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Introduction

The robust performance of the Ghanaian economy continued in the fourth quarter of 2005. Key economic indicators such as personal income and corporate tax collections, workers social security contributions and the Bank of Ghana Economic Composite Index all suggested that activities in the real sector picked up. Inflationary pressures continued to be benign in the quarter as average monthly change in the inflation rate was 0.1 per cent. The estimated core measures of inflation, which indicate the underlying inflation, during the fourth quarter of 2005 also recorded a slight slow down. These developments were underpinned by significant improvements in macroeconomic fundamentals during the quarter.

Income and Corporate tax collections increased by 24.2 per cent during the last quarter of 2005. In addition, 14,152 new motor vehicle registrations were recorded during the quarter. Job vacancies advertised in the leading newspaper totalled 8,067 sustaining the average of 2017 vacancies per quarter. These indicators suggest robust growth in output and employment during the last quarter of the year.

Total government receipts (including grants) for the review quarter amounted to ₵8,862.2 billion (9.2 % of GDP), while total expenditure (including net lending) for the review period amounted to ₵7,783.4 billion (8.1% of GDP). The overall budget balance was a surplus equivalent to 1.8 per cent of GDP compared with the projected deficit of 0.95 per cent of GDP for the period.

Monetary growth slowed down in the review period. Broad money supply (including foreign currency deposits) M2+ grew by 14.1 per cent compared with 16.0 per cent in the third quarter and 25.9 per cent in the corresponding period of 2004. Growth in DMBs credit to the private sector in the fourth quarter of 2005 increased to 39.8 per cent from 37.0 per cent in previous quarter while credit to the public sector for the period under review rose by 46.0 per cent.

The provisional balance of payments for the fourth quarter of 2005 showed that the overall balance improved by US\$173.60 million from the third quarter of 2005 to US\$283.23 million. The increase was mainly on account of a significant improvement in the capital and financial account that dampened the deficit on the current account. The gross international reserves of the Bank of Ghana stood at US\$1,894.79 million at the end of the review quarter, equivalent to 3.5 months of imports goods and services.

The outlook for sustained output growth and inflation is positive given the stance of fiscal policy for 2006 with significant tax reliefs, steady international commodity prices, firm monetary management and implementation of the Multilateral Debt Relief Initiative of the G8.

A. The External Environment

World Economy

The global economy continued to expand in 2005 despite downside risks posed by the increasing oil prices on the international oil market. World economic growth was estimated at 4.3 per cent in 2005 as against 5.1 per cent growth in 2004, indicating a dip of 0.8 per cent. The rise in the crude oil and refined product prices resulted in increased global current account imbalance as evidenced by the increased US current account deficits. Putting all of the pieces together, the world economy does appear to have been in the midst of a mid-cycle moderation in terms of economic growth in 2005 as against the performance registered in 2004.

US Economy

Real gross domestic product, the most comprehensive measure of economic activity, increased by 1.1 per cent in the fourth quarter of 2005 after increasing by 4.1 per cent in the third quarter, thus culminating into 3.5 per cent GDP growth in the US in 2005 as against 4.2 per cent GDP growth achieved in 2004. The slowdown in GDP growth in the fourth quarter was as a result of the deceleration in the growth of consumer spending from 4.1 per cent in the third quarter to 1.1 per cent in the fourth quarter, mainly due to downturn in purchases of motor vehicles. Federal government spending also fell by 7.0 per cent in the fourth quarter compared with 7.4 per cent increase in the third quarter of 2005. There was also a slowdown in business investment growth from 10.6 per cent in the third quarter to 3.5 per cent growth in the fourth quarter of 2005. However, imports accelerated sharply, increasing by 9.1 per cent in the fourth quarter as against 2.4 per cent growth in the

Third quarter of 2005. Prices paid for domestic purchases increased by 3.3 per cent in the fourth quarter of 2005 after increasing by 4.2 per cent in the third quarter. Real disposable income also increased by 7.0 per cent in the fourth quarter after decreasing by 2.0 per cent in the third quarter. Thus, the slowdown in GDP growth in 2005 mainly reflected a downturn in business investment, a slowdown in consumer spending, and a slowdown in federal government spending.

EU Economy

In the euro-region, growth slowed to 0.4 per cent in the fourth quarter as against 0.6 per cent in the third quarter of 2005. French economic growth slowed more than forecast in the fourth quarter of 2005 as consumers reined in spending and manufacturers trimmed production. Gross domestic product grew by 0.2 per cent in the fourth quarter as against 0.7 per cent registered in the third quarter of 2005. The slowdown in Europe's third-largest economy contrasts with recent reports on manufacturing, services, and confidence suggesting growth in the dozen nations sharing the euro was accelerating. The bottom line is that France seems to have run through a metamorphosis from a euro-zone driver to a growth laggard. The German economy also stagnated in the fourth quarter of 2005 and the Italian economic growth also slowed from the third quarter. The UK's GDP rose by 0.6 per cent in the fourth quarter of 2005, up from 0.4 per cent in the previous quarter. For the year 2005 as a whole UK's GDP increased by 1.8 per cent over 2004. Conditions still remain in place for economic recovery to broaden in the euro zone for 2006.

The Asian Economy

China's economy expanded by 9.9 per cent in 2005, overtaking the UK as the world's fourth largest economy, boosted by record exports and surging manufacturing investment. Gross domestic product (GDP) rose to 18.2 trillion yuan (\$2.26 trillion) after growing 10.1 per cent in 2004. Of this total, the value-added of the primary industry is 2,271.8 billion yuan, up by 5.2 per cent; that of the secondary industry is 8,620.8 billion yuan, up by 11.4 percent; and that of the tertiary industry is 7,339.5 billion yuan, up by 9.6 per cent. The economy as a whole grew by 9.9 per cent in the fourth quarter as compared to the corresponding period in 2004. The main driver of the robust economic growth is shifting from investment to a more balanced situation based on consumption. It is expected that the Chinese economy will grow by an average of 10 per cent in 2006 according to China's National Bureau of Statistics.

Japan's economy grew three times faster than the U.S. and Europe in the fourth quarter as companies and consumers increased spending. The world's second-largest economy expanded at an annual 5 per cent pace in the fourth quarter of 2005 that is five times the third quarter's 1 per cent growth. As the momentum of its economic recovery builds, the world economy will benefit from a long-overdue restarting of another growth engine.

The Singaporean economy on the other hand, continued to record robust growth in the fourth quarter of 2005. Advance estimates indicates that real gross domestic product (GDP) rose by 7.7 per cent in the fourth quarter compared to the same period in 2004. On a quarter-on-quarter seasonally adjusted annualized basis, the real GDP grew by a vigorous 9.7 per cent, after a brisk 8.6 per cent gain in the preceding quarter. For 2005 as a whole, the economy is estimated to have expanded by 5.7 per cent in real terms. The manufacturing sector and services producing industries expanded by 8.6 per

Cent and 5.4 per cent respectively, while the construction sector declined by 1.5 per cent.

Latin American Economy

There was a robust economic activity in the Latin American economic zone in 2005. As a result, the economic zone registered 4.8 per cent economic growth a little below the rate achieved in 2004 (5.4%). Strong world demand particularly for oil, coffee and copper from the region were the main driving forces behind the economic performance in 2005. However, the lower level of output in comparative terms was a result of reduced domestic consumption (i.e. demand) occasioned by the restrictive monetary policy regime and some degree of political upheaval that characterized economic activities in the zone. Growth projections in 2006 for the region as a whole remains robust and the only downside risk to the growth trajectory is the threat from the energy market especially crude oil.

African Economy

Growth in sub-Saharan African was quite encouraging in the face of continued increases in oil prices in 2005. The region registered a growth rate of 4.8 per cent in 2005 as against 5.4 per cent growth achieved in 2004. The economies in the region continued to be underpinned by the strength of global demand, improved domestic macroeconomic policies, which has delivered the lowest inflation in 30 years, progress with structural reforms and fewer armed conflicts. There were large increases in oil output in Angola, Chad and Equatorial Guinea as new production came on stream. Oil-exporting countries in the region are benefiting immensely from the continued increases in oil prices, but with non-oil commodity prices not rising as strongly as in 2004, other countries faced challenging environment in 2005. Putting all of the pieces together, the overall rate of expansion in

economic activities in 2006 remains robust. However, trend in international oil price remains a major threat to the stability and growth prospects for the region and therefore poses a great challenge to the region's economies in the form of unexpected increases in oil import bills and its corresponding impacts on both fiscal and current account balances.

International Commodity Prices

The developments in the international commodity prices especially Crude oil prices has hammered severely on the global economy in the last quarter of 2005. The crude oil price ended with US\$56.58 per barrel at the end of November and marginally increased to US\$57.61 per barrel at the end of December 2005, with the quarterly average of US\$57.47 as against the US\$62.36 per barrel in the fourth quarter.

The primary commodity market was characterized

by unstable prices especially in the cocoa sub-market due to excess supply on the international market. The average price of gold for the month of November was US\$476.03 per fine ounce, this increased to US\$510.91 per fine ounce at the end of December 2005. In the Cocoa sub-market, the average price for the month of November was £823 per tonne and this increased to £868 per tonne at the end of December 2005, with the fourth quarter figure of £840.33 as against £829.00 per tonne in the third quarter of 2005. There was relative stability in the bauxite market in terms of price changes, price of bauxite per tonne in the month of November was US\$23.47 and the was the same in December 2005. However, the diamond sub-market experienced some unstable price characteristics. The price of diamond per carat was US\$32.99 in November and this increase marginally to US\$33.24 per carat in December.

