billion recorded in 2009, representing a growth of 33.0 per cent.

Non – Oil Imports

During the last quarter of 2010, non-oil imports bill went up by US\$789.1 million to US\$2.4 billion from US\$1.6 billion in the corresponding quarter of 2009. The growth was mainly explained by increased imports levels in all the broad economic classifications of non-oil imports, with the exception of “other” imports category, which registered a decline. The total non-oil import for the year was estimated at US\$8.7 billion compared to US\$6.6 billion in 2009.

Capital goods imports registered a growth of 67.6 per cent in the review quarter to US\$449.7 million, reflecting increases in both capital goods and industrial transports by US\$154.26 million and US\$27.2 million, respectively. Cumulatively, imports of capital goods during the year improved by US\$600 billion to US\$1.7 billion in 2010.

The value of **intermediate goods** imported during the fourth quarter of 2010 went up by 55.0 per cent to US\$1.2 billion due to a US\$70.6 million increase in imports of parts and accessories. Other increases were reflected in imports of processed industrial supplies, primary food and beverages for industry, processed food and beverages, which went up by US\$289.4 million, US\$55.4 million and US\$12.5 million respectively. Cumulatively, total intermediate goods imports for the twelve months of 2010 amounted to US\$4.6 billion compared to US\$5.6 billion recorded in 2009, representing a decline of 21.7 per cent.

The value of **consumer goods** imported during the fourth quarter of 2010, also grew by 49.2 per cent to US\$643.4 million, reflecting increases of US\$164.3 million, US\$32.8 million and US\$12.0 million in processed food and beverages, durable goods and non-durable goods, respectively. Total consumer goods imports for the year 2010 amounted to US\$2.1 billion compared to US\$2.6 billion registered in 2009. Imports of “other” goods declined by US\$34.04 million to US\$103.46 million from US\$137.50 million in the corresponding quarter of 2009, and this mainly

reflected decline imports of passenger cars whose value fell by US\$29.38 million to US\$103.43 million in the review quarter.

Oil Imports

During the quarter under review, oil imports declined by 2.5 per cent to an estimated value of US\$480.6 million from US\$493.04 million in the fourth quarter of 2009. The value of crude oil imports grew by 27.9 per cent to US\$232.9 million. The increase in value was on account of growth in both volume and average realized prices. Volume went up by 21.9 per cent to 2.8 million barrels, while average realized prices also increased by 4.9 per cent to US\$83.3 per barrel. Total oil imports for the year 2010 grew by 33.3 per cent to US\$2.0 billion from US\$1.5 billion recorded in 2009.

Chart 6.5: Origin of Non-oil Imports (% shares)

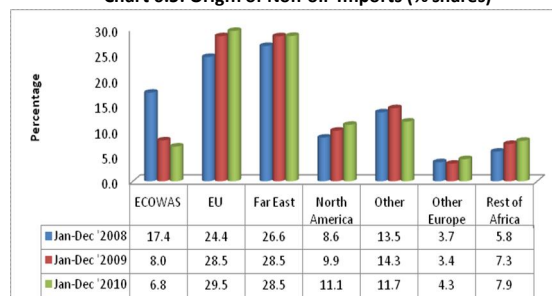
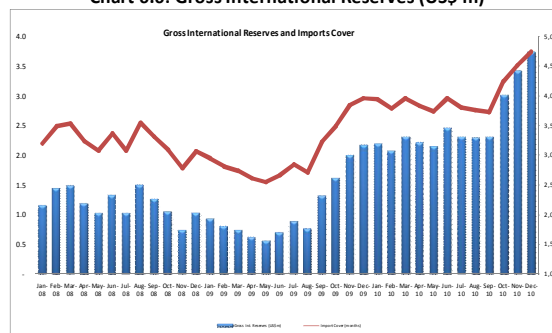


Chart 6.6: Gross International Reserves (US\$ m)



6.2.3 Direction of Trade

Destination of Exports

During the quarter under review, about 39 per cent of the total exports of Ghana, mostly gold exports to South Africa, were absorbed by the Rest of Africa. The other key regional designations were the European Union, Other Europe, the ECOWAS, and the Far East with a share of 18.2, 16.2, 10.5 and 0.8 per cent, respectively. In terms of exports to specific countries, South Africa dominated with a share of 38.2 per cent, followed by Switzerland with 14.0 per cent. The other important designations included United Arab Emirates (8.4%), the Netherlands (6.6%), Nigeria (3.5%), France (3.4%), and Belgium (2.6%).

