

BANK OF GHANA



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Overview

In the second quarter, continued global uncertainties characterized by rapid increases in commodity prices particularly energy and food prices led to a resurgence in inflation across emerging and industrialized countries including Ghana. The pass through effects of soaring international crude oil prices coupled with rising food price costs markedly increased CPI inflation. Headline inflation rose to 18.4 per cent at the end of the second quarter, up by 3.6 per cent from the first quarter. Against this backdrop, the MPC raised the Prime rate by 175 basis points in the second quarter to ease rising inflationary pressures. Economic activity however remained firm, driven by increased demand pressures and higher commodity prices of cocoa and gold. A 70 per cent rise in crude oil prices led to a significant growth in the import bill, while exports increased by on the back of higher gold and cocoa prices.

Real Sector Developments

Key real sector indicators such as income and corporate tax collections; cement production, retail sales, vehicle registrations and job vacancies suggest improved economic activity in the second quarter. Income and Corporate tax collections increased by 34.7 per cent year-on-year. Cement production, a key input in the construction industry, increased by 23.5 per cent and retail sales by 48.9 per cent.

Prices

CPI inflation reached 18.4 per cent at the end of the second quarter, some 5.7 per cent higher than a year earlier, reflecting increases in both food and non-food components. The surge in domestic prices in the review quarter was attributed to pass through effects of high global food and crude oil prices. Food inflation rose by 4.8 per cent to reach 17.74 per cent while non-food inflation increased by 4.5 per cent to 18.91 per cent during the period under review.

Money and Financial Markets

Annual growth in broad money supply including foreign currency deposits (M2+) increased by 37.0 per cent (GH¢1,672.8 million) at the end of the second quarter. The growth was reflected in all of its components. Demand deposits increased by 35.9 per cent, quasi money and foreign currency deposits went up by 35.4 per cent and 46.6 per cent respectively.

Credit allocation to the private sector by Domestic Money banks (DMBs) eased marginally to 56.2 per cent in Q2 2008 from 58.1 per cent in Q1 2008. In real terms, however, total private sector credit went up by 47.8 per cent, up from the 41.8 per cent recorded in the corresponding period of 2007.

Developments in the money market responded to the hike in the Prime rate during the second quarter. To ease rising inflationary pressures, the MPC of the Bank of Ghana raised the policy rate by 175 basis points to 16.0 per cent. In response, money market rates edged upwards. Average interest rates on the 14-, 28- and 56-day Bank of Ghana bills rose to 15.16, 15.13 and 15.31 per cent respectively.

Similarly, average interest rates on the 91-day and 182-day Treasury bills and the inter-bank weighted average rate firmed up by 507, 454 and 235 basis points from the first quarter to 15.66, 15.42 and 14.55 basis points respectively by end June.

On the international currency market, developments in the global financial markets fuelled interest rates speculations and swings in exchange rates on the international market. On the domestic foreign exchange market, the Ghana Cedi remained relatively stable against the US dollar and Pound sterling but depreciated against the Euro.

The stock market index, the GSE-All Share Index went up by 31.8 points in the second quarter bringing the cumulative growth for the half year to 56.8 per cent. The growth in the index was underpinned by share price appreciations and strong profitability of listed stocks. Market capitalisation rose appreciably by 31.9 per cent to GH¢15,587.76 million.

Government Fiscal Operations

Fiscal developments indicated a wider budget deficit outturn of 2.3 per cent of GDP on the back of higher government expenditures equivalent to 8.8 per cent of GDP in the second quarter. Total revenue and grants amounted to 8.5 per cent of GDP compared with 7.1 per cent in the first quarter of 2008.

Balance of Payments and External Debt

Overall balance of payments recorded a deficit of US\$520.8 million in the second quarter compared with a surplus of US\$210.81 million in the corresponding period of 2007. Merchandise export receipts recorded an annual growth of 41.9 per cent to reach US\$1,563.16 million in Q2 underpinned by higher earnings from gold and cocoa. Similarly, merchandise imports went up by 39.3 per cent on a year-on-year basis in the second quarter, reflecting increases in both oil and non-oil imports. Consequently, gross international reserves declined to US\$2,325.63 million, equivalent to 2.4 months of imports cover.

Ghana's public and publicly guaranteed external debt declined by US\$11.0 million from the level at the end of the first quarter to reach US\$3,769.21million at the end of Q2. The external debt stock as a percentage of GDP declined to 23.9 per cent at the end of June 2008.

1. Developments in the World Economy

The Global Economy

Growth forecasts for the world economy was weighed down in the second quarter by soaring international food and energy prices, fears of a recession in the United States, repercussions of the US sub-prime mortgage crisis on other industrial countries and moderating growth prospects in emerging and developing countries. According to the IMF, the world economy is expected to grow by 3.7 per cent in 2008, a marked deceleration from last year's growth of 4.9 per cent. There are concerns that the financial market crisis could worsen with resurgence in global inflation due to rising energy and commodity prices. Deepening global imbalances and adverse exchange rate movements could also constrain growth. Following these global trends, central banks have varied their policy responses based on the choice to either stimulate economic activity or address rising inflationary pressures.

U.S. Economy

The U.S. economy faces slower growth as consumers and businesses continued to struggle with tight credit and rising prices, but the economy is yet to dip into recession. Gross domestic product increased at an annual rate of 1.9 per cent during the second quarter, compared with 0.9 per cent growth in the first quarter, and a contraction in the economy in the final quarter of 2007. GDP is projected at 1.6 per cent in 2008. Soaring costs for gasoline and food pushed up prices in the US economy during the second quarter. Over the past 12 months wholesale prices increased by 9.2 per cent, and consumer inflation was up by 5 per cent, the largest year-on-year growth since May 1991. Most analysts expect the Fed to keep interest rates at 2 per cent to the end of 2008, due to the high stress on the financial system and a weakening economy. The Fed is still struggling with the credit crisis and expanding key lending programmes that designed as temporary measures to address weaknesses in the financial system.

European Economies

Economic growth in the 15 euro zone economies slowed down by 0.2 per cent in the second quarter, heightening fears that the euro area was moving towards recession. The German economy, Europe's largest, contracted by 0.5 per cent in the second quarter, the first decline since 2004. In both France and Italy, GDP growth declined by 0.3 per cent in the second quarter. The European Central Bank raised its benchmark interest rate in July by a quarter percentage point to 4.25 per cent in an effort to rein in rising inflation. High energy and food costs pushed euro zone inflation to an annual 4.1 per cent, a tenth of a point higher than the previous month's rate.

Scandinavian economies are facing higher prices and slowing growth. Inflation has continued to on an upward trend in Sweden and currently at its highest level since the mid-1990s. The Riksbank raised its repo rate by a quarter of a percentage point to 4.5 per cent, the highest level in twelve years, with prospects for further hikes to hold down inflation.

The Bank of England kept its official interest rates unchanged at 5 per cent, confirming expectations that policymakers are currently more concerned about surging inflation than slowing growth. Soaring food and fuel costs pushed annual British consumer price inflation to a record 3.8 per cent in June, the highest since the CPI series began in 1997. Factory gate inflation reached its highest annual rate in more than twenty years, as the surge in oil prices pushed manufacturers' costs up by more than 10 per cent above their level a year earlier, the fastest increase since 1986. The British economy continued to slow in the second quarter of the year, recording 1.6 per cent annualized growth, the worst growth in seven years. Many economists expect the economy to contract further in the rest of the year.

Asian economies

The Bank of Japan (BOJ) lowered its outlook for economic growth and raised its inflation forecast, noting weaker spending and investments against a backdrop of high energy and materials prices. The BOJ said the economy is likely to grow by 1.2 per cent in the fiscal year ending March 2009, due to a stronger yen and weaker U.S. exports. Japanese exports declined by 1.7 per cent year-on-year, the first time in nearly five years, increasing the likelihood of a second-quarter economic contraction as exporters struggle against falling world demand. The central bank expects core consumer prices, which exclude fresh food items, to rise 1.8 per cent in the current fiscal year. Inflation in Japan accelerated to 1.9 per cent at the close of the second quarter, the fastest pace in 15 years, as surging prices for energy and other commodities forced companies to pass on higher costs to consumers.

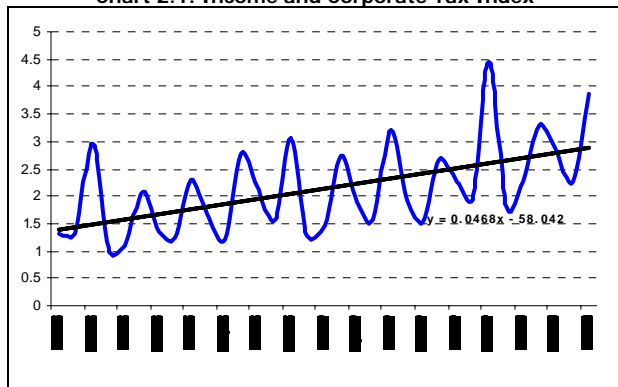
Inflation in China eased to 7.1 per cent at the end of the second quarter, but high energy and other costs remained downside risk factors to higher price increases. Therefore, Beijing is likely to maintain tight credit controls despite a slowing economy. GDP expanded 10.1 per cent in the second quarter, easing from a 10.6 per cent in the first quarter and 11.9 per cent in 2007, as a result of slowing exports. The pace of expansion was the slowest since 2005.

In mid-2007, the Indian economy looked promising with annual growth of 9 per cent, corporate profits surging at 20 per cent, the stock market had risen by 50 per cent in 2007, high consumer demand, and growing foreign investment. These developments contrast sharply with the current 11.4 per cent inflation, large government deficits and rising interest rates. Foreign investment has slowed, the rupee is falling, and the stock market is down by over 40 per cent from the year's high. Most economic forecasts expect growth to slow to around 7 per cent this year. India's central bank sent its strongest signal yet that it will fight high inflation by announcing a larger than expected increase in its key lending rate.

2. Economic Activity and Labour Market Conditions

Available data on key real sector indicators suggest that economic activity remained strong in the second quarter in spite of global challenges of soaring crude oil and food prices. The sustained performance of the economy as corroborated by positive developments in these indicators underlines the resilience of the economy in spite of the negative effects of the external shocks.

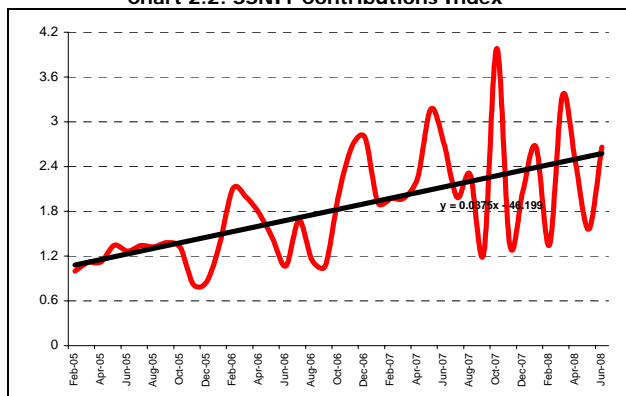
Chart 2.1: Income and Corporate Tax Index



2.1 Indicators of Economic Activity

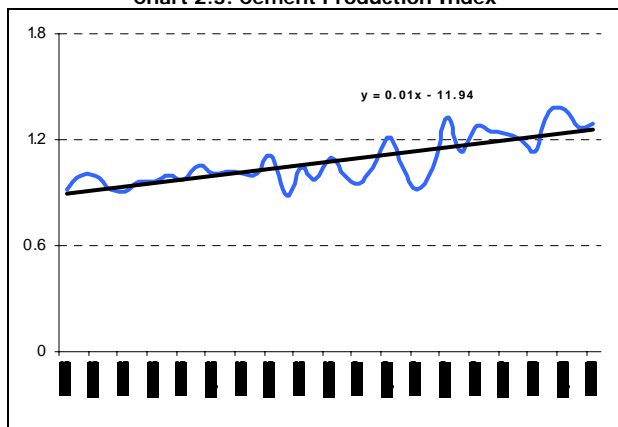
Income and corporate tax collections during the second quarter amounted to GH¢301.36 million compared with GH¢223.69 million collected during the corresponding period of 2007, signifying an increase of 34.7 per cent. In terms of relative contributions from the various sub-sectors, corporate taxes accounted for 48 per cent, followed by P.A.Y.E (40%), while 'Other Sources' and 'Self-employed' together contributed 12 per cent.

Chart 2.2: SSNIT Contributions Index



Workers contribution to SSNIT reached GH¢91.12 million during the second quarter compared with GH¢133.96 million during a similar period of 2007, suggesting a dip of 31.97 per cent. This was mainly attributed to partial payment of workers contribution by Accountant General's Department in June.

Chart 2.3: Cement Production Index



The number of registered firms on the SSNIT Scheme reached 20,061 (an increase of 4.65%) at the end of the second quarter of 2008 compared with 19,168 firms during a similar period in 2007. In terms of the contributions from the various sub-sectors, "Others" category contributed 62 per cent, and workers under Controller and Accountant's Generals Department and subvented organizations jointly accounted for 38 per cent.

Chart 2.4: Vehicle Registration Index

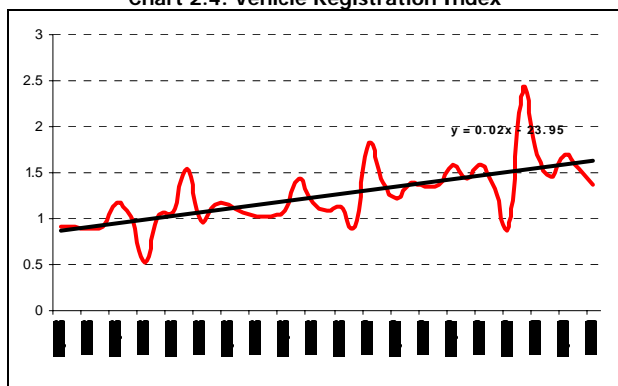


Chart 2.5: Retail Sales Index

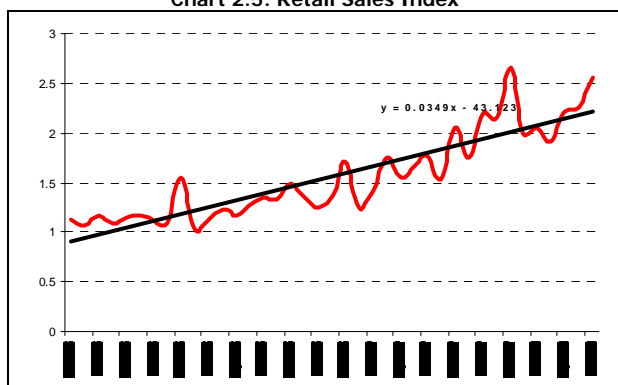


Chart 2.6: Contributors Index

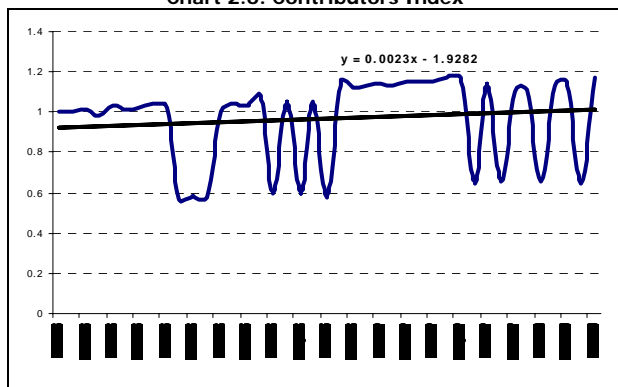
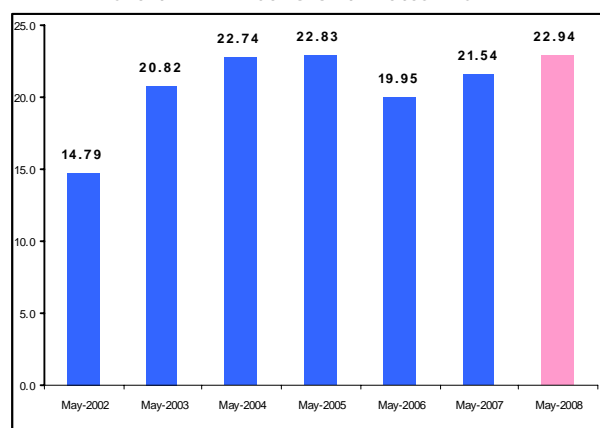


Chart 2.7: Annual Growth Rates in CIEA



Vehicle registration by DVLA during the second quarter totalled 24,875 compared with 21,221 recorded in a similar period in 2007, representing an increase of 17.2 per cent. Private vehicles and motor cycles accounted for 59 per cent, followed by buses and commercial vehicles (22%); while other category contributed 19 per cent.

In the second quarter of 2008, cement production went up by 23.5 per cent to 648,049 tonnes as against 524,591.55 tonnes produced during the corresponding period of 2007. Similarly, retail sales¹, used to track consumer spending recorded a growth of 40.9 per cent in the second quarter of 2008 compared with sales for the corresponding period of 2007.

2.2 Composite Index of Economic Activity

The Bank's Composite Index of Economic Activity (CIEA) continued to show a strong growth into the second quarter of 2008. At the end of May 2008, the index went up by 4.4 percent over the level recorded for the first quarter, and 22.9 percent in year-on-year terms, which was above the trend growth rate of 21.3 percent. This compares with 21.5 percent recorded in the same period of 2007. Increases in the overall index were broad based and reflected in all the major sub-components.