Table 1
International Commodity Prices

	Cocoa £ /tonne	Crude-Brent \$/Barrel	Gold \$/fine ounce	Diamond \$/Carat	Bauxite* \$/tonne
Jan	837.00	46.06	424.36	27.15	23.24
Feb	861.00	47.16	414.45	34.24	23.24
Mar	865.00	52.61	426.05	29.37	23.22
Apr	823.00	53.67	427.57	29.96	23.76
May	821.00	48.60	418.78	62.33	23.76
Jun	872.00	58.20	437.17	32.34	23.76
Jul	856.00	57.44	424.14	38.42	23.76
Aug	826.00	66.10	435.80	33.17	23.12
Sep	805.00	63.55	463.30	36.88	23.24
Oct*	830.00	58.58	467.76	39.57	23.24
Nov	823.00	56.21	476.03	32.99	23.47
Dec	868.00	57.61	510.91	33.24	23.47

Source: Reuters, and Ghana Bauxite Company and Precious Mineral Marketing Company

B. Real Sector Developments

Trends in complementary indicators such as income and corporate tax collections by type, workers social security contributions provide strong evidence for tracking growth in real sector activities. Indicators of economic activity show that real sector economic activities picked up in the fourth quarter of 2005.

quarterly growth of 24.2 per cent to ₡1,867.22 billion in the fourth quarter of 2005. In proportional terms, of the ₡1,867.22 billion, Pay-As-You-Earn (P.A.Y.E) contributed 37.3 per cent, Self-Employed contributed 4.6 per cent, Companies contributed 52.8 per cent while “others” contributed 5.3 per cent.

Income and Corporate Tax Collections by Type and Sector

Total income and corporate tax collections by Internal Revenue Service (IRS) registered a

Table 2
Income and Corporate Tax Collections
(In billions of cedis)

	Q1 - 05	Q2-05	Q3 - 05	Q4 - 05
PAYE	458.05	541.79	589.88	696.17
Self Employed	72.33	75.87	79.68	85.12
Companies	638.96	815.85	734.66	986.71
Others	73.17	90.08	98.95	99.22
Total	1,242.52	1,523.59	1,503.17	1,867.22

Source: SSNIT and Internal Revenue Services

Social Security Contribution

Total workers contribution to the Social Security and National Insurance Trust (SSNIT) in the fourth quarter of 2005 fell to ₡409.07 billion as against ₡522.99 billion in the third quarter, indicating a negative growth of 26.03 per cent.

Workers contributions to SSNIT through the subvented organizations increased marginally from ₡29.15 billion in the third quarter to ₡29.61 billion in the fourth quarter, while contributions of workers through the Accountant General's Department decreased from ₡216.59 billion in the third quarter of 2005 to ₡71.49 billion in the fourth quarter. Contributions from other sources for the fourth

quarter amounted to ₡307.97 billion as against ₡310.05 billion in the third quarter of 2005.

Proportionally, other sources contributed about 75 per cent out of the total contribution in the fourth quarter, followed by 17.5 per cent contributed through Accountant General's Department while contributions from subvented organizations represent about 7.2 per cent respectively. Total contributions by workers to SSNIT in the fourth quarter of 2005 moderated as compared with the third quarter performance due to non-compliance by some employers to pay contribution on behalf of their respective employees.

Table 3
Breakdown of Employees' Contribution to SSNIT
(In billion of cedis)

	Q1-05	Q2-05	Q3-05	Q4 - 05
Govt via A/C Gen.*	165.7	204.4	216.59	71.49
Govt Sub. Org	25.5	41.8	29.15	29.61
All Other Sources	249.5	279.3	310.05	307.97
Total	440.7	510.6	522.99	409.07

Source: SSNIT

*The drop in the figure for Q4-05 is an indication that Gov't Agencies faulted in payment in Nov & Dec.

Transport Sector

Developments in the road transport sector have been observed as a potential indicator of the direction of economic activities and for that matter growth. Most importantly, increased road transport activities serves as a potential source of increased employment while at the same time providing additional source of income to the government in the form of taxes. Also efficient and reliable means of transport for both passengers and cargo serves as key to the growth of the economy.

A total of 62,441 motor vehicles were registered by the Driver and Vehicle Licensing Authority (DVLA) in the year 2005. A quarterly analysis shows that 16,996 vehicles were registered in the first quarter. This figure declined to 14,567 vehicles in the second quarter but picked up to 16,726 vehicles in the third quarter and fell again to 14,152 in the fourth quarter. Of the total new registrations in 2005, 21,740 representing 34.8 per cent were private motor vehicles, while 14,980 motorcycles constituting 24.0 per cent were also registered.

Table 4
Types and Number of New Registration of Motor Vehicles

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Motor Cycle	1246	1163	1176	1207	1515	1315	1182	1538	1232	863	1220	1323	14980
Private Motor Vehicles	2732	1825	1591	1471	1611	1419	1909	2198	1987	916	1957	2124	21740
Commercial Motor Vehicles(Upto 2000 cubic Capacity)	955	615	701	513	596	515	514	654	624	175	567	404	6833
Motor Vehicles above 2000 cubic capacity	636	737	785	753	464	700	675	821	725	323	812	1058	8489
Buses and Coaches of all kinds	414	541	476	449	324	441	318	0	0	287	549	458	4257
Rigid Cargo Trucks upto 16 tons	220	240	201	227	175	160	127	554	453	96	248	179	2880
Rigid Cargo Trucks from 16-22 tons	43	47	42	33	27	35	21	250	224	18	49	33	822
Rigid Cargo Trucks above 22 tons	59	38	49	59	35	40	21	39	31	32	60	40	503
Articulator Trucks upto 24 tons	56	36	56	35	56	52	49	60	43	6	28	10	487
Articulator Trucks from 24-32 tons	47	30	25	67	39	31	28	79	61	15	32	5	459
Articulator Trucks above 32 tons	15	47	41	46	11	19	46	31	14	25	59	28	382
Agricultural Equipments	8	23	15	24	5	31	10	60	57	2	5	5	245
Combine Harvestors	8	12	11	12	13	9	14	12	0	9	20	50	170
Construction Equipment	4	11	4	5	6	0	16	8	26	5	3	8	96
Mining Equipment	0	0	3	0	0	0	0	1	4	2	0	0	10
Part.ID.Mark	3	5	4	1	18	3	8	0	2	10	32	2	88
Total	6446	5370	5180	4902	4895	4770	4938	6305	5483	2784	5641	5727	62441

Source: DVLA

Tourist Arrivals

Tourism promotion initiatives pursued over the past few years have helped in attracting tourists from all over the world. The increased promotion of domestic and conference tourism, improved security at the various tourist sites and entry points in addition to stable socio-political environment, have all contributed significantly in promoting tourism in recent times.

A total of 408,187 tourists visited the country in 2005 with an average tourist arrival of 34,016 per month. The monthly figures are shown in chart 5 with the highest arrivals occurring in July; explained largely by the PANAFEST. Since then the number of tourist arrivals have been on a declining trend.

Construction Sub-sector

A key raw material for the construction industry is cement and is normally demand driven. Increased production and supply of cement into the market is a key indicator of activities in the construction industry.

Total production of cement in 2005 was 836,164 tons with an average of 69,680 tons per month. On monthly basis, production of cement has been very erratic reaching a peak of 83,887 tons in April.

One additional important indicator that could be used to measure economic activity in the construction sub-sector is the number of building permits granted by building supervisory bodies/authorities in the country. For the period January to December 2005, a total of 2,165 building permits were granted to commercial, industrial and private developers by the authorities in the Greater Accra Region.

Table 5
Building Permits Granted By Amasaman District Assembly,
Tema Development Corporation And Accra Metropolitan Assembly

	Amasaman	TDC	AMA	Total
January	133	60	11	204
February	98	76	22	196
March	100	129	15	244
April	107	68	16	191
May	78	116	18	212
June	182	92	15	289
July	96	48	25	169
August	-	144	16	160
Sept	-	49	18	67
Oct	29	51	10	90
Nov	128	82	15	225
Dec	66	33	19	118

Bank of Ghana Composite Index of Economic Activity

The Bank of Ghana's Composite Index of Economic Activity (CIEA), which measures real sector activities including output of selected key enterprises, industrial electricity consumption, domestic VAT, port activity, imports, exports and employment contributions, indicates that real economic activity picked up in 2005.

The month-on-month Bank of Ghana Economic Composite Index growth rate shows that the Ghanaian economy picked up slightly in the first six months of 2005 and has been trending upwards. This indicates that with the implementation of timely policies by both monetary and fiscal authorities even in the face of high crude oil prices, the Ghanaian economy still remains stable and resilient. The upward trend of this index strongly supports the improvement in economic activity in the period under review as evidenced by the various economic indicators discussed above.