Origin of Imports

During the fourth quarter of 2010, imports from China dominated imports into the country constituting 12.9 per cent of the country's total non-oil imports. The other major sources were France, the United States, Belgium, South Africa and the United Kingdom, with respective shares of 9.4, 9.3, 4.9, 4.7 and 4.6 per cent, respectively. In terms of geographical spread, the European continued as the traditional source of the country's imports with a share of 30.0 per cent. Furthermore, 29.0, 12.7, 8.4 and 5.7 per cent were sourced from the European Union, the Far East, the Rest of Africa and the Ecowas respectively.

6.3 Services, Current Transfers and Income Account

The net balance on the services, income and current transfer account worsened by US\$399.6 million to a deficit of US\$114.3 million from a surplus balance of US\$285.2 million recorded in the fourth quarter of 2009. On annual basis, the balance of the net service, income and transfers account declined from US\$608.1 million in 2009 to US\$213.0 million.

6.4 Capital and Financial Account

The balance on the capital and financial account improved by US\$413.06 million to net inflows of US\$1,963.36 million. The balance on the financial account, in particular, improved by US\$451.18 million to a net inflow of US\$1,874.40 million due to

improvements in foreign direct investment, portfolio investment and other investments which recorded net inflows of US\$101.7 million, US\$234.6 million and US\$114.9 million, respectively. The improvement of net foreign direct investments to US\$516.1 million was boosted by US\$65.5 million investment into the oil sector. Net inflows on "other" investment account were driven by disbursement of the cocoa syndicated loan of US\$1,300 million during the quarter under review. For the year as a whole, net receipts into the capital and financial account improved to US\$4.2 billion from net receipts of US\$3.1 billion in 2009.

6.5 International Reserves

The stock of net international reserves (NIR) at the end of December 2010 was estimated at US\$3.9 million; indicating a build-up of US\$1.4 billion from a stock position of US\$2.6 billion at the end of September 2010. The build-up for the corresponding quarter in 2009 was US\$1.2 billion. By the end of 2010, the build was US\$1.5 billion compared to US\$1.2 billion in 2009, respectively.

During the quarter under review, gross international reserves also improved by US\$1.4 billion to US\$4.7 billion, which translated into 3.7 months of imports of goods and services, from a stock position of US\$3.2 billion translating into 3.0 months of import cover as at December 2009.

Table 6.2: Services, Income and Transfers Account (US\$ m)

	2008		2009		2010				
	Q4	Annual	Q4	Annual	Q1	Q2	Q3	Q4	Annual
Services (net)	11.82	-497.17	-211.15	-1,173.42	-454.99	-389.93	-323.43	-408.09	-1,576.45
Freight and Insurance	-166.27	-646.81	-124.99	-496.17	-148.33	-163.87	-169.21	-188.14	-669.56
Other Services	178.09	149.64	-86.16	-677.25	-306.66	-226.06	-154.22	-219.95	-906.89
Income (net)	-81.04	-258.68	-100.59	-296.48	-87.06	-118.61	-90.36	-236.92	-532.95
Current Transfers (net)	494.80	2,211.50	596.96	2,077.99	559.83	538.05	693.88	530.67	2,322.43
Official	14.51	241.11	102.54	289.62	109.91	37.83	52.00	0.00	199.74
Private	480.29	1,970.39	494.42	1,788.37	449.92	500.22	641.88	530.67	2,122.69
Services, Income and Current Transfers (net)	425.58	1,455.65	285.22	608.09	17.78	29.51	280.09	-114.34	213.03