2.2 Labour Market Conditions

Labour market conditions dipped in the second quarter of 2008. This was corroborated by a 29 per cent decline in job vacancy announcements from 4,017 vacancies registered during the first quarter year. The 2,847 job announcements registered in the second quarter of 2008, however, represented an increase of 42 per cent over that (2,017 jobs) of the corresponding period of 2007. Average monthly job vacancies for the first half of 2008 were 474, about 41 per cent higher than the average for the corresponding period of the previous year.

¹ From Melcom Group of Companies

Increases in job announcements in the first half of 2008 is indicative of expanding corporate and business environment despite rising inflationary pressures.

On a monthly basis, April recorded 1,130 job vacancies while May registered 1,076. In June registered job vacancies dipped to 641. The period average was 949 compared to 672 for the corresponding period of 2007. Cumulatively, the first half of the year registered 6,864 job advertisements (an increase of 93%) compared with 3,542 vacancies recorded during the corresponding period in 2007.

The Services sector accounted for the largest (85%) share of the total vacancies in the second quarter of 2008 followed by Industry (13%), and the Agricultural sector with 1.16 per cent. Given the informal nature of the agricultural sector, the recorded vacancies may not reflect actual labour demand in the sector. Manufacturing accounted for 43 per cent of advertised vacancies that existed within the Industrial sector followed by Construction 27 per cent, Mining and Quarrying 25 per cent and Electricity, and Water, 4.2 per cent.

In the Services sector, 'Other' services sub-sector registered 26 per cent and the Educational sub sector 14.7 per cent, Embassies and International Agencies 10.6 per cent, and Wholesale and Retail sub-sector with 10.5 per cent, amongst others. The increase in job placements by the Embassies and International Agencies sub sector (from 4% in the first quarter) signals intensified activities of international organisations in the country. The Health sector posted the least vacancies for the quarter with 2.7 per cent.

With reference to skills break down, requirements for skilled labour represented 38.7 per cent of the total labour demand. Sales and Other Services workers

recorded 30 per cent, 'Other' workers 13.9 per cent; Secretarial and Clericals 8.8 per cent, and Artisans and Machine Operators registered 8 per cent. During the first quarter of the year, Sales and Other Service workers took 41.8 per cent and 'Others' category of workers registering 2.2 per cent.

Number of redundancies dropped by 96 per cent, (171 in the first quarter) to 6 in the second quarter of 2008. Year to date redundancies fell by over 81 per cent from 980 workers in 2007. One intended strike action was recorded for the second quarter, involving Ghana Medical Association (in disagreement over salary adjustments).

3. Prices and Costs

Global inflationary pressures have increased substantially since mid-2007 due to rising food and energy prices. This has been more pronounced in emerging-market economies due to a larger weight of food in their consumer price baskets, strong demand conditions, increased energy costs as well as the use of food commodities in bio fuels. Consumer prices in the OECD area rose by 3.9 per cent in May 2008 against the 3.5 per cent in April 2008, the highest inflation rate since June 2001. This was attributed to higher consumer prices for energy and food, recording respective increases of 14.6 per cent and 6.1 per cent in May 2008. Excluding food and energy, consumer prices rose from 2.0 per cent in April 2008 to 2.1 per cent in May 2008.

Chart 3.1: Euro Area-Annual Change HICP Inflation

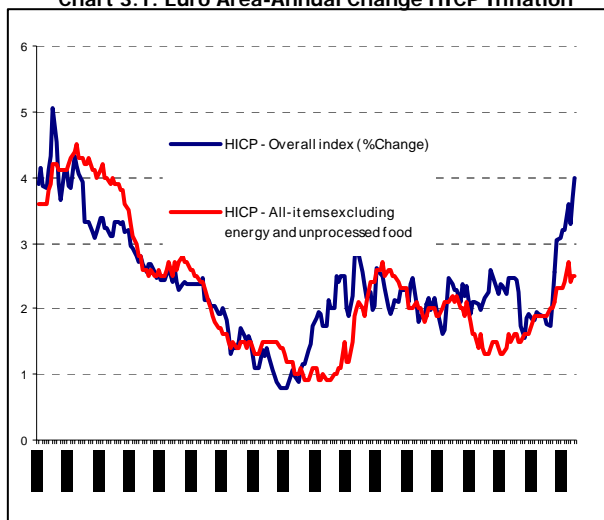
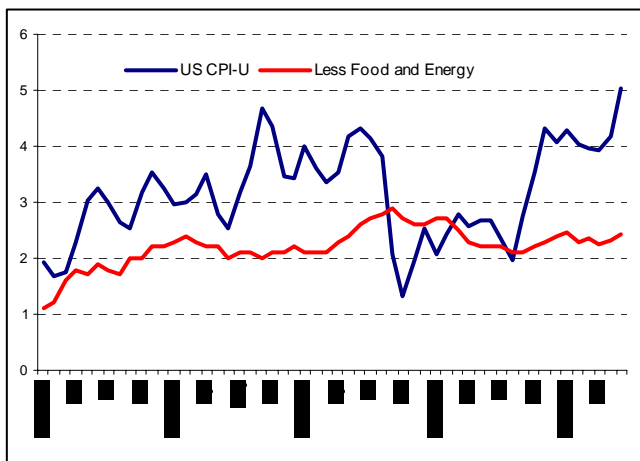


Chart 3.2: US CPI Inflation



3.1 Global Inflation

In the Euro area, the Harmonized Index of Consumer Price (HICP) inflation increased from the 3.6 per cent at the end of first quarter to an estimated 4.0 per cent at the end of the second quarter in 2008. This jump was attributed to higher prices of goods and services related to transport costs. Excluding energy and unprocessed food, the HICP remained at levels below the overall HICP inflation, reflecting strong pressures from sharp increases in commodity prices, particularly the energy and unprocessed food prices in the review period.

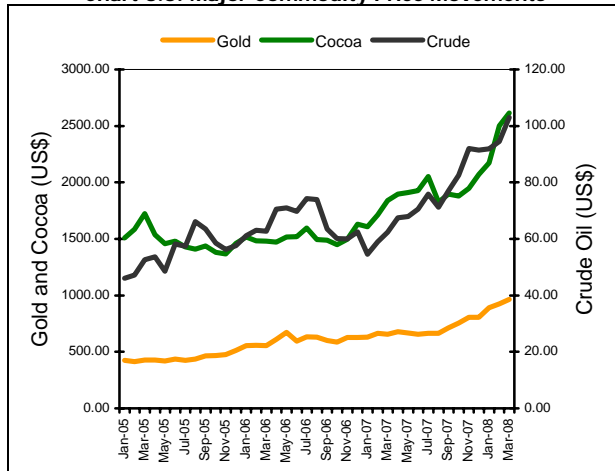
In the United States, consumer prices increased at its fastest pace in 16 years. Consumer prices rose from 4.0 per cent at the end of March 2008 to 5.0 per cent in June 2008. This was after a monthly increase of 1.1 percent in June, the biggest monthly jump since June 1982. The significant increase stemmed mainly from the record high price of crude oil, which has sharply raised gasoline prices, resulting in 6.6 per cent increase in energy prices. Excluding food and energy products, inflation recorded an increase of 2.41 per cent at the end of June 2008, slightly higher than the 2.35 per cent observed in March 2008.

In China, higher food price increases pushed up the overall consumer inflation in the first two quarters of the year. Having recorded 8.3 per cent in March 2008, consumer price inflation declined to 7.1 per cent in

June 2008, with food price inflation hovering around 20 per cent. Similarly, inflation in India rose to 11.63 per cent at the end of June 2008 from 4.1 per cent at the end of March 2008. This was mainly due to higher prices of essential food items, gas and oil and some manufactured products such as cement and edible oils.

unexpected declines in US crude oil inventories, militant attacks on pipelines in Nigeria and expectations of heightened demand from emerging economies, such as China and India. In June, crude oil prices rose to US\$139 per barrel, an all time high (in real and nominal terms), although Saudi Arabia, the world's largest oil producer indicated its willingness to increase production.

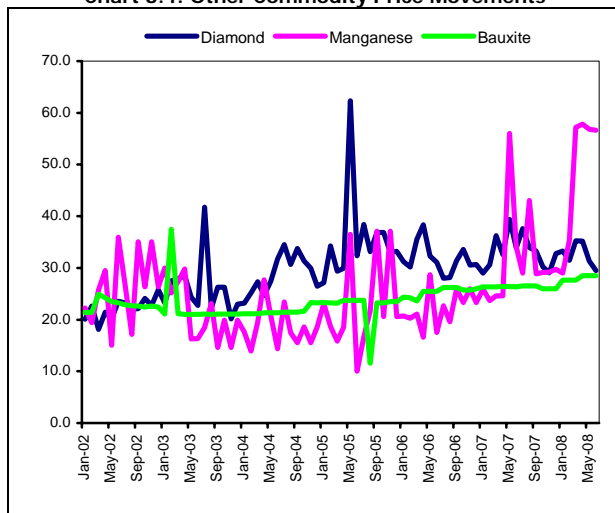
Chart 3.3: Major Commodity Price Movements



Towards the end of the first quarter, Gold prices - like many other commodities - started to dip as concerns over a global economic slowdown led to speculations of a fall in demand. However, it regained some ground during the second quarter with the price ranging between US\$850 and US\$900.

The steady rise in cocoa prices was cut short in March due to heightened fears of global recession. However, prices rebounded to around US\$ 2500 per tonne in the second quarter of 2008. The International Cocoa Organization projects the stocks-to-grindings ratio at around a 22 year low due to weather patterns, pests and other important factors that affect crop yield.

Chart 3.4: Other Commodity Price Movements



3.2 Commodity Prices

International commodity prices remained robust during the second quarter of the year. Crude oil price soared to a historical high during the second quarter of the year due to a combination of factors. These include

Chart 3.5: Headline Inflation (%)

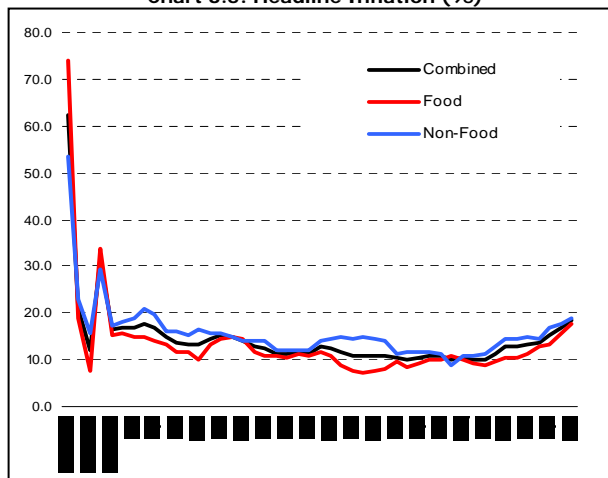


Chart 3.6: Contribution to Inflation (%)

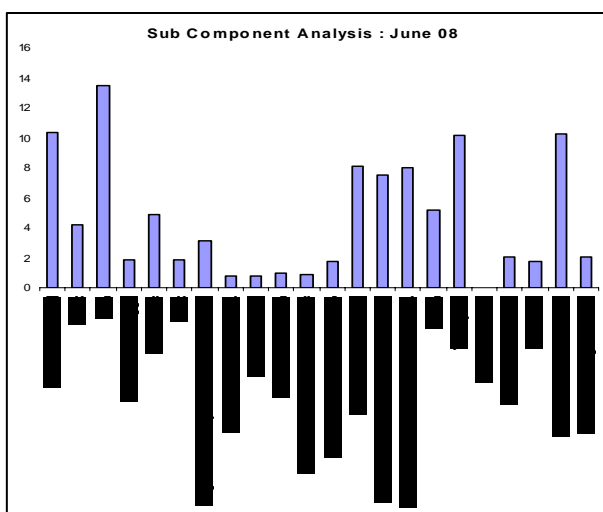
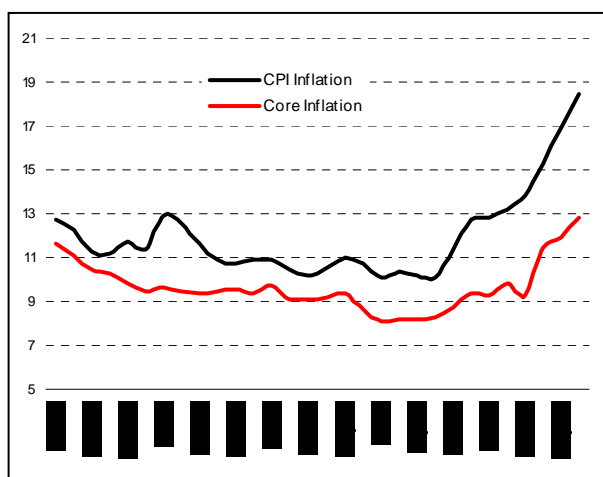


Chart 3.7: Headline and BOG Core Inflation



3.3 Domestic Inflation

On the domestic front, headline inflation rose at its fastest rate in 3 years at the end of June 2008. A large part of the increase over the first half of the year stemmed from the record jump in crude oil price and its impact on the domestic economy in the form of higher processing, transportation and distribution costs as well as higher food prices.

3.3.1 Headline Inflation

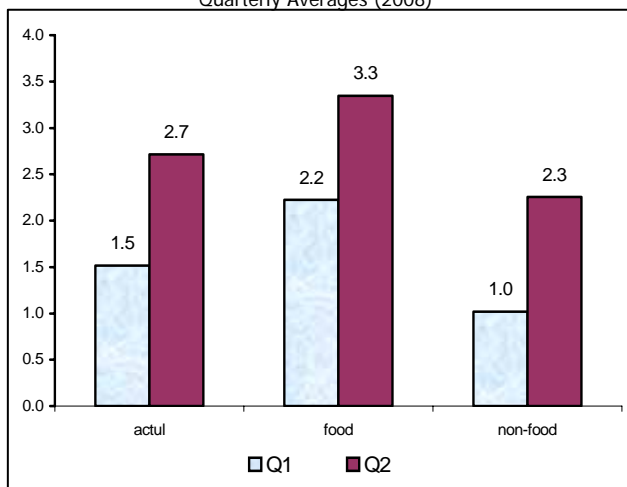
Headline inflation, measured as a year-on-year changes in consumer price index, increased from 13.79 per cent at the end of the first quarter 2008 to 18.41 per cent in the second quarter of 2008. The sharp increase in consumer price over the first two quarters of the year were underpinned by both food and non-food inflation. Food inflation increased significantly from 12.95 per cent at the end of Q1 2008 to 17.74 per cent in Q2 2008 while the non-food inflation over the same period jumped from 14.41 per cent to 18.91 per cent.

3.3.2 Contributions to changes in CPI

The national consumer price index for the second quarter of the 2008 increased by 20.12 points compared with 10.62 points in the preceding quarter of 2008. Of this, food inflation contributed 57.2 per cent to the upward movements in the national index while the non-food inflation contributed 42.8 per cent to the overall consumer prices in the second quarter of 2008.

The notable sub-group increases within the food sector were: fish (13.91%), bread and cereal (11.13%), oil and fats (4.83%), meat (4.01%) and vegetables including potatoes and other tuber vegetables recorded the lowest of 0.29%.

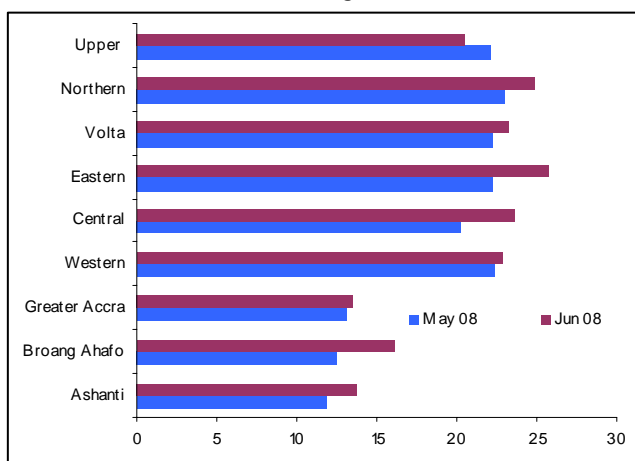
Chart 3.8: Actual, Food & Non-Food Inflation
Quarterly Averages (2008)



per cent in the second quarter of 2008. This was followed by transport (10.4%), clothing and footwear (10.03%), furnishing, household equipment and routine maintenance (8.76%), utilities sub group including housing, water, electricity and gas (8.04%), and health (5.88%).

On quarterly changes, inflation recorded an increase of 2.7 per cent in the second quarter of 2008. This compares with an increase of 1.5 per cent observed in the preceding quarter. Higher food prices and effect of the record crude oil price on the domestic market continue to fuel sharp increases in inflation over the first half of the year.