PANEL A

Chart 1 Quarterly Income and Corporate Tax Collections

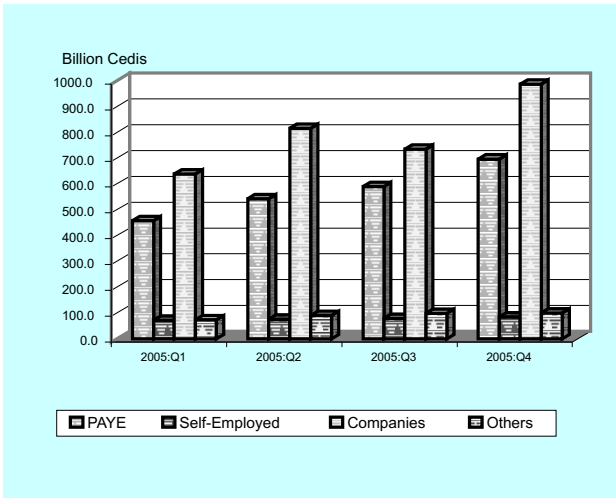


Chart 2 Monthly Income and Corporate Tax Collections

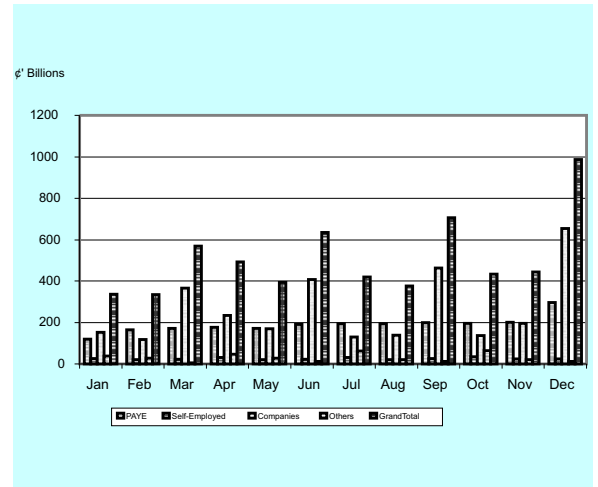


Chart 3 Quarterly Breakdown of SSNIT Contributions

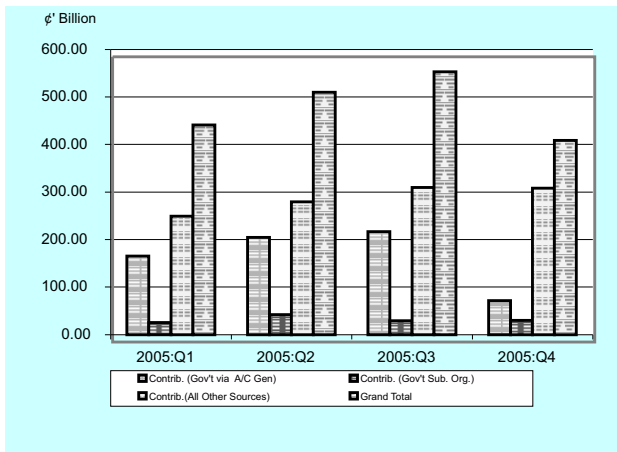
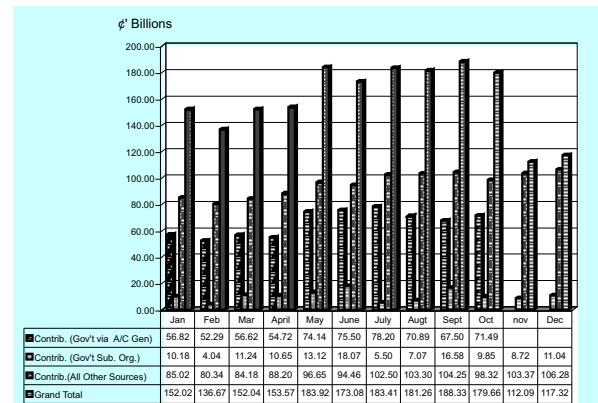


Chart 4 Monthly Breakdown of SSNIT Contributions



PANEL B

Chart 5
International Tourist Arrivals & Their Expenditure
Jan-Dec 2005

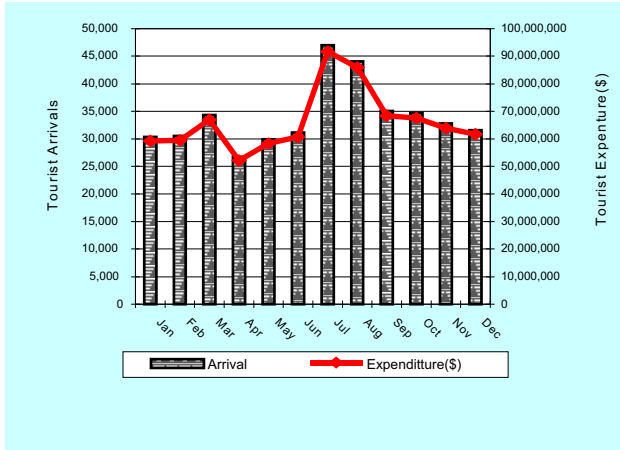


Chart 6
No. Of New Registrations of Motor Vehicles
Jan-Dec 2005

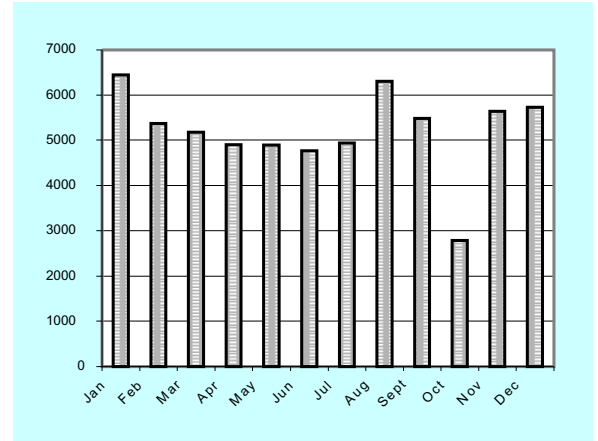


Chart 7
Monthly Cement Production (tons)
Jan-Dec 05

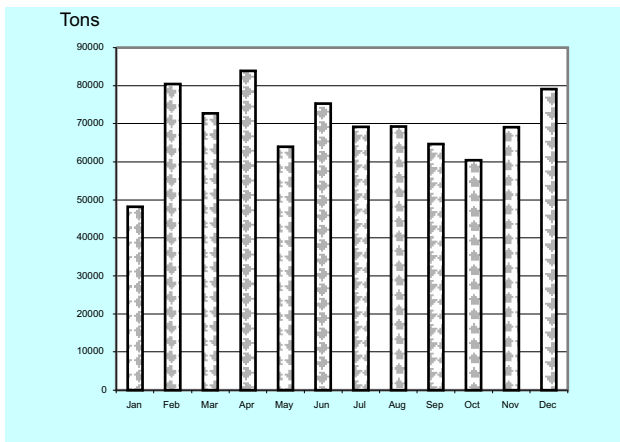
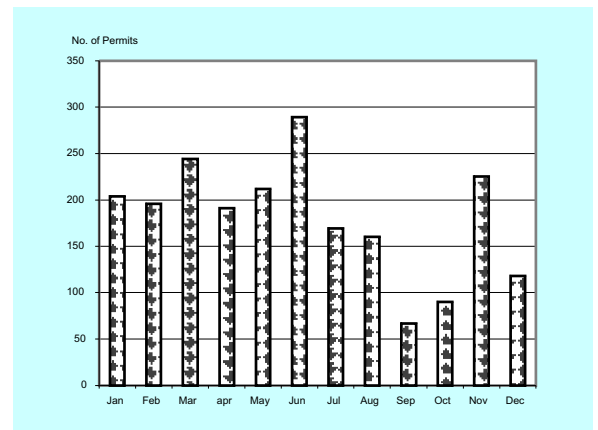


Chart 8
Total Building Permits Granted by
Amasanan DA, TDC & AMA in 2005



Labour Market Developments

Statistics on labour market could be complementary in assessing the performance of the economy and the behaviour of the labour market in general in that it facilitates our understanding of the employment structure of the economy and the extent of job creation, which remains core in the political economic management of any growing economy.

Reliable labour market data are unavailable in Ghana and remain a major challenge to effective discussions of both the macro and micro impact of policies in Ghana.

Data compiled for the twelve-month period to December 2005, showed that a total of 8067 jobs were advertised through the daily graphic, the leading and most widely circulated print media. This provides indication of job creation potential, thus serving as a useful tool to gauge possible employment growth and job turnover¹.

On average about 672 new recruitment intentions were posted in the daily graphic every month, an indication of an expanding economy. These monthly numbers appear cyclical depicting periods of above average performance of the economy and periods of slow down in economic activity. These numbers mean essentially that new job openings are declared each month, which cumulatively implies growth in potential employment, not to mention job offers through other unannounced channels.

Breakdown by Sector

Demand for employment was dominated by the services sector. Of the total 8,067 vacancies recorded, 6,729 (83.4%) came from the services sector. This translates into a monthly share of about 80 per cent of total job vacancies reported. Within the services sector, education recorded 1,300 new jobs vacancies, representing 16.6 per cent of total job vacancies (and 19.9% of the total vacancies in the services sector).

Table 6
Occupational and Sectoral Distribution of Job Vacancies as per Daily Graphic (Jan-Dec 2005)

	Executive & Top Professionals	Other Professionals & Technicians	Secretarial & Clericals	Sales & Other Service workers	Artisans & Machine operators	Others	Total	% Share
AGRICULTURE	0	37	3	7	0	1	45	0.56
INDUSTRY	90	649	102	163	221	65	1290	15.99
Mining & Quarrying	10	93	18	19	53	5	198	145.00
Manufacturing	58	396	72	125	79	55	785	9.73
Electricity & Water	4	9	2	2	2	1	20	0.25
Construction	18	151	10	17	87	4	287	3.56
SERVICES	353	2771	625	1074	684	1222	6729	83.41
Transport, Storage & Communication	26	299	40	68	66	24	523	6.48
Wholesale & Retail Trade	4	141	84	194	17	65	505	6.26
Restaurant & Hotels	7	101	16	134	7	41	306	3.79
Finance, Insurance & Real Estate	63	377	94	67	84	27	712	8.83
Public Sector	36	181	24	17	10	10	278	3.45
Education	79	906	115	173	13	55	1341	16.62
Health	27	142	14	38	14	7	242	3.00
Business Services	34	167	46	41	12	41	341	4.23
Producers of Private non-profit services	28	212	28	64	309	10	651	8.07
Embassies, Intl org, etc	31	123	85	160	92	44	535	6.63
Other Services	18	122	79	118	60	898	1295	16.05
TOTAL	443	3457	730	1244	905	1288	8067	100.00
% share	549.00	4285.00	9.05	15.42	11.22	15.97	100.00	

¹The total job vacancies is the minimum estimated since some of the job adverts were not specific as to the number of positions they wanted.