* Provisional

Table 6.3: Developments in Capital and Financial Account (US\$ m)

	2008		2009		2010				
	Q4	Annual	Q4	Annual	Q1	Q2	Q3	Q4	Annual
Capital and Financial Accounts	716.43	2,943.29	1,550.30	3,067.07	980.95	849.04	417.55	1,963.36	4,210.89
Capital transfers	103.81	463.31	127.08	563.89	147.41	85.50	15.60	88.96	337.47
Financial Account	612.62	2,479.98	1,423.22	2,503.18	833.54	763.54	401.95	1,874.40	3,873.42
Foreign Direct Investments	421.65	2,111.59	414.44	1,677.84	551.43	840.14	619.69	516.10	2,527.35
Portfolio Investments	-43.91	-49.01	0.00	-43.64	360.61	-6.87	32.13	234.60	620.46
Other Investments	234.88	417.40	1,008.78	868.98	-78.49	-69.73	-249.86	1,123.70	725.61
Official	104.42	486.62	110.95	1,086.20	263.10	378.15	174.42	63.97	879.63
Disbursements	182.91	717.87	196.49	1,246.22	300.92	430.36	207.28	119.31	1,057.86
Amortisation	-78.49	-231.25	-44.27	-160.02	-37.82	-52.21	-32.86	-55.34	-178.23
Private	47.43	195.61	78.52	-135.16	-247.58	-43.80	50.00	-262.00	-503.38
Disbursements	88.71	692.02	185.22	774.33	20.98	98.98	250.00	98.00	467.96
Amortisation	-41.28	-496.41	-106.70	-909.49	-268.56	-142.78	-200.00	-360.00	-971.34
Short-term	83.03	-264.83	819.31	-82.06	-94.01	-404.08	-474.28	1,321.73	349.36
Non-Monetary	91.97	-116.79	934.65	170.36	-164.32	-462.76	-430.25	1,300.01	242.68
Monetary	-8.94	-148.04	-115.34	-252.42	70.31	58.68	-44.03	21.72	106.68

* Provisional

7. External Debt

7.1 Debt Stock

Provisional data on loan disbursements for year 2010 indicated that project loans amounting to US\$27.83 million were disbursed in the fourth quarter. Cumulatively, various financial aid agreements with foreign development partners totaling US\$822.55 million were concluded in 2010. Provisional estimates of external debt stock at the end of the fourth quarter of 2010 stood at US\$6,118.77 million, showing an increase of US\$120.46 million, (or 2.0%) from the stock position of US\$5,998.31 million recorded at the end of the third quarter of 2010. Comparatively, the external debt stock at the end of the fourth quarter of 2009 was US\$5,007.87 million.

Chart 7.1: Total External Debt (US\$ m)