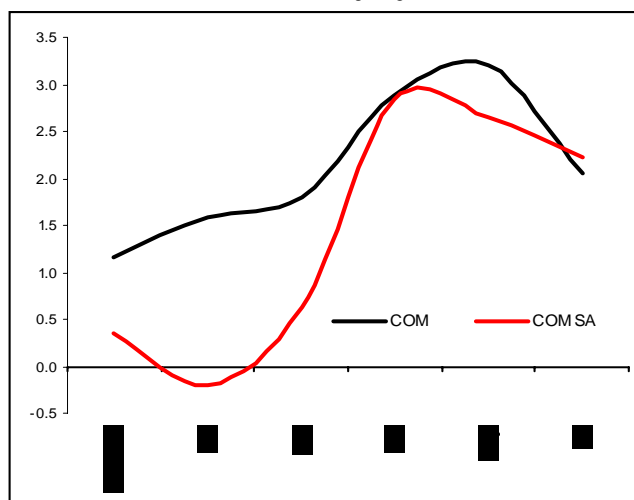
Chart 3.9: Variation in Regional Inflation (%)



3.3.3 Core Consumer Price Inflation

Developments in underlying inflationary pressures indicate that the Bank of Ghana's core inflation (INFXEU), which excludes energy and utility, was significantly lower (12.9%) than its headline level (18.4%) reflecting the dominant impact of the energy and utilities on changes in consumer prices. Nevertheless, the rising trend in the Bank of Ghana core inflation measures since the beginning of the year remains a matter of policy concern since it suggests strong underlying inflationary pressures in the economy. All the other core measures with the exception of INFSAFE increased in the review period to affirm the higher inflationary pressures in the economy.

Chart 3.10: Actual and Seasonally Adjusted Inflation (%)



3.3.4 Regional Inflation

Developments in regional inflation continued to show wide disparities from a minimum of 13.49 per cent (Greater Accra) to a maximum of 25.76 per

In the non-food sector, the hospitality industry (hotels, cafés and restaurants) contributed the highest upward effect to the national index with a contribution of 10.93

Table 2.1: Headline Inflation Trends (%)

	Combined	Food	Non-Food
2007 Jan	10.89	8.06	13.98
Feb	10.40	9.50	11.10
Mar	10.20	8.40	11.60
Apr	10.50	9.10	11.50
May	11.00	10.20	11.70
Jun	10.70	9.90	11.30
Jul	10.10	10.90	8.90
Aug	10.40	10.00	10.70
Sep	10.20	9.30	10.90
Oct	10.10	8.80	11.10
Nov	11.40	9.50	12.80
Dec	12.70	10.50	14.40
2008 Jan	12.81	10.51	14.38
Feb	13.20	11.23	14.68
Mar	13.79	12.95	14.41
Apr	15.29	13.15	16.90
May	16.88	15.84	17.67
Jun	18.41	17.74	18.91

Table 2.2: Measures of Core Inflation

	2007	Mar-08	Jun-08
Headline	12.7	13.8	18.4
INFXEU	9.4	9.3	12.9
INFXEUF	10.3	8.9	12.2
INFXEUFT	9.1	8.1	11.1
INFXAPE	3.1	3.9	4.6

INFXEU excludes energy and utility from the consumer basket

INFXEUF excludes transport from the INFXEU

INFXEUFT excludes some selected volatile food items from INFXEUF

INFXAPE excludes all food items in the basket and energy

cent (Eastern Region) in the second quarter. This compares with a minimum of 10.2 per cent in the Greater Accra Region to a maximum of 23.3 per cent in the Eastern Region in Q1 2008. Inflation increased in all the regions in the second quarter as compared with the first quarter of 2008.

3.4 Risks to Inflation

The risk in the outlook for inflation in the second half-year is on the upside given the uncertainties associated with international crude oil price movements. The current rise in inflation has pushed up the disinflation path further from the target over the medium term, and monetary policy needs to be vigilant to avoid a build-up in inflation expectations.

4. Money and Financial Markets

Broad money supply, including foreign currency deposits (M2+) stood at GH¢6,197.6 million at the end of June 2008. This indicates an annual growth rate of 37.0 per cent compared with 39.2 per cent growth in the first quarter, 36.3 per cent in December 2007 and 32.8 per cent in a similar period last year.

The growth in M2+ was broad based reflecting in all of its components. Demand deposit increased by 35.9 per cent compared with a growth of 47.6 per cent in the preceding quarter and 30.5 per cent in the second quarter of 2007. Quasi money exhibited a slower growth of 35.4 per cent while foreign currency deposits firmed up by 46.6 per cent in the second quarter compared with 38.8 and 40.6 per cent in the first quarter of 2008 respectively. Compared with a similar period of 2007, quasi money and foreign currency deposits grew by 52.3 per cent and 29.4 respectively.

Table 4.1: Monetary Indicators (GH¢ millions)

	Jun-08	As at end-Jun 2006		As at end-Jun 2007		As at end-Dec 2007		As at end-Jun 2008	
		abs	per cent	abs	per cent	abs	per cent	abs	per cent
Reserve Money	1,730.3	156.6	19.7	279.3	22.7	410.0	30.6	497.6	40.4
Narrow Money (M1)	2,789.8	364.6	27.3	385.8	18.5	853.1	40.7	705.9	33.9
Broad Money (M2)	4,843.7	599.6	28.6	906.9	25.2	1,446.7	43.5	1,242.5	34.5
Broad Money (M2+)	6,197.6	697.1	25.7	1,116.9	24.7	1,537.2	36.3	1,672.8	37.0
Currency with the Public	1,130.1	120.8	18.8	100.5	11.6	298.8	29.3	267.6	31.0
Demand Deposits	1,659.7	243.8	35.2	285.4	23.4	554.3	51.5	438.3	35.9
Savings & Time Deposits	2,053.9	235.0	30.9	521.1	34.3	593.6	48.1	536.6	35.4
Foreign Currency Deposits	1,353.9	97.6	15.8	210.0	22.7	90.5	10.0	430.3	46.6
Sources of M2+									
Net Foreign Assets (NFA)	1,999.9	747.3	63.2	19.7	1.0	341.1	15.6	50.9	2.6
BOG	1,853.7	760.0	84.7	117.6	6.6	571.9	30.3	79.0	4.5
DMBs	146.2	(12.7)	(4.5)	(98.0)	(56.2)	(230.8)	(78.7)	(28.1)	(16.1)
Net Domestic Assets	4,197.7	(50.2)	(3.3)	1,097.2	42.6	1,196.0	58.4	1,621.9	63.0
Claims on Government (net)	1,707.2	(34.3)	(2.6)	115.8	8.2	(309.3)	(21.0)	289.4	20.4
BOG	792.4	(272.4)	(49.0)	89.0	23.9	(170.6)	(35.2)	419.6	112.6
DMBs	914.8	238.1	30.5	26.8	2.6	(138.7)	(14.0)	(130.2)	(12.5)
Claims on Public Sector	678.3	46.1	16.2	162.6	33.0	386.0	94.1	185.2	37.5
BOG	(64.9)	21.8	329.0	(55.5)	205.1	13.6	(56.0)	(37.8)	139.7
DMBs	743.2	24.3	8.7	218.1	41.9	372.4	85.7	223.0	42.9
Claims on Private Sector	3,970.0	210.1	14.4	875.4	34.4	1,232.4	59.6	1,426.0	56.1
BOG	2.7	(86.2)	(96.7)	1.4	32.7	0.7	22.3	(1.6)	(37.4)
DMBs	3,967.3	296.3	21.6	874.0	34.4	1,231.6	59.7	1,427.6	56.2
Other Items (Net) (OIN)	(2,157.8)	(272.0)	17.5	(56.6)	3.0	(113.0)	5.9	(278.6)	14.8
o/w BOG OMO (Sterilisation)	(151.4)	(12.4)	2.3	32.9	(6.2)	85.9	(19.3)	379.4	(71.5)

4.1 Sources of Change in M2+

Net Domestic Assets (NDA) of the banking system constituted the main driving force behind upward movements in M2+ in the second quarter. It edged up by 63.0 per cent (GH¢1621.9 million) on annual basis. NDA growth mainly stemmed from the banking system's claim on the private and the public sectors which went up by 56.1 per cent (GH¢1426.0 million) and 37.5 per cent (GH¢185.2 million) in the second quarter of 2008 respectively. Net Foreign Assets (NFA) of the banking system also went up by 2.6 per cent (GH¢50.9 million) in the second quarter of 2008.

Table 4.2: Sources of Change in Reserve Money (GH¢ millions)

	2006	2007		2008
	Dec	Jun	Dec	Jun
Reserve Money (RM)	327.3	279.2	410.0	497.7
Currency outside Banks	217.0	100.4	298.8	267.7
Reserves of Banks	100.3	161.1	124.3	238.8
Non-bank deposits	10.0	17.7	-13.1	-8.8
Sources				
Net Foreign Assets (NFA)	588.0	117.6	606.9	79.0
Net Domestic Assets (NDA)	-260.6	161.7	-196.9	418.6
Net Claims on Government (NCG)	-19.9	89.1	-170.6	419.6
Claims on banks	-6.9	-7.8	70.3	-1.8
Claims on rest of Economy (CROE)	-9.9	-34.7	3.0	-47.4
Other items (Net) (OIN)	-224.0	115.2	-99.6	48.3
<i>Memo:</i>				
NFA/RM	179.6	42.1	148.0	15.9
NFA/Currency	270.9	117.2	203.1	29.5

4.2 Reserve Money

On year-on-year basis, reserve money grew by 40.4 per cent (GH¢497.6 million) in June 2008 as against 29.3 per cent (GH¢279.2 million) growth of a similar period of 2007. The increase in reserve money during the second quarter of 2008 was reflected in currency outside banks which went up by 17.5 per cent (GH¢267.7 million) and the banks' reserves with the Bank of Ghana went up by 56.2 per cent (GH¢238.8 million). The non bank deposits however went down by 35.7 per cent (GH¢8.8 million). The NFA and the NDA being the main sources of reserve money edged up by 4.5 per cent (GH¢79.0) and

77.2 per cent (GH¢418.6 million) respectively during the second quarter.

4.3 Bank Credit Outstanding

Banks' outstanding credit to public and private institutions, on an annual basis declined marginally during the second quarter of 2008 from 55.4 per cent (GH¢1,098.1 million) in June 2007 to 54.2 per cent (GH¢1,670.7 million). In real terms, the annual growth rate was restrained, registering an increase of 35.8 per cent during the review period, compared with 44.7 per cent a year ago.

The share of private sector in outstanding credit rose from 82.4 per cent in June 2007 to 83.5 per cent during in June 2008. On the other hand, the share of public sector in disbursed credit, stood at 16.5 per cent in June 2008 compared with 17.6 per cent the same period in 2007.

4.3.1 Deposit Money Banks' Lending to the Private Sector

On year-on-year basis the, outstanding credit by the banks to the private sector slowed down marginally from 58.1 per cent in the first quarter of 2008 to 56.2 per cent in the second quarter of 2008. This compares with 52.5 per cent recorded in a similar period last year. In real terms, however, total private sector credit went up by 47.8 per cent, from the 41.8 per cent level achieved during the corresponding period of 2007.

The Indigenous Private Enterprises sub-sector remained the major recipient of GH¢2,604.4 million (or 54.8%). This was followed by the Household sector with 18.3 per cent (GH ¢870.9 million) and Foreign Private Enterprises, 9.2 per cent (GH¢435.8 million).

Cumulatively, Commerce & Finance (25.1%), Services (24.8 %) and Manufacturing (12.6 %) accounted for over 60 per cent of credit allocation. The Export Trade sector remained the least recipient (1.3%) of allocated credit.

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

	Outstanding			Year-on-Year Variation			
	As at end	As at end June 2007		As at end December 2007		As at end June 2008	
	June, 2008	ABS.	(%)	ABS.	(%)	ABS.	(%)
1.Agric.,For. & Fish.	195.1	13.4	10.0	47.4	35.0	47.4	32.1
2.Export Trade	61.8	4.0	10.4	35.4	104.9	18.8	43.6
3.Manufacturing	597.1	80.9	20.3	61.5	13.2	118.3	24.7
4.Trans.,Stor., & Comm.	142.1	21.4	24.9	86.2	112.2	34.9	32.5
5.Mining & Quarrying	156.5	74.1	126.3	34.3	35.4	23.7	17.8
6.Import Trade	252.6	25.8	18.8	28.3	16.3	89.4	54.8
7.Construction	367.5	105.5	76.9	116.9	58.8	124.9	51.5
8.Commerce & Finance	1191.8	269.2	60.2	474.6	83.2	475.1	66.3
9.Elect.,Gas & Water	160.9	31.6	40.7	45.8	50.5	51.6	47.2
10.Services	1177.0	337.8	105.9	454.4	98.1	520.2	79.2
11.Miscellaneous	408.2	128.6	96.4	219.3	114.4	146.2	55.8
o/w mortgage loans	71.8	14.3	39.7	18.8	43.2	21.5	42.7
12.Sub-Total	4710.5	1092.2	55.5	1604.0	64.2	1650.5	53.9
13.Cocoa Marketing	40.4	6.0	41.7	22.8	107.1	20.1	99.4
14.Grand Total	4750.9	1098.1	55.4	1626.7	64.6	1670.7	54.2

Table 4.4: Sources and Uses of Banks' Funds (GH¢ millions)

	Variation (year-on-year)								
	As at end-Jun 2007			As at end-Dec 2007			As at end-Jun 2008		
	Abs	per cent	% of Change	Abs	per cent	% of Change	Abs	per cent	% of Change
Sources of Funds									
Total Deposits	998.7	37.8	53.2	1251.4	39.2	49.7	1414.2	38.9	60.1
Domestic	788.7	41.0	42.0	1161.0	50.8	46.1	983.9	36.3	41.8
Demand Deposits	267.6	28.8	14.3	567.3	53.8	22.5	447.2	37.4	19.0
Savings Deposits	218.1	38.8	11.6	155.0	22.3	6.2	81.6	10.5	3.5
Time Deposits	303.0	69.8	16.1	438.6	81.6	17.4	455.1	61.7	19.3
Foreign Currency	210.0	29.4	11.2	90.5	10.0	3.6	430.3	46.6	18.3
Credit From BOG	7.8	18.0	0.4	10.3	24.2	0.4	-38.8	-76.2	-1.6
Balances Due to Non-Resident Banks	254.0	167.8	13.5	366.2	180.2	14.5	122.6	30.2	5.2
Capital	41.6	23.1	2.2	86.9	39.5	3.5	151.0	68.2	6.4
Reserves	98.3	29.3	5.2	130.1	32.8	5.2	135.1	31.1	5.7
Other Liabilities	476.0	51.5	25.4	672.2	64.0	26.7	570.5	40.7	24.2
Total	1876.4			2517.2			2354.6		
Uses of Funds									
Bank Credit	1089.9	54.8	58.1	1625.0	64.3	64.6	1693.1	55.0	71.9
o/w Private Sector Credit	874.1	52.5	46.6	1231.6	59.7	48.9	1427.5	56.2	60.6
Investment in Government Securities	111.0	10.1	5.9	89.4	8.4	3.6	-18.8	-1.6	-0.8
Short Term	-62.1	-28.1	-3.3	-47.5	-29.2	-1.9	14.9	9.4	0.6
Medium/Long Term	173.2	19.7	9.2	136.9	15.2	5.4	-33.8	-3.2	-1.4
Foreign Assets	156.0	36.8	8.3	135.5	27.3	5.4	94.6	16.3	4.0
Balances with BOG	229.4	76.3	12.2	329.2	72.1	13.1	375.5	70.8	15.9
Other Assets	290.0	63.3	15.5	338.0	60.3	13.4	210.3	28.1	8.9

The commercial banks continued to deploy their annual flow of funds in three areas; credit creation, balances with the Bank of Ghana (mainly as primary reserve requirements) and other assets². Of the annual flow of funds as at end June 2008, 71.9 per cent (GH¢1,693.1 million) went into bank credit (of which 60.6% or GH¢1427.5 million, went to the private sector). Balances with the Bank of Ghana and other assets also accounted for 15.9 per cent (GH¢375.5 million) and 8.9 per cent (GH¢210.3 million) respectively.

The data also indicated that banks increased their investment in short-term Government of Ghana securities and at the same time reducing their holdings of medium-term securities by 0.6 per cent (GH¢14.9 million) and 1.4 per cent (GH¢ million) respectively.

The annual increase in assets were funded from deposits (60.1% or GH¢1,414.2 million), borrowings from non-resident banks (5.2% or GH¢122.6 million) and other liabilities³ (24.2% or GH¢570.5 million).

4.4 Settlement of Interbank Transactions

Volumes of transactions settled through the Ghana Interbank System (GIS) during the second quarter of 2008 totalled 38,434 valued at GH¢27,648.66 million, up 9.6 per cent in volume terms over the level in the previous quarter and 35.0 per cent a year ago. On the average, 601 transactions were settled daily through the GIS, valued at GH¢432.01 million in the second quarter.

4.4.1 Tender Results

Volume of activity on the GOG auction markets during the second quarter was quite low as banks shifted gradually towards the very short end of the Treasury bill market, thus increasing activity on the BOG auction markets. Sale of both Government of Ghana and Bank of Ghana securities totalled GH¢1,781.17 million, out of which BOG sales

totalled GH¢1,079.83 million. Maturing securities amounted to GH¢1,833.47 million resulting in a net change of GH¢52.30 million. Out of the net maturities during the period, GH¢59.05 million was used to finance Government while GH¢111.39 million was injected into the system. The 7-day, 14-day and 91-day bills accounted for 75.62 percent of total market sales.