Table 7
Vacancies by Sector (%)

	Agric	Industry	Services
Jan-05	0.37	15.55	84.08
Feb-05	1.15	15.71	83.14
Mar-05	0.88	29.93	69.19
Apr-05	0.19	25.74	74.07
May-05	0.00	21.38	78.62
Jun-05	0.88	18.65	80.47
Jul-05	1.12	9.74	89.14
Aug-05	0.66	14.02	85.32
Sep-05	0.16	10.47	89.36
Oct-05	0.82	22.54	76.64
Nov-05	1.53	17.86	80.61
Dec-05	0.78	5.70	93.52

The sub-sector “others” under the services sector, which is mainly made up of private domestic security services² accounted for more than 16.1 per cent of total job vacancies advertised³ (and 19.2% of vacancies in the services sector). This is followed by finance, insurance and real estate accounting for more than 8.8 per cent of total vacancies (but 10.6% of total vacancies in the services sector). Producers of private non-profit services including NGOs also recorded 8.1% of the total vacancies (and 9.7% of vacancies in the services sector).

The industrial sector, led by manufacturing (9.7% of total vacancies) accounted for about 16.0 per cent jobs advertised. The agriculture sector recorded the least number of vacancies created in 2005 (less than 1% of total vacancies)⁴.

Breakdown by Skills

Professionals and technicians (largely workers with tertiary level education and those with professional qualification) were the most sought-after category of workers. Of the total vacancies announced, 3,457 (representing 42.9%) were in this category, about 80 per cent going to the services sector. It underscores the fact that skilled workers are relatively in high

demand, thus raising the question as to whether unemployment is concentrated among people with low-level education.

Security persons, drivers, house-helps etc all put together under 'Others' were also highly sought after recording 16 per cent of total vacancies. This was followed by sales and other service workers (15.4%), artisans and machine operators (11.2%) and secretarial and clericals (9.1%). Executive and top professionals accounted for 5.5 per cent of total vacancies with over 80 per cent of them being demanded by the services sector.

Post-Qualification Experience

Of the total vacancies advertised, 62.4 per cent did not specify requirement of post qualification experience. However, of those who specified post qualification experience, 62.1 per cent required post-qualification experience ranging from 3-5 years. This refers generally to the Professionals and Technicians. Positions requiring 1-2 years post-qualification experience was 23 per cent, 6-10 years 13.3 per cent and above 10 years 1.6 per cent referring mostly to chief executives and very top positions.

² This also includes house helps and drivers.

³ the majority of which required low level education

⁴ This shows clearly the trend that job openings in the Agric sector are not advertised even though that sector employs the greater percentage of labour force in Ghana at the moment.

Further breakdown of the vacancies into sectors and occupation established that the services sector continued to demand the bulk of the labour force majority of whom were professionals and

technicians. Other findings were that more than 60 per cent of the vacancies require post-qualification experience ranging from 3-5 years.

**Table 8
Occupational Distribution of Job Vacancies**

	<i>Executive & Top Professionals</i>	<i>Other Professionals & Technicians</i>	<i>Secretarial & Clericals</i>	<i>Sales & Other Service Workers</i>	<i>Artisans & Machine Operators</i>	<i>Others</i>	TOTAL
Jan-05	11.87	31.09	5.80	13.43	30.45	7.36	100
Feb-05	1.73	36.89	17.87	23.05	4.18	16.28	100
Mar-05	1.41	53.35	8.45	18.49	14.96	3.35	100
Apr-05	7.04	54.07	8.52	12.22	5.00	13.15	100
May-05	5.12	64.37	2.67	11.80	7.35	8.69	100
Jun-05	4.85	57.86	6.02	11.60	10.72	8.96	100
Jul-05	1.74	53.48	3.16	12.66	25.79	3.16	100
Aug-05	6.27	36.16	28.20	23.11	2.87	3.39	100
Sep-05	5.84	35.06	12.66	32.31	2.11	12.01	100
Oct-05	3.89	59.84	5.53	17.83	11.68	1.23	100
Nov-05	19.19	57.58	5.05	7.83	10.35	0.00	100
Dec-05	1.55	20.21	3.02	10.45	2.68	62.09	100

**Table 9
Post-Qualification Experience of Job Vacancies**

	<i>0-2yrs</i>	<i>3-5yrs</i>	<i>6-10yrs</i>	<i>>10yrs</i>	<i>Not Specified</i>	Total
Jan-05	67	208	30	6	819	1,130
Feb-05	48	173	27	4	420	672
Mar-05	52	172	39	1	304	568
Apr-05	59	121	16	2	342	540
May-05	47	107	40	4	168	366
Jun-05	112	176	52	0	341	681
Jul-05	43	144	25	3	411	626
Aug-05	79	159	30	5	228	501
Sep-05	31	116	26	2	436	611
Oct-05	45	156	22	2	263	488
Nov-05	31	127	51	10	173	392
Dec-05	53	146	29	8	922	1158
TOTAL	667	1,805	387	47	4,827	7,733
% Share	8.63	23.34	5.00	0.61	62.42	100.00

PANEL C

Chart 9
Monthly Demand for Labour in 2005

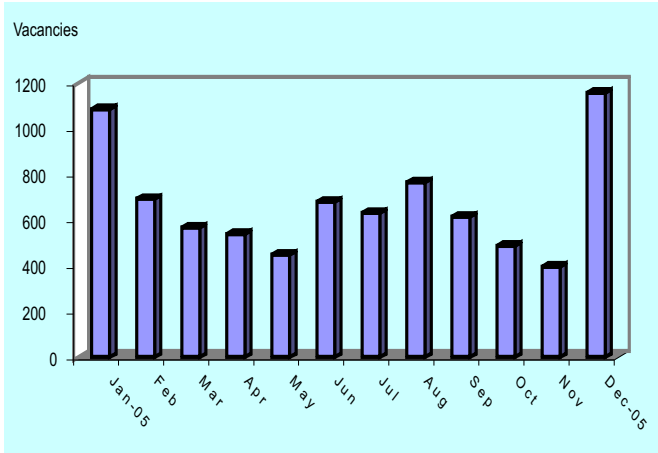


Chart 10
Cumulative demand for Labour

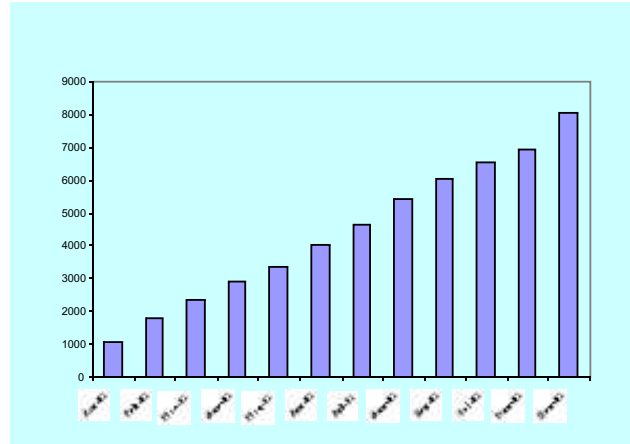


Chart 11
Job Vacancies by Skills (Jan-Dec 2005)

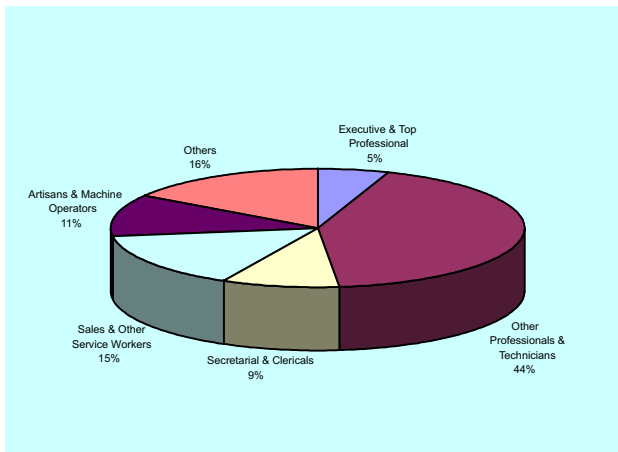
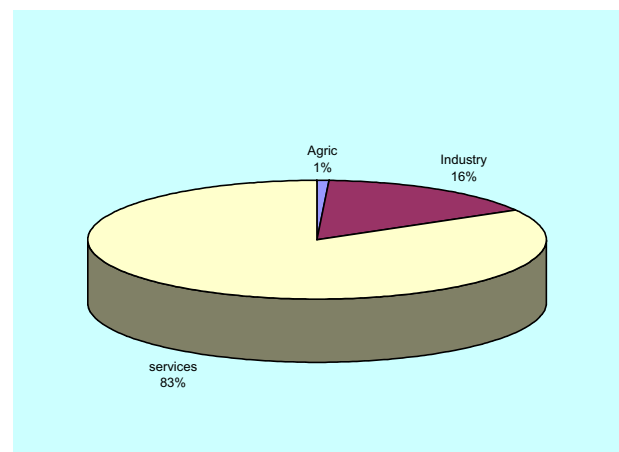


Chart 12
Sectoral Distribution of Job Vacancies (Jan-Dec 2005)



C. Fiscal Developments

The last quarter of 2005 witnessed strong domestic revenue mobilisation and significant expenditure restraint resulting in an improved overall fiscal balance for the year.