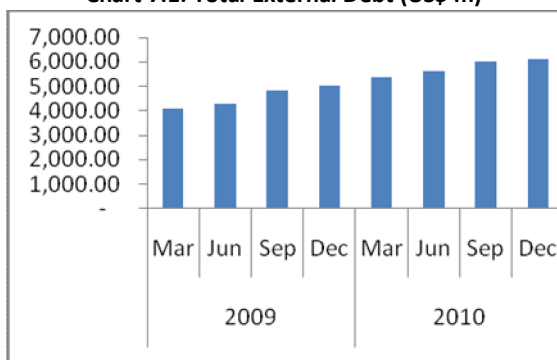


Chart 7.2: Composition of External Debt by Currency

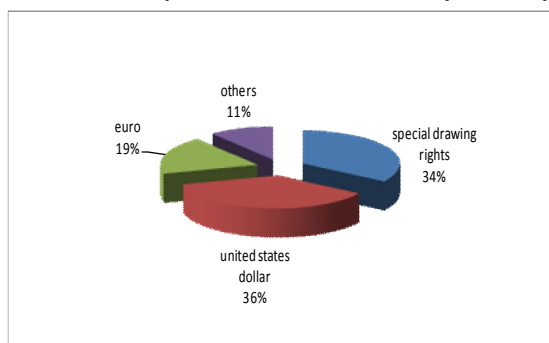
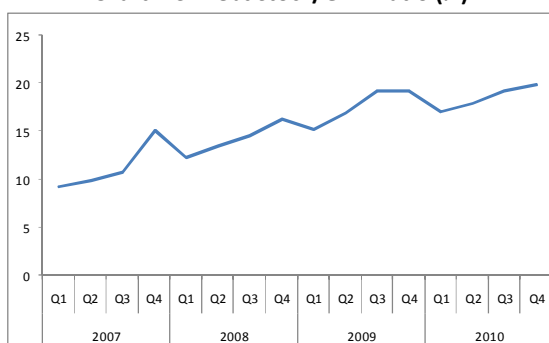


Chart 7.3: Debt Stock/GDP Ratio (%)



Composition of External Debt by Creditors

Multilateral debt remained the largest creditor category at the end of the fourth quarter of 2010 with a share of 48.9 per cent (or US\$2,994.0 Million) of the debt stock compared with 49.2 per cent (or US\$2,461.76 million) in 2009. The principal creditors

under the multilateral category were the IDA of the World Bank, the IMF and the African Development Bank Group.

Bilateral creditors comprising the Paris Club and the non-Paris Club group who had a share of 33.7 per cent (US\$1,687.25 million) of Ghana's debt at the end of the fourth quarter of 2009, increased their share to 34.3 per cent (US\$2,096.00 million) at the end of the fourth quarter of 2010. The Paris Club group was owed US\$1,294.98 million at the end of the review quarter whilst the non-Paris Club group was owed US\$801.39 million. The government of the Netherlands was the largest Paris Club donor whilst the Peoples republic of China was the largest non-Paris Club donor as at the end of the review quarter. Commercial creditors, who had 16.8 per cent of the debt at the end of the fourth quarter of 2010, were owed US\$1,028.32 million, including US\$750.00 million financial liability arising out of the flotation of the Government of Ghana Sovereign bond in 2007.

Currency composition of Debt Stock

Ghana's external debt at the end of the fourth quarter of 2010 continued to be held in the three main currencies, namely; the Special Drawing Rights (SDR), the US Dollar and the Euro. The SDR accounted for 34.21 per cent of the debt, the US dollar constituted 36.39 per cent while the Euro accounted for 18.72 per cent of holdings. The residual 11 per cent was held in a basket of other currencies that included the Japanese Yen and the Chinese Yuan. In comparison with the currency mix as at December 2009, the SDR accounted for 36.25 per cent of currency holdings of debt, while the US dollar and the Euro accounted for 32.40 per cent and 21.59 per cent respectively. The residual currencies took up 9.76 per cent.

Maturity Structure of outstanding external Debt

Almost all the external debt stock at the end of the review quarter was held in long-term instruments. The refinance risk associated with Ghana's external debt portfolio could therefore be considered low.

Interest rate structure of external debt

About 88.99 per cent of the external debt stock as at the end of the fourth quarter of 2010 was of fixed interest rate commitments while 9.02 per cent had commitments under variable interest rate terms. Two per cent of Ghana's debt however was entirely interest-free. Comparatively, at the end of the fourth quarter of 2009, as much as 88.33 per cent of Ghana's external debt was of fixed interest rate commitments, 9.40 per cent of variable interest rates and 2.28 per cent was free of interest commitments.

7.2 Debt Service Payments

In the fourth quarter of 2010, a total amount of US\$139.31 million was expended in servicing external debt. The debt service payments in the fourth quarter were made up of principal payments of US\$79.64 million and interest payments of US\$59.67 million. These payments included the second coupon payment on the Government of Ghana 10-year sovereign bond for the year which was made in October 2010. In the corresponding quarter of the previous year, US\$100.86 million was used to service external debt.