4.5 The Money Market

Liquidity situation on the money market was generally tight during the second quarter of the year. The amount of repos traded during the period under review totalled GH¢3,787.00 million compared with GH¢6,799.77 million during the first quarter. Reverse repurchase agreements between the central bank and the banks on the other hand amounted to GH¢149.50 million in the second quarter compared with an amount of GH¢204.00 million in the previous quarter.

Trading was highly concentrated between banks in the interbank market due to the tightness in liquidity during the period under review. Weekly volume of trades on the interbank market ranged between a high of GH¢583.9 million and a low of GH¢214.70 million. Likewise, rates on the repo market ranged from 12.25 to 14.00 percent while the interbank rates, though higher were well within the policy corridor of rates and slightly above at the upper end, ranging from 12.51 to 14.76 per cent. The hike in rates on the interbank market was due to the hike in the central bank's Prime rate during the latter part of the second quarter.

² Include real estate and equipment and other unclassified assets.

³ Include margin deposits, cheques for clearing, interest in suspense, borrowing from other banks and other unclassified liabilities.

Table 4.5: Analysis of Tender Results

		Rates Received		Rates Accepted		Bids Received		Bids Accepted	
Date of Auction	Type of Security	discount rate	Int. rate range	wghtd. avg.	Int. rate	vol	value (G\$ m)	vol	value (G\$ m)
9-Apr-08	7-day	12.6	12.63	12.6	12.63	1	57,000.00	1	57,000.00
	14-day	12.70-13.00	12.76-13.07	12.97	13.03	5	26,000.00	5	26,000.00
	28-day	13.20-13.25	13.34-13.39	13.23	13.37	2	13,000.00	2	13,000.00
	56-day	13.5	13.79	13.5	13.79	2	10,000.00	3	10,000.00
4-Apr-08	91-day	9.90-10.50	10.15-10.67	10.39	10.67	6577	41,905.15	6577	41,905.15
	182-day	9.90-10.50	10.42-10.99	10.42	10.99	335	5,047.19	335	5,047.19
	1 year		12.00-12.30		12.30	253	2,239.46	253	2,239.46
	2-yr. Fixed		12.30-12.80		12.80	21	1,080.81	21	1,080.81
16-Apr-08	7-day	12.60	12.63	12.60	12.63	1	50,000.00	1	50,000.00
	14-day	13	13.07	13.00	13.07	5	31,000.00	5	31,000.00
	28-day	13.25	13.39	13.25	13.39	2	10,380.00	2	10,380.00
	56-day	13.5	13.79	13.50	13.79	3	52,000.00	3	52,000.00
11-Apr-08	91-day	10.40-11.50	10.68-11.84	10.96	11.27	7435	21,479.39	7435	21,479.39
	182-day	10.80-12.80	11.42-13.68	11.14	11.80	314	17,912.00	312	1,707.02
	1 year		12.30-12.80		12.80	161	20,307.37	161	20,307.37
	2-yr. Fixed		12.80-13.50		13.50	45	4,119.25	45	4,119.25
23-Apr-08	7-day	12.60	12.63	12.60	12.63	1	37,000.00	1	37,000.00
	14-day	12.80-13.20	12.86-13.27	13.05	13.12	4	17,000.00	4	17,000.00
	28-day	13.25-13.28	13.39-13.42	13.26	13.4	3	26,300.00	3	26,300.00
	56-day	13.50	13.79	13.5	13.79	1	2,000.00	1	2,000.00
18-Apr-08	91-day	10.50-11.60	10.78-11.95	11.16	11.48	8230	33,356.40	8230	33,356.40
	182-day	11.00-11.50	11.64-12.20	11.13	11.79	376	5,593.89	376	5,593.89
	1 year		12.30-12.80		12.80	213	29,526.10	213	29,526.10
	2-yr. Fixed		13.00-13.50		13.50	29	3,498.59	29	3,498.59
25-Apr-08	7-day	12.60-12.90	12.63-12.93	12.65	12.68	3	53,000.00	3	53,000.00
	14-day	13.00	13.07	13	13.07	4	11,000.00	4	11,000.00
	28-day	13.25-13.30	13.39-13.44	13.29	13.43	2	6,000.00	2	6,000.00
	56-day	0.00	0.00	0	0	0	0.00	0	-
	91-day	10.80-12.30	11.10-12.69	11.44	11.77	12930	40,036.46	12930	40,036.46
	182-day	11.00-11.60	11.64-12.31	11.45	12.14	334	1,719.28	334	1,719.28
	1 year		11.25-12.80		12.80	211	4,443.77	211	4,443.77
	2-yr. Fixed		12.80-13.50		13.50	59	2,654.06	59	2,654.06
2-May-08	7-day	12.70-13.10	12.73-13.13	12.76	12.79	4	71,000.00	3	69,000.00
	14-day	12.80-13.00	12.66-13.07	12.93	13.00	2	3,000.00	2	3,000.00
	28-day	13.25-13.75	13.39-13.90	13.37	13.51	5	25,150.00	4	23,100.00
	56-day	0	0.00	0	0.00	0	0.00	0	-
	91-day	10.79-13.00	11.09-13.44	12.02	12.40	14425	36,388.55	14424	36,387.45
	182-day	11.00-12.70	11.64-13.56	11.54	12.25	298	1,421.19	298	1,421.19
	1 year		12.00-14.00		14.00	192	4,243.93	192	4,243.93
	2-yr. Fixed		13.00-14.00		14.00	12	249.90	12	249.90
	3-yr bond		14.00-16.50		16.00			9	55,287.00
								8	53,287.00
9-May-08	7-day	13.10	13.13	13.10	13.13	1	10,000.00	1	10,000.00
	14-day	13.00-13.25	13.07-13.32	13.15	13.22	5	23,000.00	5	23,000.00
	28-day	0	0.00	0.00	0.00	0	0.00	0	-
	56-day	0	0.00	0.00	0.00	0	0.00	0	-
	91-day	10.51-13.00	10.79-13.44	12.55	12.96	8248	27,382.20	8248	27,382.20
	182-day	11.50-13.00	12.20-13.90	12.75	13.62	479	1,513.58	479	1,513.58
	1 year		12.50-14.30		14.00	242	5,863.17	241	4,588.17
	2-yr. Fixed		13.30-14.00		14.00	17	399.67	17	399.67
16-May-08	7-day	14.75-15.00	14.79-15.04	14.75	14.79	3	31,000.00	1	11,000.00
	14-day	14.75	14.83	14.75	14.83	1	2,000.00	1	2,000.00
	28-day	15.00	15.18	15.00	15.18	1	3,000.00	1	3,000.00
	56-day	15.25	15.62	15.25	16.62	1	3,000.00	1	3,000.00
	91-day	12.50-13.50	12.90-13.97	12.97	13.41	10989	33,639.83	10989	33,639.83
	182-day	12.50-14.30	13.33-15.40	13.24	14.18	369	2,007.66	369	2,007.66
	1 year		13.00-14.50		14.50	183	6,147.57	183	6,147.57
	2-yr. Fixed		13.00-14.00		14.00	12	598.95	12	598.95
23-May-08	7-day	14.50-14.75	14.54-14.79	14.71	14.75	4	18,000.00	4	18,000.00
	14-day	14.75-14.80	14.83-14.88	14.79	14.88	5	33,000.00	5	33,000.00
	28-day	14.75-15.00	14.92-15.18	14.96	15.13	5	12,000.00	5	12,000.00
	56-day	15.25	15.62	15.25	15.62	1	2,000.00	1	2,000.00
	91-day	12.40-14.50	12.80-15.05	13.52	14.00	10530	33,655.82	10530	33,655.82
	182-day	13.30-14.50	14.25-15.63	14.30	15.40	268	21,090.50	268	21,090.50
	1 year		14.00-15.50		15.50	152	2,398.67	152	2,398.67
	2-yr. Fixed		14.00-16.50		16.50	11	3,034.21	11	3,034.21
30-May-08	7-day	14.75	14.79	14.75	14.79	2	22,000.00	2	22,000.00
	14-day	14.80	14.88	14.80	14.88	2	10,000.00	2	10,000.00
	28-day	15.00	15.18	15.00	15.18	1	5,000.00	1	5,000.00
	56-day	0.00	0.00	0.00	0	0	0.00	0	-
	91-day	13.00-15.00	13.44-15.58	14.32	14.85	13927	34,087.27	13927	34,087.27
	182-day	14.20-15.50	15.29-16.80	15.14	16.38	263	6,593.69	248	6,304.62
	1 year		14.50-16.50		16.00	243	8,750.81	238	8,745.84
	2-yr. Fixed		16.00-17.00		16.50	32	1,915.85	29	1,905.35
6-Jun-08	7-day	14.75-15.25	14.79-15.29	14.99	15.04	4	128,000.00	3	98,000.00
	14-day	15.00-15.35	15.09-15.44	15.09	15.18	3	41,000.00	2	31,000.00
	28-day	15.00-16.00	15.18-16.20	15.00	15.18	2	8,080.00	1	8,000.00
	56-day	0	0.00	0.00	0.00	0	0.00	0	-
	91-day	13.50-17.58	13.97-18.39	14.71	15.27	16121	48,288.44	16118	48,282.01
	182-day	14.80-15.40	15.98-16.68	15.32	16.60	400	6,021.59	400	6,021.59
	1 year		14.08-16.50		16.00	211	2,423.12	209	2,393.12
	2-yr. Fixed		15.50-16.50		16.50	17	645.61	17	645.61
13-Jun-08	7-day	15.00-15.30	15.04-15.35	15.17	15.21	4	125,000.00	3	100,000.00
	14-day	15.10	15.19	15.10	15.19	1	4,000.00	1	4,000.00
	28-day	15.20	15.38	15.20	15.38	1	4,000.00	1	4,000.00
	56-day	0.00	0.00	0.00	0.00	0	0.00	0	-
	91-day	14.70-16.50	15.26-17.21	15.14	15.74	14466	43,015.06	14464	42,994.06
	182-day	15.00-15.90	16.22-17.27	15.34	16.62	888	4,043.35	887	4,042.35
	1 year		15.00-16.50		16.00	190	5,046.03	186	4,983.03
	2-yr. Fixed		15.20-16.75		16.50	18	920.76	17	920.76
20-Jun-08	7-day	15.10-15.50	15.14-15.55	15.19	15.23	4	49,000.00	3	39,000.00
	14-day	15.20-15.70	15.29-15.80	15.28	15.37	4	56,000.00	3	36,000.00
	28-day	15.30-15.75	15.48-15.94	15.33	15.51	4	26,550.00	3	16,550.00
	56-day	0.00	0.00	0.00	0.00	0	0.00	0	-
	91-day	14.00-16.50	14.51-17.21	15.44	16.06	9697	60,582.81	9695	60,561.81
	182-day	15.20-16.00	16.45-17.39	15.51	16.82	288	6,240.65	288	6,240.65
	1 year		15.50-16.50		16.50	176	2,067.47	176	2,067.47
	2-yr. Fixed		14.70-16.50		16.50	19	2,362.78	19	2,362.78
27-Jun-08	7-day	15.15-15.20	15.19-15.24	15.2	15.24	2	60,000.00	2	60,000.00
	14-day	15.25	15.34	15.25	15.34	1	5,000.00	1	5,000.00
	28-day	0.00	0.00	0	0	0	0.00	0	-
	56-day	0.00	0.00	0	0	0	0.00	0	-
	91-day	14.00-16.50	14.51-17.21	15.68	16.32	11213	36,937.82	11213	36,937.82
	182-day	15.45-16.30	16.74-17.75	15.78	17.13	343	2,084.89	343	2,084.89
	1 year		16.00-17.00		16.50	202	3,581.43	201	3,580.63
	2-yr. Fixed		16.00-16.50		16.50	12	5,731.35	12	2,149.92

Chart 4.1: Money Market Rates

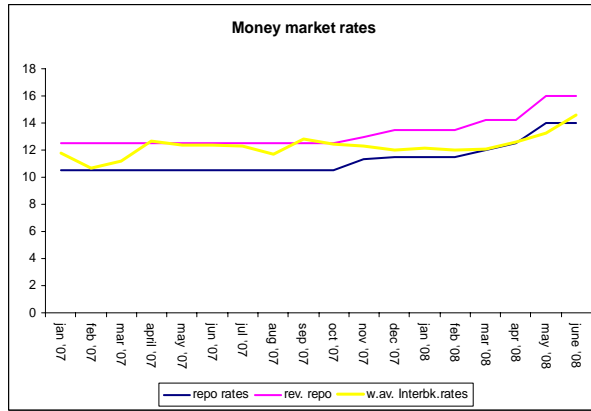


Chart 4.2: Share of GOG and BOG Securities

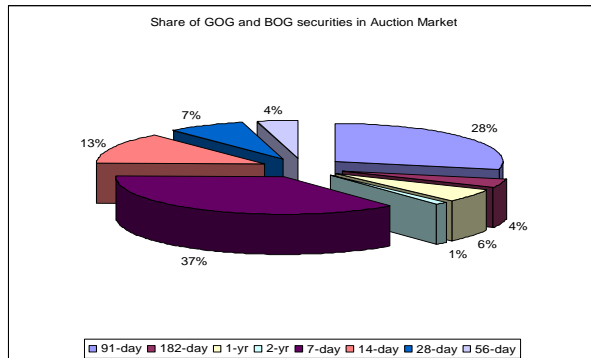


Chart 4.3: Selected Interest Rates (%)

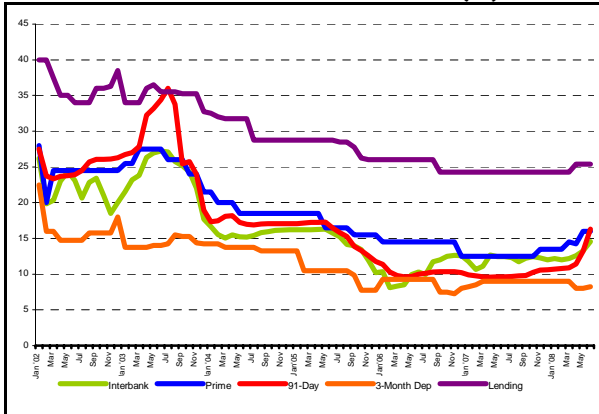
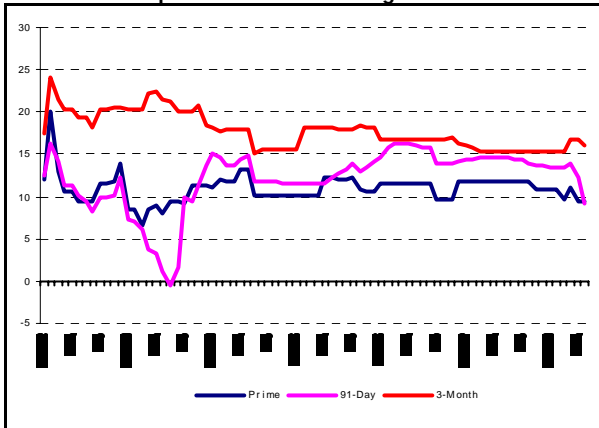


Chart 4.4: Spread between Lending Rates and Prime



4.5.1 Developments in Interest Rates

The Monetary Policy Committee (MPC) of the Bank of Ghana raised the Prime rate by 175 basis points to 16.0 per cent during the second quarter of 2008. In response, money market rates firmed up. Average interest rates on the 14-day, 28-day and 56-day Bank of Ghana bills rose to 15.16, 15.13 and 15.31 per cent respectively.

The average interest rates on the 91-day and 182-day Treasury bills and the interbank weighted average rate also firmed up by 507, 454 and 235 basis points respectively from the first quarter to 15.66, 15.42 and 14.55 per cent. Interest bearing securities also benefited from the upward movements in interest rates in the market during the review quarter. Money market instruments such as 1-year, 2-year fixed and 3-year fixed Treasury notes and bonds also firmed to 16.20, 16.50 and 16.00 per cent in the second quarter of 2008 from quarter two positions of 12.50, 12.94, and 14.0. per cent respectively.

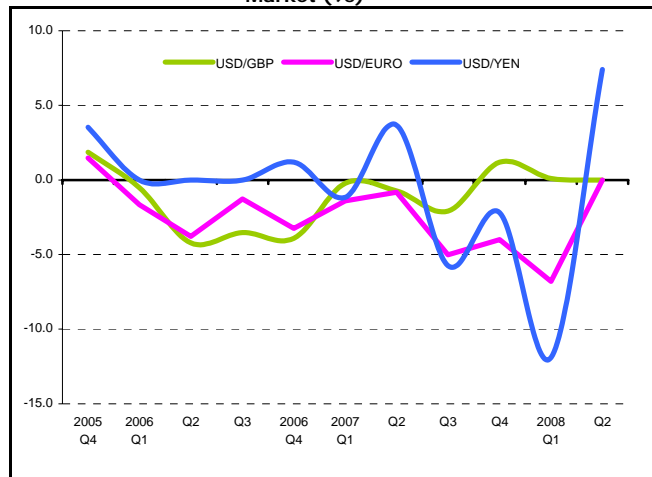
4.6 The Foreign Exchange Market

4.6.1 International Currency Market

The international currency market was driven by inflationary pressures resulting from soaring energy and food prices and the lingering instability in the credit market in the second quarter. Uncertainty and risk factors continued to weigh on investors decision in the market.