Fiscal operations during the last quarter of 2005 recorded a turn around compared with the performance of the end of the third quarter. The overall budget balance was a surplus of 1.76 per cent of GDP compared with a deficit of 1.22 per cent of GDP recorded during the third quarter. A domestic primary surplus equivalent to 2.75 per

cent of GDP was recorded for the quarter compared with a surplus of 0.38 per cent of GDP in the corresponding quarter of 2004.

During the review period, recurrent expenditure as a percentage of GDP was 5.42 per cent. See Table 10 below. Capital expenditure declined from 2.7 per cent of GDP to 2.1 per cent. Tax revenue, as a percentage of GDP of 6.8 per cent was lower than the 7.1 per cent recorded during the corresponding quarter of last year but Non-Tax revenue showed a significant upsurge.

Table 10
Fiscal Indicators ¹
(₹ Billion)

	2004					2005				
	Q1	Q2	Q3	Q4	Q1 - Q4	Q1	Q2	Q3	Q4	- Q4
Primary Bal	(138.01)	(91.80)	810.06	(245.79)	334.46	788.43	271.24	(406.33)	2,647.89	3,301.23
% of GDP	(0.20)	(0.13)	1.06	(0.31)	0.43	0.94	0.31	(0.44)	2.75	3.43
Overall Bal	(958.75)	(1,133.43)	418.51	(978.07)	(2,651.73)	(999.70)	(1,262.48)	(1,326.52)	1,694.37	(1,894.32)
% of GDP	(1.37)	(1.57)	0.55	(1.24)	(3.37)	(1.20)	(1.44)	(1.44)	1.76	(1.97)
Recc Exp	3,267.53	4,135.37	4,189.66	4,685.42	16,277.98	3,244.16	4,452.25	5,117.65	5,218.74	18,032.81
% of GDP	4.68	5.73	5.48	5.96	20.70	3.88	5.08	5.57	5.42	18.72
Capital Exp	1,736.04	1,695.51	2,010.60	2,537.25	7,979.40	2,095.13	2,931.34	2,624.11	2,054.01	9,704.60
% of GDP	2.48	2.35	2.63	3.23	10.15	2.51	3.34	2.85	2.13	10.08
Grants	1,114.74	1,183.10	1,200.25	1,481.87	4,979.95	781.80	1,528.31	1,832.51	941.13	5,083.75
% of GDP	1.60	1.64	1.57	1.88	6.33	0.94	1.74	1.99	0.98	5.28
Revenue & Grants	4,676.24	5,844.48	6,055.45	7,401.83	23,978.00	5,338.33	6,835.99	7,203.45	8,862.23	28,239.99
% of GDP	6.69	8.10	7.92	9.41	30.49	6.38	7.80	7.83	9.20	29.32
Tax	3,478.55	4,331.85	4,442.11	5,609.24	17,861.74	4,414.44	5,121.12	5,187.66	6,578.88	21,302.11
% of GDP	4.98	6.01	5.81	7.13	22.71	5.28	5.84	5.64	6.83	22.12
Stock of Debt*	12,302.35	13,544.68	13,641.99	13,080.47	13,080.47	13,427.57	14,764.20	13,652.83	12,662.18	12,662.18
% of GDP	17.61	18.78	17.84	16.63	16.63	16.06	16.84	14.85	13.15	13.15
GDP**	69,873.36	72,131.46	76,450.33	78,650.00	78,650.00	83,607.82	87,690.25	91,958.24	96,319.00	96,319.00

1/ Revenue figures for the current year are total receipts as in the narrow budget. There are some tax elements in other receipts, which are not captured here.

*The stock of domestic debt excludes revaluation stock

**Quarterly GDP is extrapolated

Developments in Fiscal Receipts and Payments

Government Receipts

Total revenue and grants realised in the fourth quarter of 2005 amounted to ₺8,862.2 billion (9.2 % GDP). The total revenue was made up of ₺6,578.9

billion (74.2%) tax revenue, ₺1,342.2 billion (15.1%) from Non-Tax sources and ₺941.1 billion (10.6%) from Grants. The tax revenue comprised Income and Property of ₺2,348.8 billion (26.5%), Domestic Goods and Services ₺1,191.0 billion (13.4%), International Trade ₺1,303.1 billion (14.7%), VAT ₺1,449.2 billion (16.4%) and National Health Insurance Levy ₺286.8 billion (3.2%).

Table 11
Sources of Government Revenue
(₺' Billion)

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
TAX REVENUE	3,478.5	4,331.9	4,442.1	5,609.2	4,414.4	5,121.1	5,187.7	6,578.9
Income and Property	933.7	1,286.3	1,259.4	1,864.6	1,209.6	1,549.4	1,507.3	2,348.8
Domestic Goods & Services	827.5	1,102.6	857.7	946.7	978.0	1,114.0	1,146.3	1,191.0
International Trade	764.6	970.6	1,023.5	1,229.3	866.6	954.2	990.0	1,303.1
VAT	952.7	972.3	1,156.7	1,254.9	1,106.4	1,235.5	1,195.6	1,449.2
Other Revenue Measures	0.0	0.0	144.9	313.8	253.9	268.0	348.5	286.8
Non-Tax Revenue	83.0	329.5	413.1	310.7	142.1	186.5	183.3	1,342.2
Grants	1,114.7	1,183.1	1,200.2	1,481.9	781.8	1,528.3	1,832.5	941.1
TOTAL REVENUE & GRANTS	4,676.2	5,844.5	6,055.4	7,401.8	5,338.3	6,836.0	7,203.4	8,862.2

Source: Ministry of Finance and Economic Planning

Domestic Goods and Services

Domestic Goods and Services Taxes of ₺1,191.0 billion exceeded that of the previous quarter by ₺44.7 billion and that of the corresponding quarter of 2004 by ₺244.3 billion.

Of the total, Excise Duty amounted to ₺182.2 billion while Petroleum Taxes totalled ₺1,008.9 billion, of which ₺303.6 billion represented Debt Recovery Levy.

International Trade Taxes

International Trade Taxes amounted to ₺1,303.1 billion and this was 14.1 per cent below the estimates. The total export duty realised during the review period was ₺58.1 billion (15.5%) below the

estimates of ₺316.4 billion. Similarly, Import Duty of ₺986.7 billion collected during the quarter fell short of the estimates by ₺155.6 billion (10.3%). International Trade Taxes for the review period however exceeded the previous quarter's collections by ₺313.1 billion and that of the corresponding quarter of 2004 by ₺73.8 billion.

Value Added Tax (VAT)

The VAT collections of ₺1,449.2 billion was ₺226.1 billion below the estimates. The shortfall was the result of lower Import VAT compared with the estimates, which reflected the lower Custom Duties during the quarter. The total VAT collections for the review period exceeded the previous quarter's collections by ₺253.6 billion and that of the corresponding quarter of 2004 by ₺194.3 billion.

PANEL D

Chart 13
Income and Property Taxes

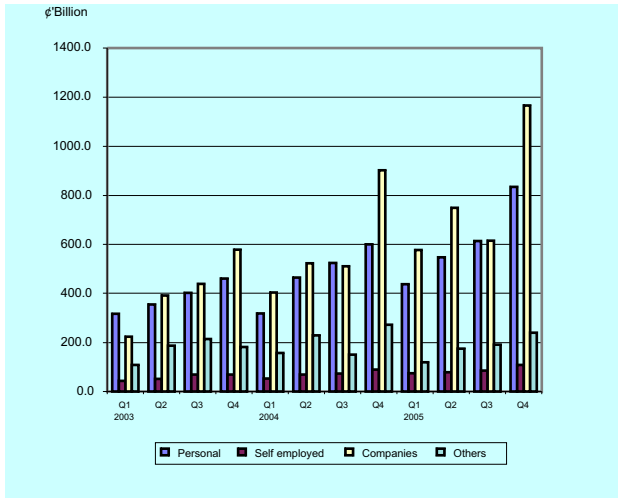


Chart 14
Taxes on Domestic Goods and Services

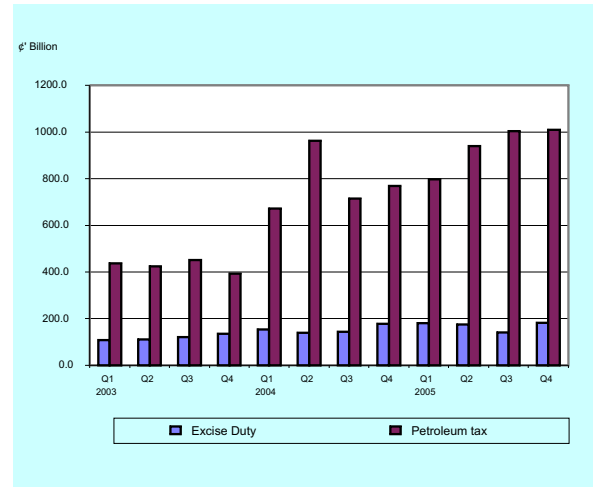


Chart 15
International Trade Taxes

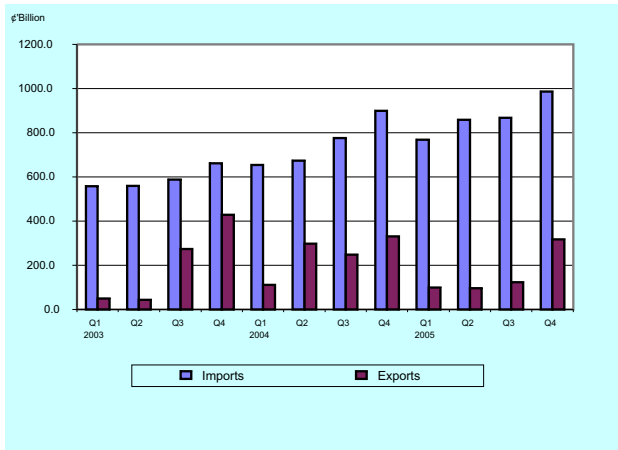
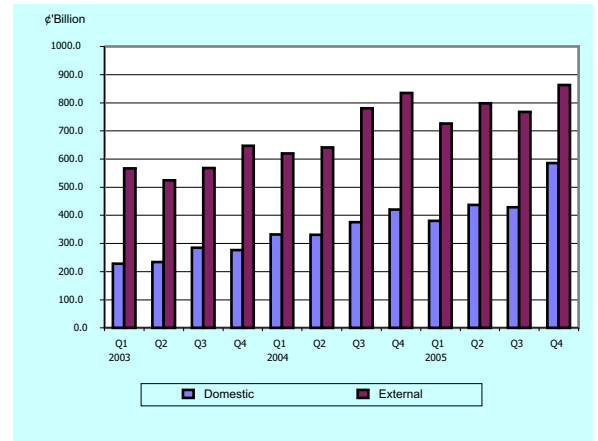