In terms of creditor category, payment to multilateral creditors within the quarter totaled US\$9.23 million, of which US\$4.15 million covered principal repayments and US\$5.08 million went to pay interest. Bilateral creditors received US\$39.13 million in debt service payments and this was made up of US\$22.93 million in principal repayments and US\$16.20 million in interest payments. Commercial creditors (excluding sovereign bond holders) were paid a total of US\$59.07 million, made up of principal repayments of US\$52.56 million and interest payments of US\$6.51 million.

Finally, one coupon interest payment of US\$31.88 million was made on the Government of Ghana 10-yr sovereign bond in the quarter.

Enhanced HIPC and MDRI

In the last quarter of 2010, debt relief under the HIPC programme amounted to US\$17.8 million. Nothing was credited to the MDRI account for the period. This compares with a relief of US\$22.7 million, made up of HIPC relief of US\$15.8 million and MDRI relief of US\$6.9 million recorded for the last quarter of the year 2009. The HIPC relief in the quarter under review was mainly from Paris Club bilateral creditors.

External Vulnerability and Debt Sustainability

During the review quarter, the Country's Gross Domestic Product (GDP) was rebased with implications for external debt sustainability. An ex-post assessment of the Country's debt sustainability at the end of the fourth quarter of 2010 after the rebasing showed that the debt burden had eased significantly. The external debt ratio (debt to GDP ratio) fell to 19.8 per cent, from 34.2 per cent after rebasing. The debt service to exports and debt service to revenue ratio were 3.8 per cent and 5.8 per cent respectively, compared with the thresholds of 35 per cent and 40 per cent.

Table 7.1: External Debt Stock by Creditor Category (US\$ m)

	2009				2010*			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Total External Debt	4,087.86	4,273.61	4,855.34	5,007.87	5,362.21	5,619.90	5,998.33	6,118.77
Multilateral creditors	2,012.36	2,088.46	2,438.25	2,461.76	2,690.40	2,786.61	2,916.19	2,994.08
of which: IDA	1,282.04	1,342.92	1,535.10	1,536.29	1,654.63	1,682.37	1,751.85	1,841.75
of which: IMF	156.29	161.94	272.25	269.98	262.59	375.60	394.59	388.02
Bilateral creditors	1,207.18	1,328.16	1,540.26	1,687.25	1,816.46	1,846.43	2,031.78	2,096.37
of which: Paris Club	802.14	907.84	1,045.50	1,138.84	1,177.20	1,111.28	1,243.51	1,294.98
Non-Paris Club	405.04	420.32	494.76	548.41	639.25	735.15	788.27	801.39
Commercial Creditors	868.32	856.99	876.83	858.86	855.35	986.86	1,050.36	1,028.32

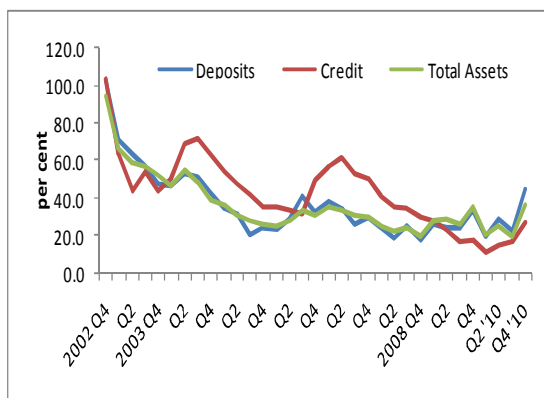
*Provisional

8. The Rural Banking Sector

8.1 Performance of RCBs

The performance of rural/community banks improved during the fourth quarter 2010 as the size of the sub-group's balance sheet increased by GH¢193 million (29%) to GH¢859.1 million compared with a decrease of GH¢7.9 million (1.2%) in the previous quarter and an increase of GH¢71.1 million (12.8%) a year ago. On year-on-year basis, total assets of rural/community banks grew by GH¢231.4 million (36.9%) in 2010 compared with GH¢165.7 million (35.9%) in 2009.