The US Dollar: The US dollar strengthened in April and May leading to the suspension of the cutting of US benchmark interest rate. However, the US dollar remained steady in the second quarter and cumulatively it traded flat against the pound sterling and the euro and appreciated at 7.4 per cent against the yen.

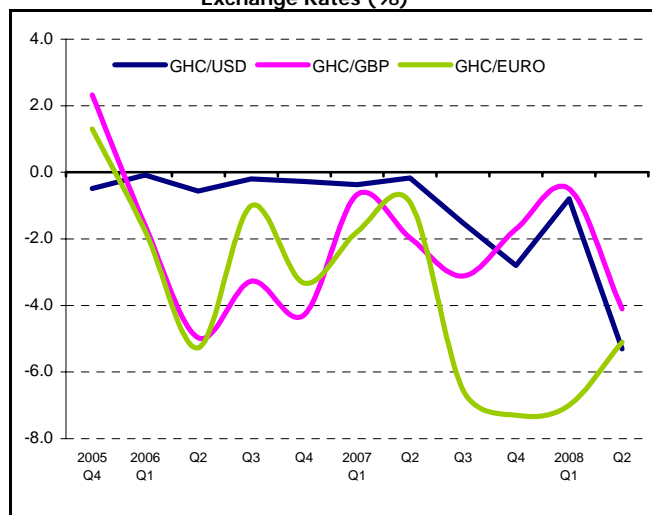
Chart4.5: Quarterly Changes in International Currency Market (%)



The pound sterling remained weak for most part of the second quarter due to a weak UK economy and low consumer sentiments. However the sterling was steady in June and cumulatively traded flat against the US dollar.

The euro weakened in April and May on dampened business sentiments arising from frustrations among manufacturers as the strong euro drove export prices higher. With the weakening of the US dollar in June, the euro traded flat cumulatively against the latter during the quarter.

Chart 4.6: Quarterly Changes in Interbank Exchange Rates (%)

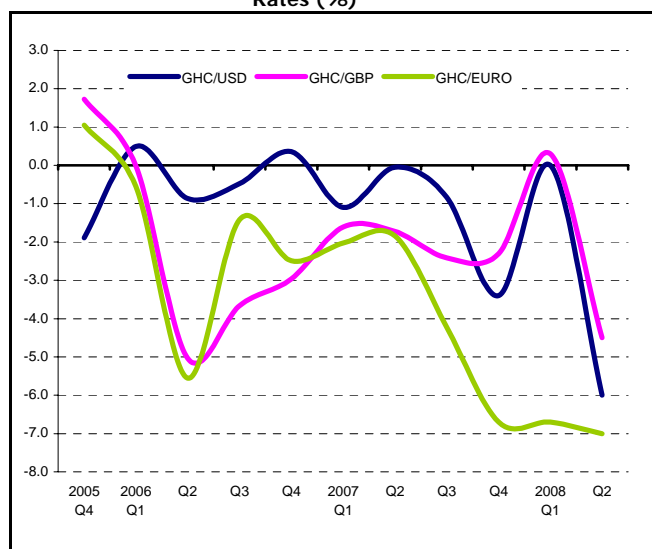


As risk factors in the currency market declined in the second quarter the patronage of the Yen as a safe haven currency declined, weakening it against the major currencies.

4.6.2 Domestic Currency Market

In nominal terms the Ghana cedi weakened against the major currencies as demand pressures for foreign exchange from the energy sector and for infrastructural development continued to weigh heavily on the currency. The moderate inflows from commodity exports and other official sources during the second quarter was far below the high demand for foreign exchange hence the weakening of the Ghana cedi.

Chart 4.7: Quarterly Changes in Forex Bureau Exchange Rates (%)



In the inter-bank market: the Ghana cedi depreciated against all the major currencies by 5.3 per cent, 4.1 per cent and 5.1 per cent against the US dollar, the pound sterling and the euro respectively compared with lower depreciations of 0.2 per cent, 2.0 per cent and 0.9 per cent respectively recorded during the corresponding period in the preceding year.

Chart 4.8: Trade Weighted Nominal and Real Exchange Rates (Dec. 2002=100)

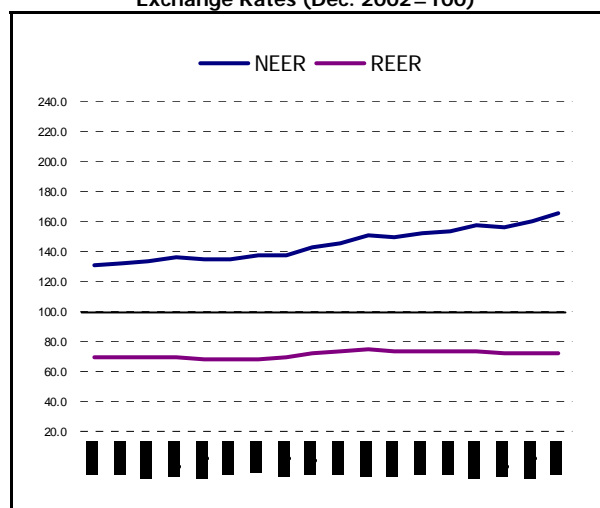


Chart 4.9: Interbank Purchases and Sales (US\$ m)

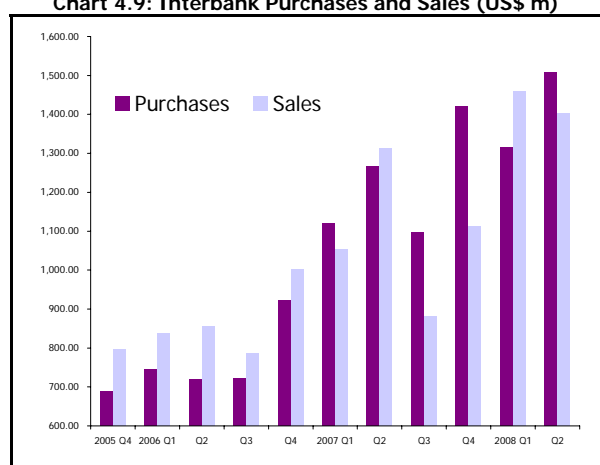


Table 4.6: Summary of Currency Composition (April – June 2008)

Currency	GH¢ Per Currency	Volume of Transaction	Value of Transaction US \$ Equivalent	Percentage Share
USD	0.9881	752,670,516.12	752,670,516.12	77.1
GBP	1.9694	64,999,085.88	128,005,959.25	13.1
EUR	1.5562	59,940,578.52	93,276,695.41	19.6
CFA	0.0025	736,429,000.00	1,826,055.11	0.2
INR	0.0239	395,907.00	9,479.33	0.0

In trade-weighted real terms, the Ghana cedi recorded 1.8 per cent appreciation during the quarter as the REER index declined from 74.13 in March 2008 to 72.82 in June 2008. This led to a slight decline in international competitiveness during the quarter.

In the forex bureau market, the Ghana cedi traded weaker depreciating by 6.0 per cent, 4.5 per cent and 7.0 per cent against the US dollar, the pound sterling and the euro respectively.

4.6.3 Inter-bank Transaction Market

Transactions in the foreign exchange market recorded slight improvement during the second quarter as purchases increased by 4.1 per cent from US\$1,532.27 million in the first quarter to US\$1,595.28 million in the second quarter. The quarterly increase was contributed mainly by increased transaction in the inter-bank market. A monthly peak for purchases for the year-to-date was recorded in May when purchases totalled US\$604.4million.

The level of activity in the inter-bank dealings market increased by 5.8 per cent as purchases increased from US\$922.14 million in the first quarter to US\$975.79 million in the second quarter.

The number of banks participating in the dealings market also increased from eighteen in the first quarter to 20 banks as HFC Bank became active again and Bank of Baroda joined the market for the first time.

The share of US Dollar among traded currencies on the market declined from 83.3 per cent in the first quarter to 77.1 per cent in the second quarter. The share of the pound sterling increased from 5.83 per cent in the first quarter to 13.1 per cent in the second quarter while the share of euro declined from 10.7 per cent to 9.6 per cent over the same period.

4.7 The Capital Market

Despite rising inflation and interest rates, stock market activities remained buoyant in the second quarter, registering the highest quarterly gain in a decade.

4.7.1 GSE All-Share Index

The GSE All Share Index grew by 31.8 per cent (2498.2 points) in the quarter to bring the cumulative growth in the index for the half year to 56.8 per cent (3746.5 points). For the corresponding period a year ago, the index increased by 3.9 per cent (202.0 points) and 1.5 per cent (69.3 points) in year 2006.

The remarkable performance of the index in the first half of 2008 is attributed to strong financials posted by listed companies during the first quarter. Ongoing improvements in the internal market structures such as shorter settlement days and automated trading have also contributed to the bullish market trends.

4.7.2 Sectoral Performance

The financial sector remained active throughout the quarter and accounted for the significant growth in the All-share index. The Sector's index went up by 34.7 per cent (193.6 points) from 558.1 points to 751.7 points. All the equities in the sector recorded significant growth to underscore the strength of the sector. The share price of SIC Insurance Company, which was listed at the beginning of the year, grew by 61.5 per cent (¢0.24) over the period to close at ¢0.63. Other advancers were Ecobank (64.6%), EIC (35.6%), GCB (3.1%), SCB (34.9%), and HFC (14.8%)

The Food & Beverages sector followed closely, gaining 33.9 per cent (169.4 points) to close at 669.2 points from 499.8 points at the end of the first quarter. The two leading companies that gained in value to help move the sector's index up were GGBL, 54.1 per cent and FML, 33.0 per cent. CPC declined by 5.7 per cent to slow down the index.

The manufacturing sector index also climbed 14.3 per cent to 434.5 points. SPPC led the gainers with a growth of 81.8 per cent. Others were UNIL, 29.1 per cent, Ayrton 23.1 per cent, SWL 13.2 per cent, and PZ Company 10.9 per cent. The losers in the sector were ALW 12.7 per cent and CMLT 5.9 per cent.

BOPP, the only company listed in the Agricultural sector, appreciated by 144.3 per cent in the period to help the sector's index close at 240.0 points from 112.0 points.

The Distribution sector inched 10.7 per cent up to close at 675.9 points on account of GOIL 53.8 per cent, CFAO 14.3 per cent and the oil distribution company TOTAL with a 10.6 per cent growth.

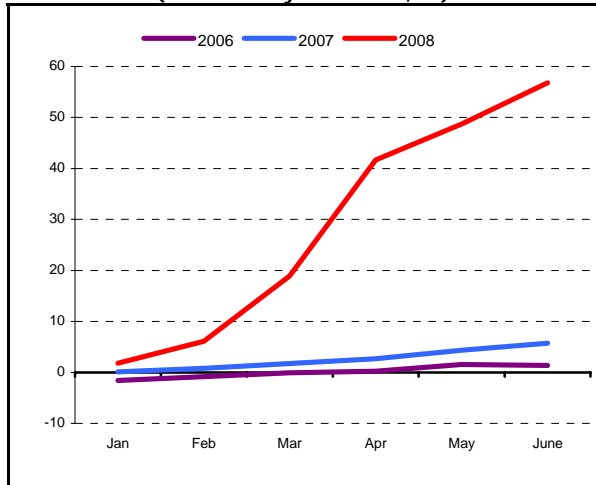
The Mining sub sector did not make any progress while the IT sub sector lost 7.4 per cent to hold back the general upward drift of the All-share.

4.7.3 Market Performance

Market activity was generally bullish in the second quarter. Total exchanges in the review period rose from 83.2 million shares in the previous quarter to 105.8 million shares valued at GH¢145.1 million in the second quarter. This is compared with 82.9 million shares valued at GH¢57.7 million traded during the corresponding period last year.

From the beginning of the year to the end of the second quarter, ETI topped as the most traded equity by accounting for 33.7 per cent of the total trade.

**Chart 4.10: Stock Market Growth
(Cumulative year to date, %)**

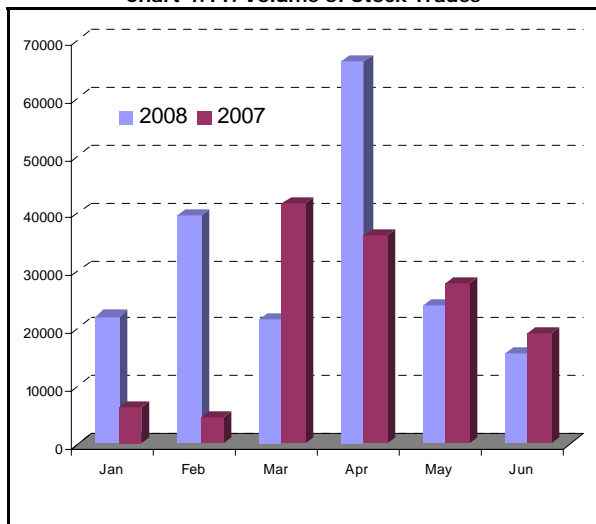


Share prices of 21 equities appreciated while 7 lost value. BOPP led the advancers during the quarter with an appreciation of 144.9 per cent (GH¢0.71). SIC followed with an appreciation of 110 per cent (GH¢0.33). The major losers, Aluworks and PKL shed 12.7 per cent, 12.5 per cent respectively.

4.7.4 Market Capitalization

Market capitalization rose appreciably by 31.9 per cent (GH¢3,941.1 million) to GH¢15,587.76 million at the end of the second quarter as against a growth of 3.7 per cent or GH¢343.5 million for the corresponding quarter of 2007. The growth in market capitalization was due solely to share price appreciation.

Chart 4.11: Volume of Stock Trades



The Bond Market

Activity in the bond market remained dormant. No exchanges were recorded in the corporate bond market, however, GH¢2.2 million worth of Government bonds were traded.

Chart 4.12: Stock Market Capitalisation by Sector

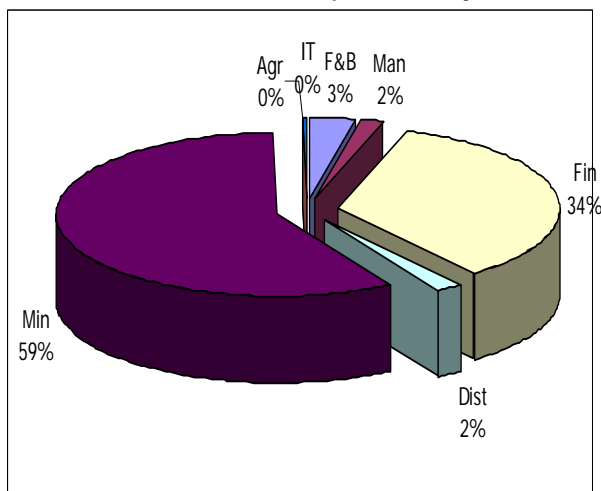


Table 4.7: Sector Contribution to GSE ALL-Share Index

	F&B	MAN	FINANCE	DISTR	MINING	IT	AGRIC	ALL-SHARE
Mar-08	499.8	380.1	558.1	610.5	114.2	114.9	112.0	7848.1
Jun-08	669.2	434.5	751.7	675.9	114.2	107.5	240.0	10346.3
ABS	169.43	54.40	193.55	65.43	0.00	-7.40	128.00	2498.20
%	33.90	14.31	34.68	10.72	0.00	-6.44	114.29	31.83

Table 4.8: Stock Market Trading Activity

Trading (Volume)			Trading (Value)		
Equity	Volume	% of Tot. Mkt	Equity	Value (GH¢).	% of Tot. Mkt
<i>ETI</i>	63,786,800	33.73	<i>ETI</i>	117,519,113	59.8
<i>AYRTON</i>	28,893,400	15.28	<i>Cal Bank Ltd</i>	24,007,247	12.2
<i>Cal Bank Ltd</i>	28,857,000	15.26	<i>GCB</i>	11,931,470	6.1
<i>SIC</i>	22,669,900	11.99	<i>SIC</i>	10,982,384	5.6
<i>HFC Bank (Ghana) Ltd.</i>	9,975,500	5.28	<i>Fan Milk Ltd.</i>	9,928,160	5.1
<i>GCB</i>	9,824,200	5.20	<i>HFC Bank (Ghana) Ltd.</i>	5,404,157	2.7
<i>GOIL</i>	5,775,600	3.05	<i>AYRTON</i>	3,409,117	1.7
<i>Fan Milk Ltd.</i>	3,707,900	1.96	<i>SCB</i>	2,477,386	1.3
<i>CFAO Ghana Ltd.</i>	2,744,900	1.45	<i>Ecobank Ltd.</i>	1,967,132	1.0
<i>TOTAL</i>	2,520,300	1.33	<i>SG-SSB Bank</i>	1,945,741	1.0

5. Fiscal Developments

Government fiscal operations for the second quarter of 2008 (April-June) resulted in a budget deficit of GH¢372.8 million (2.3% of GDP) compared with a deficit of GH¢275.6 million (1.7% of GDP) the previous quarter of 2008. This was mainly on account of lower revenues of GH¢95.2 million against an excess expenditure of GH¢22.6 million over the amounts recorded in the first quarter.

The domestic primary balance recorded a deficit of GH¢344.1 million (2.1% of GDP) compared to a deficit of GH¢355.7 million (2.2% of GDP) in the first quarter of the year.

Financing of the budget from domestic sources, the Net Domestic Financing (NDF) in Q2 2008, was GH¢299.8.8 million (1.8% of compared with GH¢422.6 million (2.6% of GDP) for the previous quarter.