Chart 16
Value Added Taxes



Government Expenditure

Total expenditure (including net lending) for the review period amounted to ₺7,783.4 billion (8.1% of GDP) compared with ₺8,712.9 billion estimated.

This comprised Recurrent Expenditure of ₺5,218.7 billion, Capital Expenditure ₺2,054.0 billion and HIPC Financed Expenditure of ₺510.7 billion.

Table 12
Items of Government Expenditure
(₺ Billion)

	2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
RECURRENT	3,267.5	4,135.4	4,189.7	4,685.4	3,244.2	4,452.2	5,117.7	5,218.7
Non-Interest Expenditure	2,592.2	3,205.9	3,530.0	3,477.5	2,420.8	3,637.6	4,241.5	4,259.2
Personal Emoluments	1,464.5	1,941.1	1,838.6	1,702.5	1,586.8	1,962.3	2,157.3	2,214.3
Goods & Services	361.1	445.7	982.7	570.8	497.1	913.5	1,006.9	888.4
Transfers	766.7	819.1	708.7	1,204.1	336.8	761.7	1,077.3	1,156.5
Interest Payments	675.3	929.5	659.6	1,208.0	823.4	814.7	876.2	959.5
CAPITAL	1,736.0	1,695.5	2,010.6	2,537.3	2,095.1	2,931.3	2,624.1	2,054.0
Capital (domestic financed)	538.0	503.9	1,082.0	1,346.8	708.7	1,056.0	960.4	1,055.6
Capital (foreign financed)	1,198.0	1,191.6	928.6	1,190.5	1,386.4	1,875.3	1,663.7	998.4
HIPC financed expenditure	227.1	447.6	447.4	747.4	365.8	403.3	666.8	510.7
Total Expenditure & Net Lending	5,230.7	6,278.5	6,647.7	7,970.1	5,705.1	7,786.9	8,408.6	7,783.4

Source: Ministry of Finance and Economic Planning

Recurrent Expenditure

The Recurrent Expenditure comprised Non-Interest Payments of ₺4,259.2 billion (81.6%) and Interest Payments of ₺959.5 billion (18.4%).

Non-Interest and Interest Payments fell short of their respective estimates by ₺82.6 billion and ₺65.5 billion. The Non-Interest Payments comprised Personnel Emolument (₺2,214.3 billion), Expenditure on Goods and Services (₺888.4 billion) and Transfers (₺1,156.5 billion) of which ₺582.1 billion was in respect of National Health Insurance. Domestic Interest Payments amounted to ₺755.6 billion while External Interest totaled ₺204.0 billion.

Capital Expenditure

Total Capital Expenditure of ₺2,054.0 billion was ₺656.5 billion lower than the estimates. Of the Total Capital Expenditure, ₺1,055.6 billion

represented Domestic Financed while ₺998.4 billion was in respect of Foreign Financed Capital Expenditure. Statutory Payments in respect of Education Trust Fund, Road Fund and District Assembly Common Fund were ₺352.4 billion, ₺253.6 billion and ₺236.9 billion respectively.

Overall Balance and Financing

The overall budget balance for the review period was a surplus of ₺1,694.4 billion (1.76% of GDP). This together with a net foreign inflow of ₺850.0 Billion was used to make repayment to the domestic

Sector. Repayments to the banking sector totalled ₺1,517.3 billion while ₺1,027.0 billion was repaid to the Non-Bank sector.

PANEL E

Chart 17
Composition of Government Revenue

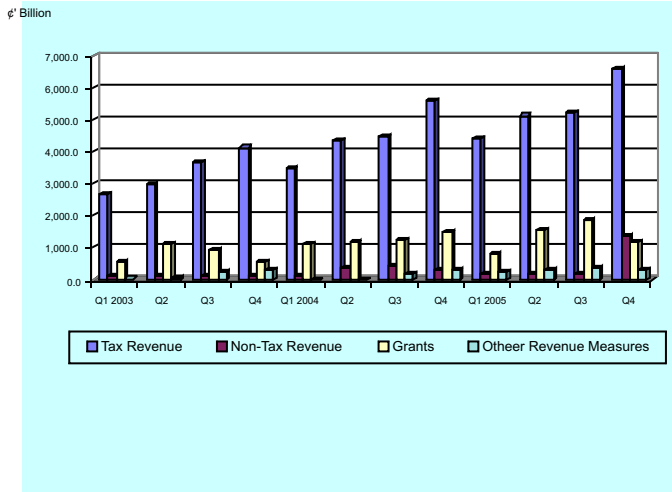


Chart 18
Non-Interest Expenditures

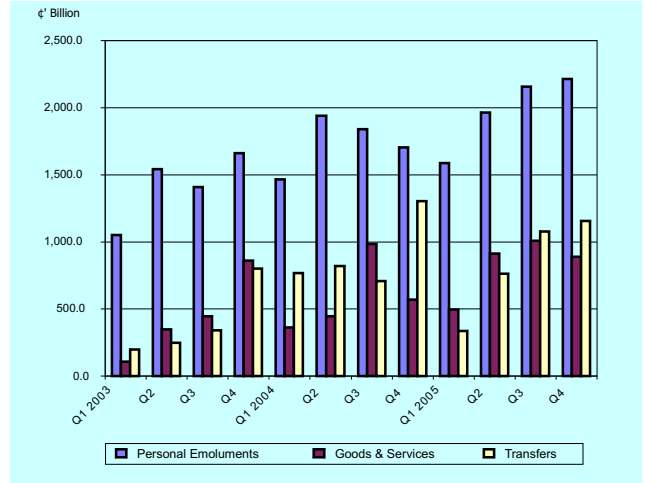


Chart 19
Interest Payments

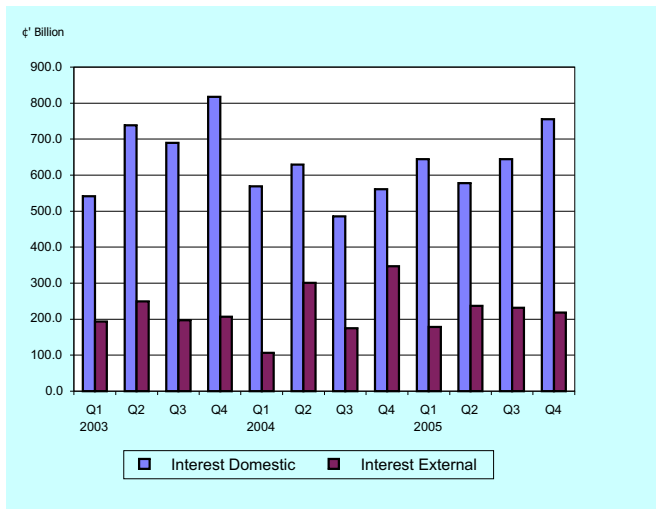


Chart 20
Capital Expenditure

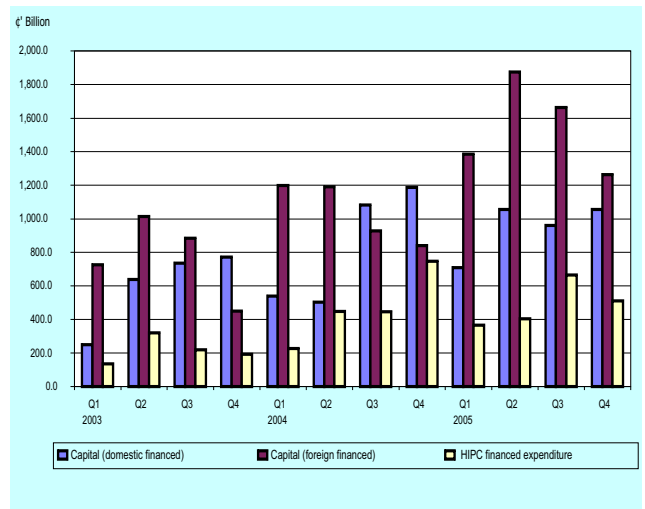


Table 13
Financing
(¢' Billion)