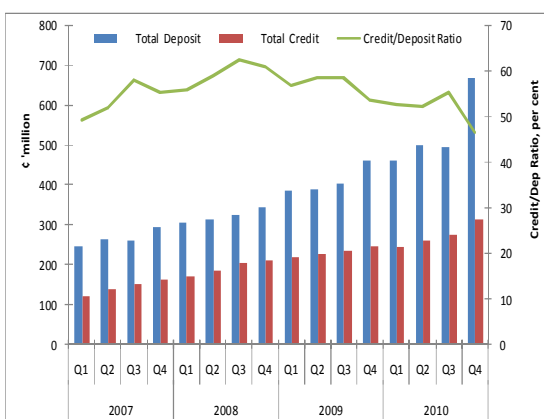
Chart 8.1: RCBs Financial Indicators (Growth rates, %)



In 2010, investment in Government securities and credit dominated the assets of rural/community banks. On year-on-year basis, investment in Government securities went up by GH¢94.1 million (48.2%) whilst outstanding credit rose by GH¢65.3 million (26.6%). Similarly, cash and bank balances grew by GH¢27.8 million (29.5%) during the review period.

These assets continued to be funded mainly from deposits which grew by GH¢208.3 million (45.4%) in 2010. Shareholders' funds (mainly from reserves) also increased by GH¢21.6 million (26.1%) during the period.

Chart 8.2: RCBs' Deposits and Outstanding Credit

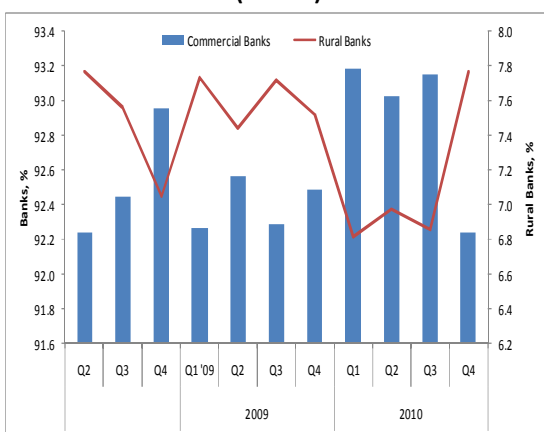


8.2 Rural Banks' Share of Domestic Deposits

Domestic currency deposits mobilized by banks and rural community banks registered an increase of 19.5 per cent (GH¢1,400.2 million) during the fourth quarter 2010 compared with an increase of 0.6 per cent (GH¢40.6 million) in the third quarter. A similar increase was recorded in 2009, when domestic currency deposits mobilized by banks and rural community banks increased from GH¢9.4 million (0.2%) in the third quarter 2009 to GH¢594.7 million (11.4%) in the fourth quarter. Domestic currency deposits mobilized by banks and rural/community banks amounted to GH¢8,595.2 million during the fourth quarter 2010.

Banks were still dominant in deposit mobilization, accounting for GH¢7,927.9 million (92.2%) while rural/community banks contributed GH¢667.3 million (7.8%). In terms of contribution to total deposit, the banks share declined from 93.2 per cent in 2009 to 92.2 per cent in 2010, whilst rural/community banks share of total deposits increased from 6.8 per cent in 2009 to 7.8 per cent in 2010

Chart 8.3: RCBs Deposits and Outstanding Credit (GH¢ m)



8.3 Reserve Requirements

Primary reserves, in the form of cash and bank balances held by rural/community banks as a proportion of total deposits, increased marginally from 19.4 per cent in the third quarter of 2010 to 20.45 per cent in the review quarter, implying excess reserves of 7.45 per cent. This may be compared with a marginal increase from 20.28 per cent in the third quarter 2009 to 20.45 per cent in the fourth quarter in 2009.