Cumulatively for the first two quarters of 2008 the NDF stood at GH¢722.4 million (4.4% of GDP). Adjusted for energy-related expenditures financed from the sovereign bond proceeds the NDF reduces to GH¢417.6 million (2.6% of GDP) of which 43.01 per cent was from the Non-Bank sector.

Table 5.1: Fiscal Indicators

FISCAL INDICATORS ¹	2007	2007	2007	2008	2008	2008	2008
GH¢ Millions	Q1	Q2	Q1+Q2	Q1	Q2	Q1+Q2	BUDGET Jan-Dec
<i>Dom. Primary Bal</i>	(340.06)	(162.96)	(503.02)	(355.65)	(344.14)	(699.79)	(236.22)
<i>% of GDP</i>	(2.43)	(1.17)	(3.60)	(2.18)	(2.11)	(4.29)	(1.45)
<i>Overall Bal</i>	(164.76)	(120.41)	(285.17)	(275.62)	(372.79)	(648.41)	(168.13)
<i>% of GDP</i>	(1.18)	(0.86)	(2.04)	(1.69)	(2.29)	(3.98)	(1.03)
<i>Grants</i>	271.20	164.77	435.97	225.45	126.87	352.32	338.53
<i>% of GDP</i>	1.94	1.18	3.12	1.38	0.78	2.16	2.08
<i>Total Revenue & Grants</i>	1,017.62	1,067.74	2,085.35	1,148.23	1,053.01	2,201.24	4,745.14
<i>% of GDP</i>	7.28	7.64	14.92	7.05	6.46	13.51	29.12
<i>Total Revenue</i>	746.42	902.96	1,649.38	922.79	926.14	1,848.92	4,406.61
<i>% of GDP</i>	5.34	6.46	11.80	5.66	5.68	11.35	27.04
<i>Tax</i>	697.64	716.28	1,413.92	820.72	849.30	1,670.01	3,652.63
<i>% of GDP</i>	4.99	5.12	10.12	5.04	5.21	10.25	22.41
<i>Total Expenditure</i>	1,156.53	1,175.10	2,331.63	1,403.23	1,425.80	2,829.02	5,109.29
<i>% of GDP</i>	8.27	8.41	16.68	8.61	8.75	17.36	31.35
<i>Net Domestic Financing</i>	225.51	96.24	321.74	422.56	299.84	722.40	(382.35)
<i>% of GDP</i>	1.61	0.69	2.30	2.59	1.84	4.43	(2.35)
<i>Stock of Debt²</i>	1,857.87	2,244.98	2,244.98	2,754.91	2,813.94	2,813.94	
<i>% of GDP</i>	13.29	16.06	16.06	16.91	17.27	17.27	
<i>GDP</i>	13,976.70	13,976.70	13,976.70	16,295.84	16,295.84	16,295.84	16,295.84

5.1 Government Revenue

Total revenue and grants realized during the second quarter of 2008 accounted for 6.5 per cent of GDP and 22.2 per cent of total revenue and grants projected for the year. This is compared with 7.6 per cent and 23.8 per cent respectively for the corresponding period in 2007. The total revenue and grants of GH¢1,053.0 million for the second quarter of 2008 was 8.29 per cent lower than that of the previous quarter. It was however 21.2 per cent higher than the receipts for the corresponding period in 2007 and represented 24.2 per cent of the annual budget target for 2008 compared to 25.0 per cent for a similar period in 2007. This notwithstanding, the tax component remained robust, amounting to 5.21 per cent of GDP as against 5.12 per cent in the corresponding period of 2007.

Tax revenue for Q2 2008 comprised Customs, Excise and Preventive Service (CEPS) collection of Import duty, Import Value Added Tax (VAT) and Petroleum taxes of GH¢379.2 million, Internal Revenue Service (IRS) Collections of Income and Property taxes of GH¢272.2 million, Domestic VAT and excise duty of GH¢137.2 million and National Health Insurance Levy of GH¢60.7 million.

Non tax revenue amounted to GH¢22.2 million and grants of GH¢126.9 million. Grants received from the period comprised programme grants of GH¢85.4 million, HIPC Assistance GH¢29.3 million and MDRI Assistance GH¢12.2 million.

Table 5.2: Government Revenue (GH¢ m)

	2007			2008			
	Q1	Q2	Q1+Q2	Q1	Q2	Q1+Q2	JAN-DEC
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	BUDGET
Tax Revenue	697.6	716.3	1,413.9	820.7	849.3	1,670.0	3,652.6
% of GDP	4.99	5.12	10.12	5.04	5.21	10.25	22.41
Import Duty, Import VAT, Petroleum Tax	344.4	349.7	694.1	379.4	379.2	758.6	1,790.9
Income and Property Taxes	197.5	218.6	416.1	274.7	272.2	547.0	1,122.4
Domestic VAT and Excise Duty	115.2	103.9	219.1	99.8	137.2	237.0	430.3
Cocoa Duty	0.0	0.0	0.0	0.0	0.0	0.0	73.5
National Health Insurance Levy	40.6	44.1	84.6	66.8	60.7	127.5	235.4
Non-Tax Revenue	16.3	25.5	41.8	39.0	22.2	61.2	424.0
Grants	271.2	164.8	436.0	225.4	126.9	352.3	338.5
Program Grants	70.2	80.6	150.8	145.5	85.4	230.9	201.0
HIPC Assistance	28.0	67.9	95.9	58.2	29.3	87.5	81.9
MDRI Assistance	172.9	16.4	189.3	21.8	12.2	34.0	55.6
Others	32.5	161.2	193.6	63.1	54.6	117.7	330.0
Import Tax Exemptions							
Other Revenue Measures							
TOTAL REVENUE AND GRANTS	1,017.6	1,067.7	2,085.4	1,148.2	1,053.0	2,201.2	4,745.1
% of GDP	7.28	7.64	14.92	7.05	6.46	13.51	29.12

5.2 Government Expenditures

Government total expenditure in the second quarter of 2008 amounted to GH¢1,425.8 million (8.6% of GDP). The bulk of the payments were in respect of Non-interest payments which represented 89.1 per cent of the total. The interest payments of GH¢155.5 million recorded over the period Q2 2008 were 24.6 per cent and 40.4 per cent compared to total interest payments for Q1 2008 and the corresponding period of the previous year respectively. This is mainly on account of larger borrowing in the domestic money market to finance the budget.

The major items of expenditures in Q2 2008 were wages, salaries and pensions of GH¢444.0 million and MDA spending of GH¢427.6 million. Compared with expenditures for the first quarter, the wage bill showed a decline of 19.1 per cent. However, MDA expenditure increased by 13.6 per cent and this is explained by disbursements of GH¢204.27 million by the Ministry of Mines and Energy in respect of energy-related items.

Table 5.3: Government Expenditure (GH¢ m)

	2007			2008			
	Q1	Q2	Q1+Q2	Q1	Q2	Q1+Q2	JAN-DEC
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	BUDGET
Interest Expenditure	70.0	109.2	179.2	124.8	155.5	280.3	466.5
Interest domestic	50.1	69.8	119.9	91.8	100.5	192.3	352.3
Interest external	20.0	39.4	59.3	33.0	55.0	88.0	114.2
Non-Interest Expenditure	1,086.5	1,065.9	2,152.4	1,278.4	1,270.3	2,548.7	4,642.8
DACF	37.8	31.2	69.0	0.0	55.5	55.5	234.3
GET Fund	15.2	42.7	57.9	41.6	36.8	78.3	163.0
Wages, Salaries and Pensions	376.1	445.2	821.2	549.1	444.0	993.0	1,877.9
<i>Wages & Salaries</i>	338.3	386.7	725.0	549.1	186.2	735.3	1,745.3
<i>Social Security Payments</i>	37.7	58.5	96.2	0.0	29.8	29.8	132.7
<i>Pensions and Gratuity</i>				0.0	126.3	126.3	0.0
<i>Subvented Organizations Personal Emoluments</i>				0.0	101.6	101.6	0.0
<i>Foreign Missions Personal Emoluments</i>				0.0	8.5	8.5	0.0
Road Fund	0.0	14.7	14.7	0.0	0.0	0.0	129.2
HIPC Financed Expenditure	19.7	52.5	72.2	36.9	50.1	87.0	127.6
MDRI Drawings	173.6	33.8	207.4	22.7	28.5	51.1	55.6
MDA Drawings	192.0	275.0	467.0	376.3	427.6	804.0	0.0
Petroleum Expenditure	58.5	102.1	160.6	69.5	86.2	155.7	3.5
National Health Fund	0.0	0.0	0.0	80.0	10.0	90.0	235.4
Other Payment	213.6	68.7	282.4	102.4	123.0	225.4	1,816.3
TOTAL EXPENDITURE	1,156.5	1,175.1	2,331.6	1,403.2	1,425.8	2,829.0	5,109.3
<i>% of GDP</i>	<i>8.27</i>	<i>8.41</i>	<i>16.68</i>	<i>8.61</i>	<i>8.75</i>	<i>17.36</i>	<i>31.35</i>

5.3 Financing

The budget recorded an overall deficit of GH¢372.8 million (2.3% of GDP) during the second quarter of the year. This deficit together with a net foreign loan repayment of GH¢26.0 million created a resource gap of GH¢398.8 million which was financed from the domestic sector.

Table 5.4: Government Financing (GH¢ m)

	2007						
	Q1	Q2	JAN-JUNE	Q1	Q2	JAN-JUNE	JAN-DEC
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	BUDGET
REVENUE AND GRANTS	1,017.6	1,067.7	2,085.4	1,148.2	1,053.0	2,201.2	4,745.1
EXPENDITURE	1,156.5	1,175.1	2,331.6	1,403.2	1,425.8	2,829.0	5,109.3
OVERALL BALANCE(Commitment)	(138.9)	(107.4)	(246.3)	(255.0)	(372.8)	(627.8)	(364.1)
% of GDP	(0.99)	(0.77)	(1.76)	(1.56)	(2.29)	(3.85)	(2.23)
Road Arrears	(6.9)	(10.9)	(17.9)	(20.0)	0.0	(20.0)	(22.7)
Non-Road Arrears	(18.9)	(2.1)	(21.0)	(16.0)	0.0	(16.0)	(20.0)
VAT Refund	0.0	0.0	0.0	0.0	0.0	0.0	(37.0)
OVERALL BALANCE(Cash)	(164.8)	(120.4)	(285.2)	(291.0)	(372.8)	(663.8)	(443.9)
% of GDP	(1.18)	(0.86)	(2.04)	(1.79)	(2.29)	(4.07)	(2.72)
Divestiture Receipts	0.0	0.0	0.0	15.4	0.0	15.4	275.7
OVERALL BALANCE(Cash Incl. Divestiture)	(164.8)	(120.4)	(285.2)	(275.6)	(372.8)	(648.4)	(168.1)
% of GDP	(1.18)	(0.86)	(2.04)	(1.69)	(2.29)	(3.98)	(1.03)
FINANCING	164.8	120.4	285.2	275.6	372.8	648.4	168.1
DOMESTIC NET	225.5	96.2	321.7	422.6	299.8	722.4	(382.4)
Banking	173.1	(242.9)	(69.8)	247.4	295.5	542.8	0.0
Bank of Ghana	44.7	(156.3)	(111.7)	217.0	281.6	498.6	0.0
Deposit Money Banks	128.4	(86.6)	41.9	30.4	13.9	44.2	0.0
Non-Bank	52.4	339.1	391.5	175.2	4.4	179.6	0.0
o/w Non-Residents	0.0	328.4	328.4	0.0	0.0	0.0	0.0
NDF as % of GDP	1.61%	0.69%	2.30%	2.59%	1.84%	4.43%	-2.35%
FOREIGN NET	(60.7)	24.2	(36.6)	(146.9)	(26.0)	(172.9)	34.7
Loan Disbursement	0.0	101.9	101.9	0.0	98.7	98.7	136.2
Exceptional Financing	0.0	0.0	0.0	0.0	0.0	0.0	77.5
Loan Repayment	(60.7)	(77.7)	(138.4)	(146.9)	(124.7)	(271.6)	(179.0)
Savings(+)/Dissavings(-) From GGILBs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Financing (Capital Market)	0.0	0.0	0.0	0.0	0.0	0.0	515.8
Other Financing (Domestic)					98.9	98.9	
GDP AT CURRENT PRICES	13,976.7	13,976.7	13,976.7	16,295.8	16,295.8	16,295.8	16,295.8
Domestic Revenue	746.4	903.0	1,649.4	922.8	926.1	1,848.9	4,406.6
(In Percent of GDP)	5.34	6.46	11.80	5.66	5.68	11.35	27.04
Domestic Expenditure	1,086.5	1,065.9	2,152.4	1,278.4	1,270.3	2,548.7	4,642.8
(In Percent of GDP)	7.77	7.63	15.40	7.85	7.80	15.64	28.49
Domestic Primary Balance	(340.1)	(163.0)	(503.0)	(355.7)	(344.1)	(699.8)	(236.2)
(In Percent of GDP)	(2.43)	(1.17)	(3.60)	(2.18)	(2.11)	(4.29)	(1.45)
Net Domestic Financing	225.5	96.2	321.7	422.6	299.8	722.4	(382.4)
NDF as a % of Total Revenue & Grants	22.16	9.01	15.43	36.80	28.47	32.82	-8.06

5.4 Domestic Debt

5.4.1 Composition of Domestic Debt

The stock of domestic debt at the end of Q2 2008 was GH¢4,006.0 million (24.6% of GDP) which was GH¢59.1 million higher than the Q1 stock.

The growth in the domestic stock was the result of increases of GH¢18.90 million and GH¢40.20 million respectively in the short and medium term instruments.

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

	2007				2008		% of Total
	Q1	Q2	Q3	Q4	Q1	Q2	
A. SHORT TERM							
91-Day Treasury Bill	139.0	123.6	106.6	245.5	450.9	461.1	11.4
182-Day Treasury Bill	133.8	87.1	147.0	134.0	143.4	183.5	3.6
1-Year Treasury Note	478.2	477.9	525.3	500.7	480.4	449.0	12.2
SUB-TOTAL (A)	751.0	688.6	778.9	880.2	1,074.7	1,093.6	27.2
B. MEDIUM-TERM							
2-Year Floating Treasury Note	92.2	57.5	43.4	40.8	40.2	39.7	1.0
2-Year Fixed Treasury Note	598.7	676.8	679.0	675.9	659.3	646.9	16.7
3-Year GOVT. GGILBS	1.0	0.0	0.0	0.0	0.0	0.0	0.0
3-Year Floating Treasury Note	13.4	13.4	6.1	2.1	0.1	0.1	0.0
3-Year Fixed Treasury Note	323.7	588.5	621.9	646.3	710.8	763.9	18.0
5-Year GOG Bond	75.7	218.0	218.0	268.8	268.8	268.8	6.8
GOG Petroleum Finance Bonds	80.0	80.0	80.0	80.0	80.0	80.0	2.0
TOR Bonds	157.4	157.4	157.4	110.0	110.0	110.0	2.8
SUB-TOTAL (B)	1,342.1	1,791.6	1,805.8	1,823.8	1,869.2	1,909.4	47.4
C. LONG-TERM							
Long Term Govt. Stocks	421.6	421.6	421.6	421.6	421.6	421.6	10.7
Telekom Malaysia Stocks	87.4	87.4	87.4	87.4	87.4	87.4	2.2
Revaluation Stock	493.1	493.1	493.1	493.1	493.1	493.1	12.5
Other Government Stocks	2.2	2.2	2.2	2.2	1.0	1.0	0.0
SUB-TOTAL (C)	1,004.2	1,004.2	1,004.2	1,004.2	1,003.0	1,003.0	25.4
TOTAL (A+B+C)	3,097.2	3,484.4	3,588.9	3,708.2	3,946.9	4,006.0	100.0

5.4.2 Holdings of Domestic Debt

Bank of Ghana's holdings of domestic debt at the end of Q2 2008 stood at GH¢1,435.5 million, representing 35.8 per cent of the total. The Deposit Money Banks (DMB's) held GH¢1,197.5 million (29.9%), SSNIT GH¢170.7 million (4.3%), Insurance companies GH¢23.1 million (0.6%) and 'other holders' GH¢718.8 million (17.9%).

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

	Q4		Q4		Q1		Q2	
	2006	%	2007	%	2008	%	2008	%
A. Banking system	2,244.7	77.6	2,522.2	68.0	2,582.2	65.4	2,633.0	65.7
Bank of Ghana	1,182.10	40.9	1,371.00	37	1,375.30	34.8	1,435.50	35.8
Deposit Money Banks	1,062.60	36.7	1,151.10	31	1,207.00	30.6	1,197.50	29.9
B. Nonbank sector	649	22.4	1,186.1	32.0	1,364.7	34.6	1,372.9	34.3
SSNIT	107.7	3.7	178.5	4.8	201.2	5.1	170.7	4.3
Insurance Co.s	14.9	0.5	21.7	0.6	22	0.6	23.1	0.6
Others Holders	526.4	18.2	985.9	26.6	1,141.5	28.9	1,179.1	29.4
TOTAL(A+B)	2,893.7	97.9	3,708.2	88.6	3,946.9	100.0	4,006.0	100.0

6. Balance of Payments Developments

6.1 Developments in the Current Account

Provisional estimates for the second quarter of 2008 indicated that the deficit on the current account widened to US\$482.70 million from a deficit of US\$216.84 million registered in the corresponding quarter of 2007. Relative to gross domestic product, the current account deficit increased to 10.8 per cent from 5.9 per cent a year ago. This development was mainly due to continued strong import demand which far outstripped the growth in exports, thus resulting in the trade deficit widening from US\$712.90 million (19.2% of GDP) during the second quarter of 2007 to US\$968.86 million (26.2% of GDP). Additionally, net service, income and current transfer receipts also declined to US\$486.16 million from US\$496.06 million in the corresponding period of 2007, compared with US\$402.72 million recorded during the first quarter of 2008.