	2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
OVERALL BALANCE (INCL. DIVESTITURE)	-958.7	-1,133.4	418.5	-978.1	-999.7	-1,262.5	-1,326.5	1,694.4
FINANCING	958.7	1,133.4	-418.5	978.1	999.7	1,262.5	1,326.5	-1,694.4
DOMESTIC (NET)	625.1	804.3	-1,324.3	287.6	529.3	706.3	-265.7	-2,544.4
BANKING SECTOR	1,160.4	443.9	-1,240.0	1,275.7	526.0	440.7	855.7	-1,517.3
Bank of Ghana	446.8	184.4	-1,394.5	972.8	32.4	-529.0	460.9	-1,535.1
Deposit Money Banks	713.6	259.5	154.5	302.9	493.6	969.7	394.8	17.7
NON-BANK SECTOR	-535.3	360.4	-84.3	-988.0	3.3	265.6	-1,121.4	-1,027.0
Net Savings due to Inflation-indexed bonds	46.4	124.5	-85.6	-233.8	-165.3	0.0	0.0	0.0
FOREIGN (NET)	318.6	334.9	991.4	763.5	635.6	556.2	1,592.2	850.0
INFLOWS	531.9	586.1	1,209.5	936.0	902.8	915.9	1,828.0	892.2
Project Loans	531.9	586.1	431.3	794.3	902.8	915.9	649.4	606.2
Programme Loans	0.0	0.0	778.2	141.7	0.0	0.0	1,178.6	286.0
AMORTIZATION	-213.3	-648.8	-253.4	-804.6	-267.1	-729.3	-540.2	-561.6
EXCEPTIONAL FINANCING	0.0	397.5	35.3	632.0	0.0	369.6	304.4	519.4

Source: Ministry of Finance and Economic Planning

Domestic Debt

The stock of domestic debt at the end of the fourth quarter of 2005, was ¢17,592.7 billion (18.3 % of GDP), showing a decrease of ¢990.6 billion over the quarter three stock level. The fall in the debt stock was due to decreases of ¢798.9 billion and ¢191.7 billion in the short-term and medium-term instruments. For the year as a whole, the debt stock increased by ¢695.5 billion of which ¢523 billion represented new issues of Revaluation Bonds to the Bank of Ghana.

Holdings of Domestic Debt

Bank of Ghana's holdings of domestic debt at the end of December 2005 stood at ¢6,304.2 billion (35.8 %). The Deposit Money Banks (DMB's) held ¢9,074.6 billion (51.6 %), SSNIT ¢228.3 billion (1.3 %) and 'other' holders ¢1,985.5 billion (11.3 %).

Table 14
Composition of Domestic Debt
(¢' Billion)

Instruments	2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
91-Day Treasury Bill	3,511.9	3,928.7	4,350.8	3,382.4	3,739.5	4,249.3	2,388.2	1,276.8
182-Day Treasury Bill	2,847.1	2,801.4	2,669.0	2,691.4	2,381.4	2,176.7	2,279.7	1,940.1
1-Year Treasury Note	1,606.6	1,668.1	1,342.7	1,029.8	692.0	859.3	1,430.0	2,082.0
Short-Term Instruments	7,965.6	8,398.2	8,362.5	7,103.6	6,812.9	7,285.2	6,098.0	5,299.0
2-Year Floating Treasury Note	0.0	0.0	197.0	1,599.4	2,134.6	2,481.5	2,623.1	2,648.2
2-Year Fixed Treasury Note	0.0	0.0	103.7	332.9	696.1	1,211.8	1,844.1	2,207.0
3-Year GGILBS	1,542.4	1,552.0	1,372.4	506.8	225.0	225.0	225.0	225.0
3-Year Floating Treasury Note	0.0	0.0	73.0	113.1	134.2	134.2	134.2	134.2
3-Year Fixed Treasury Note	0.0	0.0	46.4	156.9	156.9	158.6	158.9	271.8
GOG Petroleum Finance Bond	0.0	800.2	800.2	800.2	800.2	800.2	800.2	800.2
TOR Bonds	2,181.5	2,181.5	2,074.0	1,855.0	1,855.0	1,855.0	1,747.5	1,054.9
Medium-Term Instruments	3,723.9	4,533.7	4,666.7	5,364.3	6,002.1	6,866.4	7,533.0	7,341.4
Long Term Government Stocks	590.7	590.7	590.7	590.7	590.7	590.7	0.0	0.0
Revaluation Stock	3,816.8	3,816.8	3,816.8	3,816.8	3,816.8	3,816.8	4,930.5	4,930.5
Others Government Stocks	22.0	22.0	22.0	21.8	21.8	21.8	21.8	21.8
Long-Term Instruments	4,429.5	4,429.5	4,429.5	4,429.3	4,429.3	4,429.3	4,952.3	4,952.3
TOTAL	16,119.1	17,361.4	17,458.7	16,897.2	17,244.3	18,581.0	18,583.3	17,592.7

Source: Bank of Ghana

PANEL F

Chart 21
Budget Balance

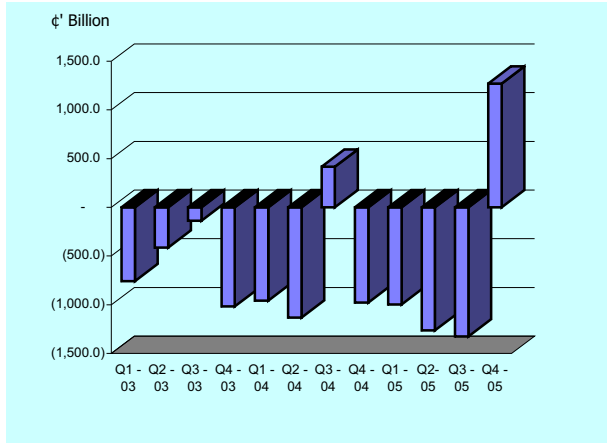


Chart 22
Net Domestic Financing

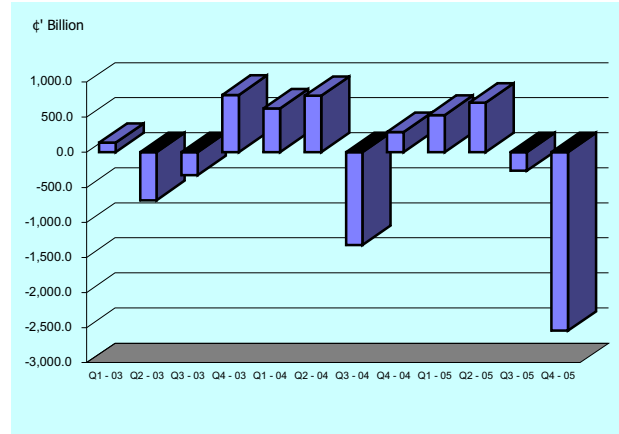


Chart 23
Bank of Ghana Holdings of Debt (%)

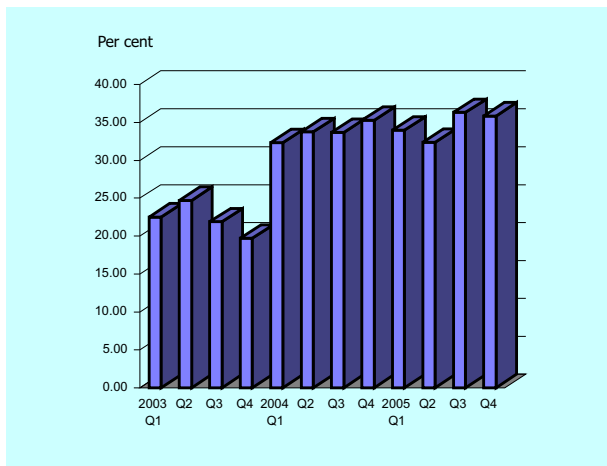
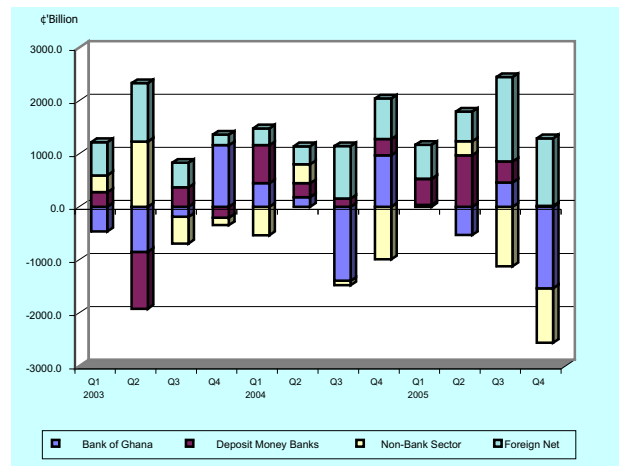


Chart 24
Total Financing Of The Budget



D. Monetary Developments

Broad Money Supply

At the end of the fourth quarter of 2005, broad money supply (M2+) had recorded a annual growth rate of 14.1 per cent (¢3,750.2 billion) to end the review period

At ¢30,417.5 billion. This is indeed markedly lower than the 25.9 per cent (¢5,493.4 billion) rate of growth registered for the corresponding period in 2004.