Table 8.1: Consolidated Assets and Liabilities of RCBs (GH¢ m)

	2008		2009				2010				Change Between Q3 '10 & Q4 '10		Change Between Q3 '09 & Q4 '09		Change Between Q4 '09 & Q4 '10		Change Between Q4 '08 & Q4 '09	
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Abs	%	Abs	%	Abs	%	Abs	%	
ASSETS																		
Total Assets	462.0	516.8	537.1	556.6	627.7	625.6	674.0	666.2	859.1	193.0	29.0	71.1	12.8	231.4	36.9	165.7	35.9	
of which																		
Cash and Bank Balances	69.7	88.3	83.0	82.5	92.8	85.9	97.9	97.3	136.5	39.2	40.3	10.3	12.5	43.6	47.0	23.1	33.2	
Investment (Short & Long Term)	110.8	130.3	140.2	149.0	194.8	202.9	213.3	195.3	289.4	94.1	48.2	45.8	30.7	94.6	48.6	83.9	75.7	
Loans and Advances	209.8	218.4	226.1	234.9	245.7	242.0	259.8	272.6	311.1	38.5	14.1	10.8	4.6	65.3	26.6	36.0	17.2	
Others	71.7	79.8	87.8	90.2	94.4	94.7	103.1	101.0	122.2	21.2	21.0	4.1	4.6	27.8	29.5	22.7	31.7	
LIABILITIES																		
Total Liabilities	462.0	516.8	537.1	556.6	627.7	625.1	674.0	666.2	859.1	193.0	29.0	71.1	12.8	231.4	36.9	165.7	35.9	
of which																		
Total Deposit	343.7	384.8	387.1	402.4	459.0	459.7	498.8	493.0	667.3	174.4	35.4	56.6	14.1	208.3	45.4	115.3	33.5	
i) Demand Deposit																		
ii) Saving Deposit																		
iii) Time Deposit																		
Shareholders Funds	61.6	68.7	71.4	76.9	82.9	86.5	93.0	90.0	104.5	14.5	16.1	6.0	7.8	21.6	26.1	21.2	34.5	
i) Paid-up Capital	17.3	18.3	19.8	21.0	22.5	21.8	24.8	24.5	27.9	3.4	13.7	1.4	6.8	5.4	24.2	5.2	30.1	
ii) Reserves	44.4	50.3	51.6	55.9	60.4	64.8	68.2	65.5	76.6	11.1	17.0	4.5	8.1	16.2	26.8	16.0	36.1	
Others	56.6	63.4	78.5	77.3	85.8	78.9	82.3	83.2	87.3	4.2	5.0	8.5	11.0	1.5	1.8	29.2	51.6	

Table 8.2: Contribution of Rural Banks to Total Deposits of Banking System

Category Of Banks	2008		2009						2010									
	Q4		Q1		Q2		Q3		Q4		Q1		Q2		Q3		Q4	
	Domestic Deposits GH¢' mn	% Share	Domestic Deposits GH¢' mn	% Share	Domestic Deposits GH¢' mn	% Share	Domestic Deposits GH¢' mn	% Share	Domestic Deposits GH¢' mn	% Share	Domestic Deposits GH¢' mn	% Share	Domestic Deposits GH¢' mn	% Share	Domestic Deposits GH¢' mn	% Share	Domestic Deposits GH¢' mn	% Share
Commercial Banks	4,535.5	93.0	4,590.3	92.5	4,815.6	92.6	4,814.1	92.4	5,408.8	93.2	6,288.4	93.2	6,655.7	93.0	6,702.1	93.1	7,927.9	92.2
Rural Banks	343.7	7.0	372.5	7.5	383.2	7.4	394.1	7.6	394.1	6.8	459.7	6.8	498.8	7.0	493.0	6.9	667.3	7.8
TOTAL	4,879.2	100.0	4,962.8	100.0	5,198.8	100.0	5,208.2	100.0	5,802.9	100.0	6,748.1	100.0	7,154.5	100.0	7,195.1	100.0	8,595.2	100.0
Quarterly Change in Total Deposits	1,139.5	30.5	83.5	1.7	236.0	4.8	9.4	0.2	594.7	11.4	945.2	16.3	406.4	6.0	40.6	0.6	1400.2	19.5