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

	2007				2008*	
	Q1	Q2	Q3	Q4	Q1	Q2
CURRENT ACCOUNT	-422.92	-216.84	-859.02	-652.69	-688.61	-482.70
Merchandise Exports (f.o.b.)	1,041.49	1,101.36	931.03	1,098.26	1,322.20	1,563.16
Cocoa beans and products	382.27	360.03	168.46	221.90	403.20	530.96
Gold	395.00	426.00	426.35	486.43	608.92	579.34
Timber	60.61	60.51	63.17	64.68	65.28	66.58
Others (including non-traditional)	203.61	254.82	273.05	325.25	244.80	386.28
Merchandise Imports (f.o.b.)	-1,659.32	-1,814.26	-2,249.14	-2,343.40	-2,413.53	-2,532.02
Non-oil	-1,313.27	-1,313.68	-1,571.88	-1,772.29	-1,842.91	-1,845.61
Oil	-346.05	-500.58	-677.26	-571.11	-570.62	-686.41
Trade Balance	-617.83	-712.90	-1,318.11	-1,245.14	-1,091.33	-968.86
Services (net)	-222.28	59.52	-31.92	32.63	-161.51	-54.83
Receipts	347.71	488.42	445.62	550.12	397.62	460.29
Payments	-569.99	-428.90	-477.54	-517.49	-559.13	-515.12
Income (net)	-20.00	-31.38	-22.55	-64.69	-26.90	-68.54
Receipts	25.96	17.03	20.50	20.50	25.96	17.03
Payments	-45.96	-48.41	-43.05	-85.19	-52.86	-85.57
Current Transfers (net)	437.19	467.92	513.56	624.51	591.13	609.53
Official	76.12	86.93	5.40	40.92	137.64	85.87
Private	361.07	380.99	508.16	583.59	453.49	523.66
Services, Income and Current Transfers (net)	194.91	496.06	459.09	592.45	402.72	486.16
CAPITAL & FINANCIAL ACCOUNT	119.47	366.57	425.98	1,679.41	417.58	32.73
Capital Account	58.24	48.56	56.80	24.54	88.89	24.35
Capital transfers	58.24	48.56	56.80	24.54	88.89	24.35
Financial Account	61.23	318.01	369.18	1,654.87	328.69	8.38
Direct Investments	23.57	240.19	260.62	446.00	130.79	205.00
Other Investments	37.66	77.82	108.56	1,208.87	197.90	-196.62
Of Which						
Official Capital (net)	76.87	211.75	23.56	856.46	80.06	105.85
Sovereign Bond				750.00		
Other official net				106.46		
Other Private Capital (net)	-42.01	68.99	53.83	24.71	134.28	73.00
Short-term capital (net)	2.79	-202.92	17.65	327.70	-16.16	-371.19
ERRORS AND OMISSIONS	-31.67	61.08	-9.63	-46.63	9.13	-70.80
OVERALL BALANCE	-335.12	210.81	-442.67	980.09	-261.90	-520.77

* - Provisional

Chart 6.1: The Current Account (US\$ m)

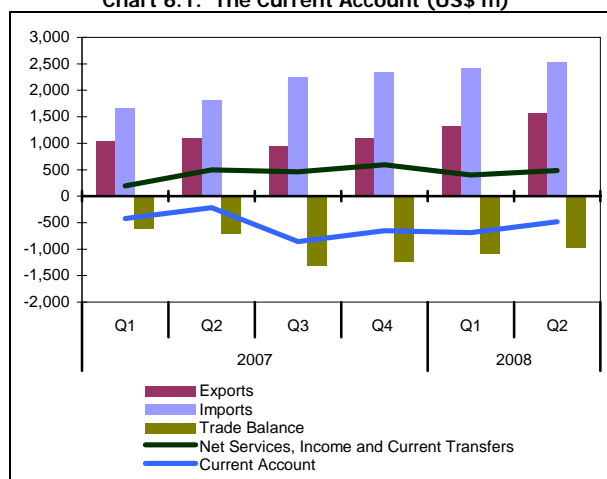


Chart 6.2: Composition of Exports (US\$ m)

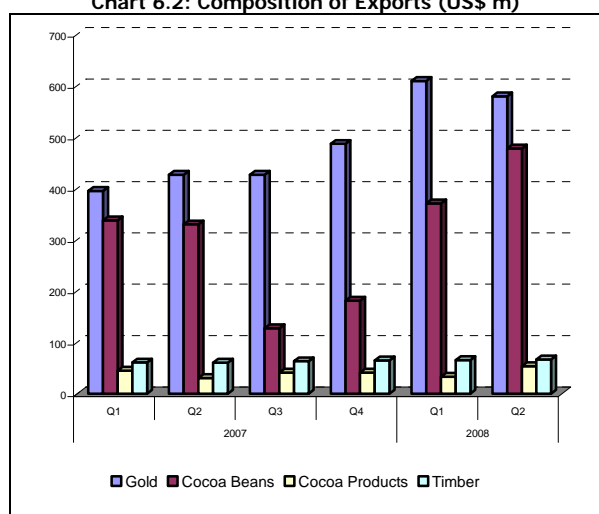


Table 6.2: Ten Most Exported Non-Traditional Goods

April-June 2007		
Description	Value (FOB) US\$'M	% Distribution
Prepared or preserved fish; caviar and caviar substitutes	25.90	25.68
Fermented beverages	15.34	15.21
Petroleum products	14.08	13.96
Compounds and amalgams of colloidal precious metals	9.92	9.84
Coconuts, brazil nuts and cashew nuts, fresh or dried	8.97	8.89
Fresh fruits	7.15	7.09
Other oil seeds and oleaginous fruits	6.01	5.96
Preserved or prepared tomatoes	4.91	4.87
Precious stones	4.52	4.48
Frozen fish	4.06	4.03
Total	100.86	100.00

April-June 2008		
Description	Value (FOB) US\$'M	% Distribution
Prepared or preserved tuna	59.74	27.91
Petroleum products	52.60	24.57
Prefabricated buildings parts	18.77	8.77
Fermented beverages	16.85	7.87
Lubricating oil	14.56	6.80
Plastic household and toilet articles	13.84	6.47
Cashew nuts, in shell	12.20	5.70
Prepared or preserved fruit mixtures of fruit	9.02	4.21
Other oil seeds and fruits,	8.30	3.88
Aluminium waste and scrap	8.18	3.82
Total	214.04	100.00

6.1.1 Export Performance

The value of merchandise exports during the second quarter of 2008 was estimated at US\$1,563.16 million, an increase of 41.9 per cent when compared to the value registered during the second quarter of 2007. This development was attributable to general increases in the major export commodities.

Earnings from gold exports were provisionally estimated at US\$579.34 million, which were significantly higher than the US\$426.0 million registered for the corresponding quarter of 2007. However, they were 4.9 per cent lower than the US\$608.92 million recorded during the previous quarter. The yearly increase in earnings was mainly attributable to prices, which on the average went up by 35.3 per cent to US\$892.33 per fine ounce. This was on account of the continuous weakening of the US dollar, fears over inflation and financial instability on the world market. Volume exported, on the other hand, declined marginally by 0.6 per cent to 649,245 fine ounces.

The value of exports of cocoa (beans and products) was estimated at US\$530.96 million thus pushing its share in total exports to 34.0 per cent from 32.7 per cent in the corresponding quarter of 2007. Earnings from cocoa beans exports, in particular, amounted to US\$477.31 million, an increase of 44.8 per cent year-on-year and this was attributable to both price and volume effects. While realized prices increased by 24.6 per cent to US\$2,196.05 per tonne, volume of cocoa beans exported also went up by 16.2 per cent to 2,17,349 tonnes. The value of cocoa products also went by 77.8 per cent US\$53.65 million, year-on-year.

Receipts from exports of timber products grew by 10.0 per cent to US\$66.58 million from what was

Chart 6.3: Composition of Imports (US\$ m)

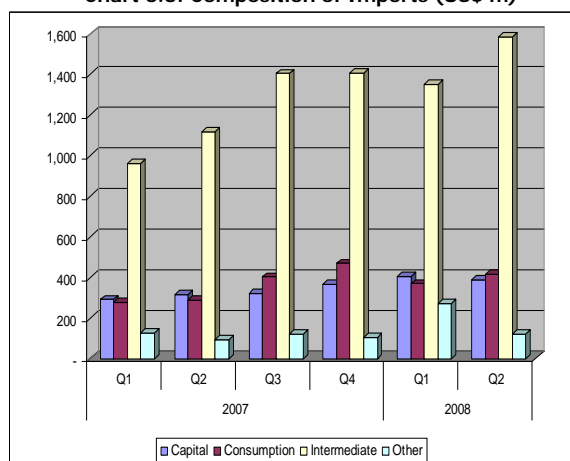


Table 6.2: Ten Most Imported Goods

April-June, 2007

Description	Value (FOB) US\$'M	% Distribution
Crude petroleum	374.15	44.35
Finished petroleum products	233.44	27.67
Vehicles with engine of cylinder capacity 1500-3000cc	60.40	7.16
Motor vehicles for the transport of goods	41.81	4.96
Cement clinkers	37.89	4.49
Broken rice	25.87	3.07
Apparatus for carrier-current line systems	18.99	2.25
Insecticides, put up for retail sale	17.61	2.09
Spelt, common wheat and meslin	17.23	2.04
Radio/ty transmission apparatus without reception apparatus	16.27	1.93
Total	843.65	100.00

April-June, 2008

Description	Value (FOB) US\$'M	% Distribution
Crude petroleum	395.63	43.47
Finished petroleum products	251.95	27.69
Cement clinkers	65.93	7.24
Spelt, common wheat and meslin	42.25	4.64
Motor vehicles for the transport of goods	37.40	4.11
Broken rice	32.67	3.59
Fungicides	25.25	2.77
Other used vehicles 1500 less than 10 years	21.50	2.36
Generating sets	18.86	2.07
Motor vehicles for the transport of persons,	18.60	2.04
Total	910.04	100.00

recorded a year ago. At an average realized price of US\$567.63 per cubic metre, volume exported declined by 9.1 per cent to 117,294 cubic metres.

The value of 'other' exports was provisionally estimated at US\$386.28 million, which was US\$57.79 million higher than what was recorded in the corresponding period of 2007. The growth in the export value was boosted by the high values earned through the exports of prepared tuna, petroleum products, pre-fabricated building materials, fermented beverages among others.

The major destination economies of Ghana's exports to the rest of the world were: South Africa, mostly gold exports (32.9%), the Netherlands (13.4%), the United Kingdom (5.9%), Switzerland (5.6%) and France (4.5%).

6.1.2 Import Performance

During the second quarter of 2008, vibrant domestic demand as well as record increases in energy and food prices on the international scene continued to support the growth in the import bill. Total import in Q2 2008 amounted to US\$2,532.02 million, an increase of 39.3 per cent, relative to the corresponding quarter of last year, with non-oil imports growing faster (40.5%) than oil imports (37.1%).

Non-oil imports

The cost of non-oil imports in Q2 2008 went up to US\$1,845.61 million from US\$1,313.68 million recorded in the corresponding quarter of 2007. The increased demand for non-oil imports was evident in imports of capital goods (23.1%), 'other goods' (29.4%), intermediate goods, (39.9%), and consumption goods (44.2%). Non-oil imports during the previous quarter amounted to US\$1,842.91 million.

The increase in the value of capital goods was in capital goods other transport equipment (34.2%) and industrial transport equipment (18.6%).

The higher import values for other goods (33.9%) reflected increased imports of passenger vehicles (36.2%).

The increase in demand for intermediate goods was largely due to increased imports of parts and accessories of capital goods (74.0%), primary industrial supplies (56.3%), parts and accessories of transport equipment (49.4%), and processed food and beverages for further processing by industry (38.1%).

The growth in the value of consumption goods was also underpinned by increases mostly by increased imports of primary food and beverages mainly meant for household consumption (59.6%), processed food and beverages largely meant for household consumption (40.2%) and semi-durable consumer goods (39.6%).

Oil Imports

Total cost of oil imports (crude and products) during the second quarter was provisionally estimated at US\$686.41 million, an increase of 37.1 per cent over the level recorded in the corresponding quarter of 2007. The increase was attributed to significant growth in imports of both crude oil and petroleum products. At a value of US\$428.41 million, crude oil imports increased by US\$160.4 million (59.9%), while imports of petroleum products rose by 10.9 per cent to US\$258.00 million. The increase in the value of crude oil imports was primarily due to a considerable rise of 70.1 per cent in prices that brought the average realized price for the quarter to US\$119.15 per barrel, which more than offset a 23.9 per cent decline in volume. The sharp increase in price resulted primarily from a weak US dollar and an increasing global demand for oil that outstripped oil supplies.

Ten Most Imported Items

The top ten most imported items between April and June, 2008 amounted to US\$910.04 million which compared favourably with US\$843.65 million recorded in corresponding period of 2007. The high values for these commodities were reflections of rising prices of fuel and non-fuel commodities on the international commodity market.

Origin of Non-oil Imports

In Q2 2008, Ghana obtained most of her imports from Nigeria, mostly crude oil (15.7%), China (9.3%), Belgium (6.9%), the United States (5.7%), the United Kingdom (4.2%), Germany (3.8%), and India (3.5%). The other important markets were United States, Germany and the Netherlands (with each contributing 5.9 %). The others included

Belgium (5.1%), South Africa (5.0%), India (4.8%), the United Kingdom (4.4%), Brazil (3.7%) and France (3.5 2.7%).

6.2 Services, Current Transfers and Income Account

The Services, Income and Transfers account recorded a net inflow of US\$486.16 million for the second quarter of 2008, which was US\$9.89 million lower than a net inflow of US\$496.05 million recorded a year ago. The decline in net inflows was mainly attributed to a rise in net service payments following a significant increase in merchandise imports bill, especially oil imports. Compared to the outturn of US\$402.72 million recorded for the previous quarter, the net inflow during the review quarter increased by 20.7 per cent.

The balance on the current transfers account showed a net receipt of US\$609.53 million in the second quarter of 2008 as compared to US\$467.92 million recorded in corresponding period of 2007, an increase of US\$141.61 million (30.3%). This development resulted mainly from a growth in net private receipts which increased by US\$142.67 million as against a decrease of US\$1.06 million in official receipts. Relative to net receipts during the previous quarter the net current transfers receipts during the quarter under review increased by US\$70.17 million (15.5%).

Table 6.3: Services, Income and Current Transfers Account (in US\$ m)

	2007		2008*	
	Q1	Q2	Q1	Q2
Services	-222.28	59.51	-161.51	-54.83
Freight and Insurance	-97.82	-104.63	-149.11	-152.13
Travel	37.43	84.76	49.41	70.53
Other Services	-124.46	164.14	-12.40	97.30
Income	-20.00	-31.38	-26.90	-68.54
Current Transfers	437.19	467.92	591.13	609.53
Official	76.12	86.93	137.64	85.87
Private	361.07	380.99	453.49	523.66
Services, Income and Current Transfers	194.91	496.05	402.72	486.16

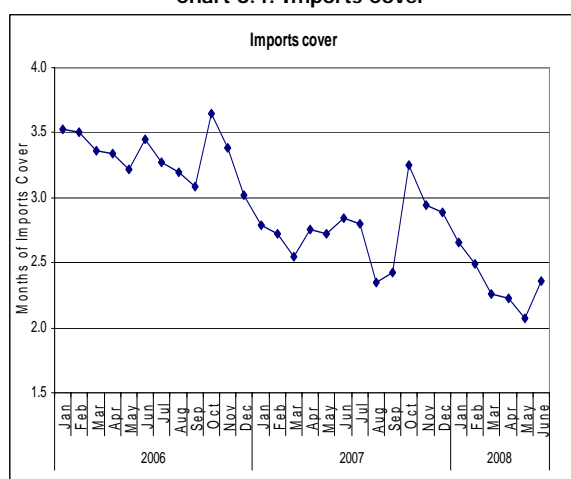
* Provisional estimate

Table 6.4: Capital and Financial Accounts (in US\$ m)

	2007		2008*	
	Q1	Q2	Q1	Q2
Capital and Financial Accounts,	119.46	366.56	417.57	32.73
Capital transfers	58.24	48.56	88.89	24.35
Financial Account	61.22	318.00	328.68	8.38
Foreign Direct Investment in Ghana	23.57	240.19	130.79	205.00
Divestiture	0.00	0.00	0.00	0.00
Others	23.57	240.19	130.79	205.00
Portfolio Investments	-1.08	-0.53	-0.29	-5.00
Other Investments	38.73	78.34	198.18	-191.62
Official	76.87	211.74	80.06	105.85
Disbursements	119.22	240.64	133.35	158.35
Amortisation	-42.35	-28.90	-53.29	-52.50
Private	-40.93	69.52	134.28	73.72
Disbursements	151.10	308.56	310.56	250.00
Amortisation	-192.03	-239.04	-176.28	-176.28
Short-term	2.79	-202.92	-16.16	-371.19
Non-Monetary	-140.42	-189.38	7.55	-341.19
Monetary	143.21	-13.54	-23.71	-30.00

* Provisional

Chart 6.4: Imports Cover



6.3 Capital and Financial Account

The surplus on the capital and financial account dipped to US\$32.73 million during the second quarter of 2008 as against US\$366.56 million recorded for the similar quarter a year ago. A net receipt of US\$417.57 million was registered during the previous quarter. While a decline in net inflow of capital was noted in the categories for capital transfers and direct investments, net outflows of capital were registered for the categories for portfolio and other investments.

During the second quarter of 2008, direct investments into Ghana by non-residents were estimated at US\$205.00 million, a decrease of US\$35.19 million from what was registered during the corresponding period in 2007.

Project related grants (capital transfers) to the government amounted to US\$24.35 million, down by US\$24.21 million from what was recorded during the second quarter of 2007.

The balance on the financial account declined to a surplus of US\$8.38 million during the quarter under review compared to US\$318.00 million recorded in the second quarter of 2007 and US\$328.68 million in the first quarter of 2008. The decline in the surplus reflected increased net short term out flows following significant increases in payments for oil bills resulting from record rises in energy prices on the world market.

Net official capital flows also declined to a net inflow US\$105.85 million, when compared to a net inflow of US\$211.74 million in the corresponding period of 2007; but compared favourably with US\$80.06 million registered in the previous quarter. Official loan disbursements amounted to US\$158.35 million but these were dampened by an amortization of US\$52.50 million. The balance on private capital account recorded a net inflow of capital to the value of US\$73.72 million compared to net capital inflows of US\$69.52 million and US\$134.28 million in the

second quarter of 2007 and the first quarter of 2008, respectively.

6.4 International Reserves

The stock of net international reserves declined by US\$520.77 million to US\$1,458.65 million from a stock position of US\$1,979.42 million at the end of March 2008. The decline was mainly on account of a drawdown of US\$140.95 million in the stock of disposable balances with correspondent banks and an increase of US\$297.40 million in the stock of liabilities to commercial banks.

The country's gross international reserves also declined by US\$167.78 million from a stock position of US\$2,493.41 million at the end of March 2008 to US\$2,325.63 million, enough to finance 2.4 months imports of goods and services.

7. External Debt

Ghana continued to attract foreign aid in the form of loans, mainly on concessional terms, for development projects. These flows were used for infrastructural development particularly energy, road and transport sectors. The major sources of the loans remain multilateral and bilateral credits with extended repayment periods. The increased aid flow moved up the stock of debt accumulated at the end of the second quarter of 2008. This notwithstanding, the external debt remained sustainable at the end of the period with a reduced debt service burden on the economy.

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

	2007		2008	
	Q1	Q2	Q1	Q2
Total External Debt	2,402.02	2,476.52	3,780.30	3,769.21
Multilateral creditors	1,404.83	1,464.61	1,795.58	1,783.43
of which: IMF	159.3	159.82	172.75	170.84
Bilateral creditors	790.06	836.2	1,015.31	1,029.07
of which:				
Paris Club	520.01	552.61	691.42	702.67
Non-Paris Club	270.05	283.59	323.89	326.40
Commercial Creditors	207.13	175.71	969.41	956.71

US\$3,769.21 million, having fallen marginally by US\$11.10 million from the stock position at the end of the first quarter. Measured against the level of US\$2,476.52 million and US\$3,590.37 million at the end of the corresponding period of 2007 and at the end of 2007 respectively, the debt stock showed quite significant increases. It rose by US\$1,292.69 million (52.2%) year-on-year and by US\$178.84 million (4.9%) from the end of 2007 stock position.

Chart 7.1: Composition of External Debt by Creditor (%)

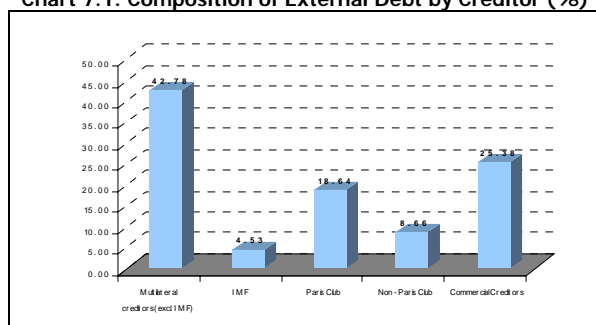
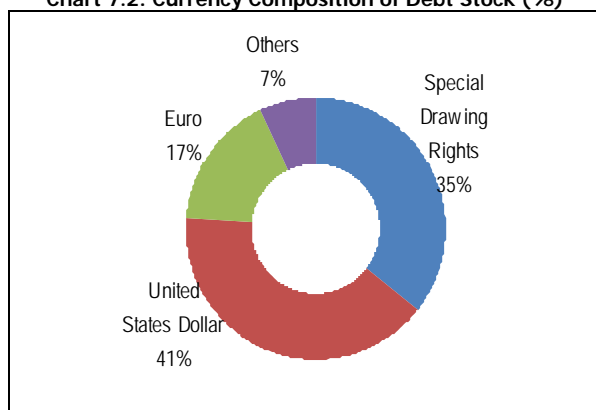


Chart 7.2: Currency Composition of Debt Stock (%)

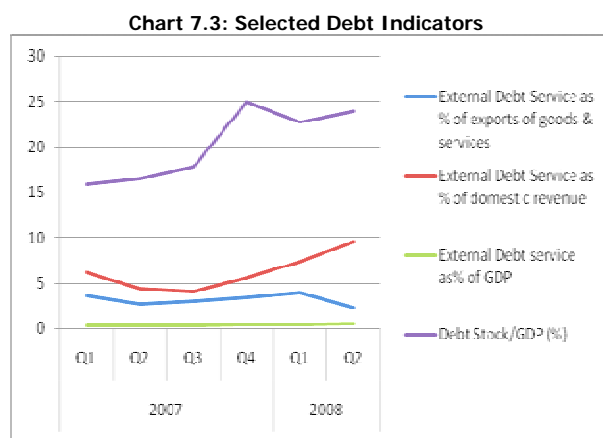


7.1.1 Components of the Debt Stock

The policy of contracting concessional external loans was maintained as Government secured foreign aid during the period. Multilateral debt was therefore more attractive and constituted the largest proportion of the debt stock. At the end of Q2 2008, US\$1,783.43 million (or 47.3%) of Ghana's external debt was owed to multilateral creditors, US\$702.77 million (or 18.6%) was owed to Paris Club bilateral creditors, US\$326.41 million (8.6%) was owed to non-Paris club bilateral sources and the residual of US\$956.71 million (or 25.4%) (including the Government of Ghana Sovereign bond) was owed to commercial creditors. These proportions have not changed significantly since the sovereign bond was issued.

7.1 Debt Stock

Public and publicly-guaranteed external debt stock at the end of the second quarter of 2008 stood at



in the last quarter of 2007. Before then, commercial creditors accounted for only 6.8 per cent of the external debt stock.

7.1.2 Currency Composition of the Debt Stock

Composition of the debt stock in terms of currencies continued to vary. The Special Drawing Rights (SDR) has gradually lost prominence to the US dollar (USD) and other currencies. At the end of the second quarter of 2008, the United States Dollars, which constituted the dominant currency of the debt stock, accounted for more than 40 per cent. The SDR, which constituted about 75 per cent of the debt stock for most part of the period 2000 to 2005 accounted for only 35 per cent and the EURO accounted for 16 per cent. The Japanese Yen has almost faded out of the basket of currencies due to debt cancellation under the HIPC debt relief and therefore accounted for a small proportion of about 0.58 per cent.

7.2 Debt Service Payments

In the second quarter of 2008, a total of US\$95.74 million was expended in servicing government external debt, bringing to US\$161.93 million total for debt service paid since January. The debt service payments in the second quarter was made up of principal payments of US\$48.43 million and interest payments of US\$47.30 million. These payments included the first coupon payments on the Government of Ghana 10-year sovereign bond issued in the third quarter of 2007. In the second quarter of 2007, a total of US\$45.85 million, made up of principal payments of US\$32.16 million and interest payments of US\$13.69 million were made.

7.3 Indicators of Debt Sustainability

The debt stock began to rise sharply in the latter part of 2007. Even though the debt indicators went up at the end of Q2 2008 the burden of external debt is well contained. The ratio of external debt stock to GDP rose slightly from end of Q1 2008 position of 22.7 to 23.9 at the end of Q2 2008 but fell against the end 2007 ratio of 24.9.

Similarly, the ratio of debt service to exports of goods and services went up in the second quarter of 2008 due largely to increasing debt service payments

The ratio of debt service to domestic budget revenue and the ratio of debt service to GDP also showed increasing trends from the fourth quarter of 2007 posting end Q2 ratios of 9.5 and 0.5 respectively.

8. The Rural Banking Sector

Rural/Community banks (RCBs) experienced a general slowdown in economic activities during the second quarter of 2008. The balance sheet of the rural/community banks grew at a slower pace during the second quarter of 2008 compared with the growth in the corresponding quarter in 2007.

Chart 8.1: Financial Ratios of Rural/Community Banks

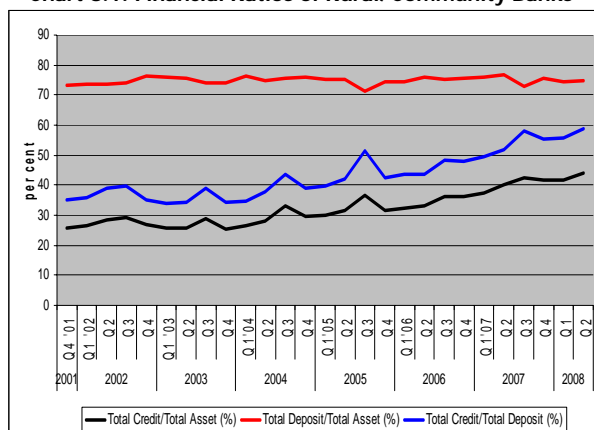


Chart 8.2: Rural/Community Banks' Deposits and Outstanding Credit

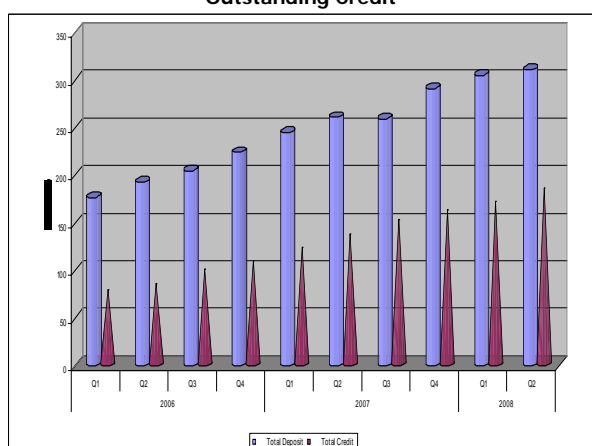
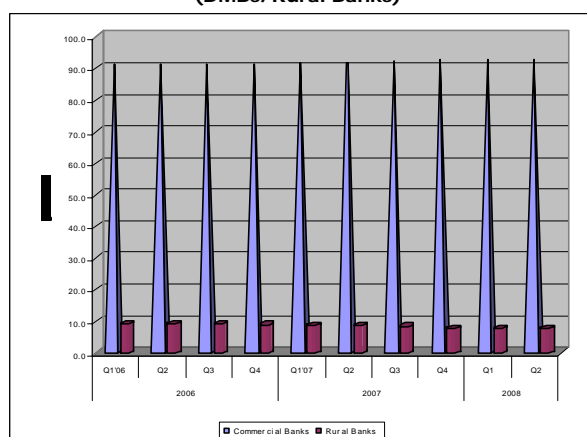


Chart 8.3: Share of Domestic Currency Deposits (DMBs/Rural Banks)



8.1 Financial Performance of RCBs

Total assets grew by 2.9 per cent (GH¢11.7 million) to GH¢416.1 million during the second quarter of 2008 compared to an increase of 5.2 per cent (GH¢16.9 million) recorded a year ago. The increase in total assets during the period was mainly funded by an increase of 2.0 percent (GH¢6.2 million) in total deposits.

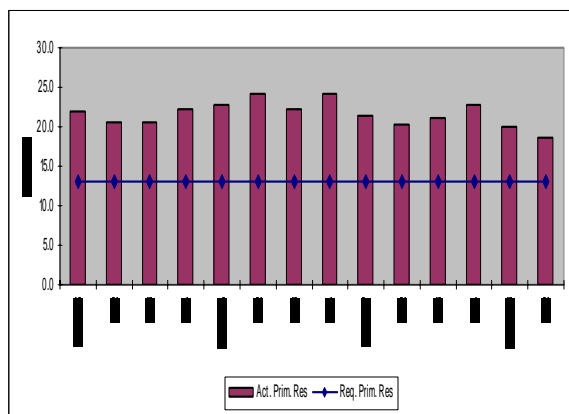
Total cash and bank balances declined by 4.5 per cent (GH¢2.7 million) to GH ¢58.1 million during the review period. Investments (short and long term) also decreased by 5.3 per cent (GH¢6.1 million) while Loans and Advances went up by 7.7 percent (GH¢13.1 million).

It is significant to note that the rural/community banks continued to advance more credit against the background of intense competition and low returns on government paper.

8.2: Rural Banks' Share of Domestic Deposits

Total domestic deposits of the overall banking industry during the second quarter of 2008 stood at GH¢4,009.0 million. Consequently, the share of the rural/community banks' total deposits in the banking industry dropped marginally from 7.9 percent in the first quarter 2007 to 7.8 percent in the second quarter 2008.

Chart 8.4: Primary Reserves of Rural/Community Banks



8.3 Reserve Requirements

Industrial compliance with the statutory reserve requirements continued to remain high against the background of an improvement in liquidity management by the rural banks during the review quarter. The primary reserves⁴ of the rural/community banks stood at 18.7 per cent of total deposits, indicating an excess of 5.7 per cent above the mandatory minimum requirement of 13.0 per cent. In addition, secondary reserves⁵ of the banks stood at 34.9 percent of total deposits, exceeding the mandatory requirement (of 30.0%) by 4.9 per cent.

⁴ Made up mainly of cash and bank balances.

⁵ Consisting of investment in bills and bonds.

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

								Change Between		Change Between	
	2006	2007				2008		Q1 & Q2 2008		Q1 & Q2 2007	
	Q4	Q1	Q2	Q3	Q4	Q1	Q2*	Abs	%	Abs	%
ASSETS											
Total Assets	296.67	322.88	339.79	355.75	386.12	404.34	416.06	11.7	2.9	16.9	5.2
of which											
Cash and Bank Balances	53.95	52.66	52.72	55.02	66.48	60.87	58.13	-2.7	-4.5	0.1	0.1
Investment (Short & Long Term)	93.74	103.68	105.56	99.08	103.79	114.74	108.64	-6.1	-5.3	1.9	1.8
Loans and Advances	107.19	121.12	135.79	150.48	161.51	170.41	183.48	13.1	7.7	14.7	12.1
Others	41.80	45.41	45.72	51.16	54.33	58.31	65.81	7.5	12.9	0.3	0.7
LIABILITIES											
Total Liabilities	296.67	322.88	339.79	355.75	386.12	404.34	416.06	11.7	2.9	16.9	5.2
of which											
Total Deposit	224.47	245.33	261.29	259.44	291.58	305.18	311.34	6.2	2.0	16.0	6.5
i) Demand Deposit											
ii) Saving Deposit											
iii) Time Deposit											
Shareholders Funds	38.49	41.41	43.59	47.29	47.85	52.46	52.66	0.2	0.4	2.2	5.3
i) Paid-up Capital	9.17	9.95	10.65	12.36	11.95	13.45	12.77	-0.7	-5.0	0.7	7.0
ii) Reserves	29.32	31.46	32.94	34.93	35.90	39.01	39.89	0.9	2.2	1.5	4.7
Others	33.71	36.14	34.91	49.01	46.68	46.69	52.06	5.4	11.5	-1.2	-3.4

Note: Q2* represents provisional data

Table 8.2: Contribution Of Rural Banks To Total Deposits Of Banking System

	2007								2008			
	Q1 Domestic Deposits GH¢' million	% Share	Q2 Domestic Deposits GH¢' million	% Share	Q3 Domestic Deposits GH¢' million	% Share	Q4 Domestic Deposits GH¢' million	% Share	Q1 Domestic Deposits GH¢' million	% Share	Q2 Domestic Deposits GH¢' million	% Share
Commercial Banks	2536.1	91.2	2714.0	91.2	2831.2	91.6	3448.1	92.2	3577.8	92.1	3697.7	92.2
Rural Banks	245.3	8.8	261.3	8.8	259.4	8.4	291.6	7.8	305.2	7.9	311.3	7.8
TOTAL	2781.5	100.0	2975.2	100.0	3090.6	100.0	3739.7	100.0	3883.0	100.0	4009.0	100.0

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