Table 15
Summary of Monetary Aggregates
(Annual Growth Rates)

	2003	2004				2005			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Narrow Money (M1)	38.4	41.3	45.2	52.3	28.2	28	15.7	14.2	6.8
o/w Currency with Public	35.7	33.5	35.5	36.2	15.2	21.1	12.4	16.5	10.0
Demand Deposits	42	49.6	56.1	70	44.6	34.6	19	12.3	3.7
Broad Money (M2)	40.5	39.6	41.8	44.8	26.4	27.6	22.7	19.1	13.8
o/w Quasi-Money	45.3	36.2	35.3	31.7	22.5	26.9	37.3	28.9	29.7
Broad Money (M2+)	37.8	39.7	40.2	41.6	25.9	23.9	20.5	16.0	14.1
o/w Foreign currency dep.	28.8	40.1	35.3	32.1	24.1	12.8	13.6	6.0	15.0
Sources of Change (M2+)	37.8	39.7	40.2	41.6	25.9	23.9	20.5	16.0	14.1
Net Credit to Govt	-13.1	31.2	77.1	66.6	69.1	16.8	8.1	36.3	5.2
Cocoa Financing	86.2	120.4	162.5	532.4	-91	-90.3	-97.6	-94.2	-64.3
Credit to Public Institutions	126	147.9	120.9	104.7	48.8	0.3	20.4	27.4	46.0
Credit to Private sector	37.5	40.1	37.8	33.6	29.8	34.5	37.5	37.2	39.8
Net Foreign Assets	150.6	142.3	57.2	51.8	32.7	19.2	26.2	18.5	39.4
Other Items (Net)	66	150.9	140.2	100.5	87.5	12.9	19.9	49.1	55.8

The overall slowdown in M2+ growth was largely the result of a slower growth of 3.7 per cent fall in local currency demand deposits compared with an increase of 44.6 per cent in the corresponding period last year. Foreign currency deposits on the other hand increased by 15.0 per cent even though it also fell below the 24.1 per cent recorded in the same period last year.

Sources of Change in M2+

The Net Domestic Assets (NDA) of the banking system was the main source of growth in M2+. It recorded an increase of 16.1 per cent (¢2,049.9 billion) as at the end of December 2005, relative to

growth in Net Foreign Assets (NFA) of 12.2 per cent (¢1,700.3 billion). In December 2004, NDA recorded a growth rate of 19.3 per cent (¢2,054.1 billion) while NFA grew by 32.7 per cent (¢3,439.4 billion). The growth in NDA of the banking system during the review period was underpinned by a jump of 47.8 per cent (¢4,677.1 billion) in net claims on private sector which was supported by increases of 5.2 per cent (¢649.4 billion) in claims on the Government, and 52.8 per cent (¢1,154.1 billion) in claims on the public sector, from both DMBs and the Bank of Ghana. Similarly, other items net (OIN) registered an increase of 37.5 per cent (¢4,430.7 billion).

Seasonal Factors

Seasonally adjusted, the annual growth rate of M2+ was also 14.1 per cent as at the end of December 2005, compared with 26.0 per cent in the corresponding period last year.

Developments in Bank Credit

Central Bank Credit

Bank of Ghana's claims on Government and other institutions during the fourth quarter 2005 declined on a year-on-year growth basis by 17.4 per cent compared with an increase of 268.6 per cent in the corresponding period of 2004. The developments in the Bank's claims, was fueled mainly by a decline in claims on public institutions by 20.0 per cent (¢0.9 billion).

DMBs Credit

The stock of credit extended by DMBs as at the end of December 2005 totalled ¢17,934.1 billion, out of which ¢176.7 billion went to financing cocoa marketing activities. This represents a growth rate of 40.0 per cent (¢5,122.2 billion) as at the end of December 2005 compared with a growth rate of 25.0 per cent (¢2,559.1 billion) recorded as at the end of December 2004. Analysis of the composition of the stock of credit shows that the private sector continued to attract a greater share of outstanding credit stocks, as DMBs credit to the private sector as at the end of December 2005 recorded 80.6 per cent while the remaining 19.4 per cent went to the public sector. This may be compared to the same period last year when credit flow to the private sector constituted 81.3 per cent of total stock of credit.

The sectoral allocation of outstanding credit also shows that the Commerce and Finance sector

Continued its dominance with 22.4 per cent (¢4,015.0 billion) of total credit. This is followed by the manufacturing sector with 19.1 per cent (¢3,431.2 billion) of outstanding credit, and the services sector with 14.7 per cent (¢2,641.1 billion) of outstanding credit. Their combined share of outstanding credit stood at 56.2 per cent.

Distribution of Outstanding Credit to Sub-sectors

A sectoral analysis of credit shows the following:

Agriculture, Forestry and Fishing

- The sub-sector denoted as 'other agriculture' (made up of growing of field crops, fruits, nut seeds, vegetables etc), was dominant as it attracted nearly 58.8 per cent (¢707.0 billion) of outstanding credit to the Agriculture, Forestry and Fishing sector received the largest credit, 54.1 per cent. The Cocoa Production sub-sector took 11.3 per cent (¢136.4 billion) of outstanding credit to the sector, while Fishing attracted 11.2 per cent (¢134.6 billion). The Logging sub-sector also took 11.1 per cent (¢133.8 billion).

• Manufacturing

The manufacturing sector consists of production for export on one hand, and production for the home market on the other. In the aggregate however, two sub-sectors together account for about half of total outstanding credit to the manufacturing sector. These are the Food, Drink and Tobacco sub-sector; and the Saw Milling & Wood Processing sub-sector. The former accounted for 32 per cent (¢1,088.1 billion) of outstanding credit as at the end of December 2005, whilst the latter accounted for 19 per cent (¢641.8 billion).

• Mining and Quarrying

Gold mining activities accounted for a little over half of credit outstanding (¢346.9 billion) in the mining and quarrying sector. This is followed by

credit advanced to other mining activities, which took 29.4 per cent (¢195.7 billion) of outstanding credit, and Manganese, which also took 10.9 per cent (¢72.9 billion) of outstanding credit to the sector.

- **Construction**

The outstanding credit to the construction sector as at the end of December 2005 amounted to ¢1,014.7 billion. The two sub-sectors Construction and Works; and Building and Construction, accounted for 50.6 per cent (¢513.0 billion) and 49.4 per cent (¢501.7 billion) respectively.

- **Electricity, Gas and Water**

Total outstanding credit to the electricity, gas and water sector as at the end of the review period amounted to ¢326.3 billion. Out of this amount, the gas manufacture and distribution sub-sector accounted for 62.2 per cent (¢202.8 billion) while the electric light and power sub-sector took 33.5 per cent (¢109.2 billion).

- **Commerce and Finance**

Total outstanding credit to the Commerce and Finance sector as at the end of the review period amounted to ¢5,915.9 billion. Clearly this sector remains the most attractive for the DMBs. Apart from the Other Unclassified category, the import trade sub-sector continued to attract most of the credit flows. As at the end of December 2005, outstanding credit to the import trade sub-sector accounted for 24.6 per cent (¢1,455.4 billion). This is followed by the Cocoa Marketing sub-sector with 9.6 per cent (¢569.9 billion) of outstanding credit and the export trade sub-sector with 5.1 per cent (¢300.8 billion). The Mortgage finance sub-sector also continues to grow steadily as it constituted 6 per cent (¢347.7 billion) of outstanding credit. The other unclassified sub-sector dominates with more than half the outstanding credit to the Commerce and Finance sector.

- **Transport, Storage and Communication**

The Transport, Storage and Communication sector had outstanding credit amounting to ¢723.3 billion (4.0% of total outstanding credit from DMBs) as at

the end of the review period. Out of this amount, three sub-sectors account for more than 85 per cent. These are, communications sub-sector with 33.9 per cent (¢244.9 billion), road transport sub-sector with 31.0 per cent (¢224.0 billion), and ocean and other water transport sub-sector with 22.0 per cent (¢158.9 billion). Credit outstanding in the air transport sub-sector constituted 7.6 per cent (¢55.1 billion) of the total for the sector, while the railway transport sub-sector accounted for 2.5 per cent (¢17.8 billion). The storage and warehousing sub-sector also accounted for 3.1 per cent (¢22.5 billion) of the total for the sector.

- **Services Sector**

Total outstanding credit to the services sector as at the end of the review period amounted to ¢2,671.4 billion or 14.9 per cent of total DMBs credit outstanding. Out of this amount, salary credit represents 30.5 per cent (¢815.3 billion), while business services account for 27.1 per cent (¢724.2 billion). Personal services also account for 17.9 per cent (¢478.4 billion) of total outstanding credit. The remaining sub-sectors recreational services, printing and publishing, together account for the remaining 5.6 per cent of outstanding credit.

- **Credit to the Private Sector**

Analysis of the composition of the stock of credit shows that the private sector continued to attract a greater share of outstanding credit stocks, as DMBs credit to the private sector as at the end of December 2005 recorded 80.6 per cent while the remaining 19.4 per cent went to the public sector. This may be compared to the same period last year when credit flow to the private sector constituted 81.3 per cent of total stock of credit.

PANEL G

Chart 25
Narrow Money (M1) Actual & Seasonally Adjusted

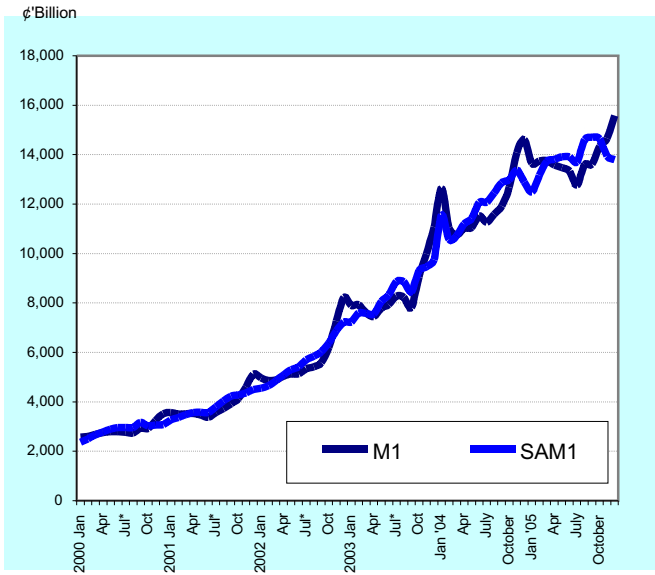


Chart 26
Broad Money (M2) Actual & Seasonally Adjusted

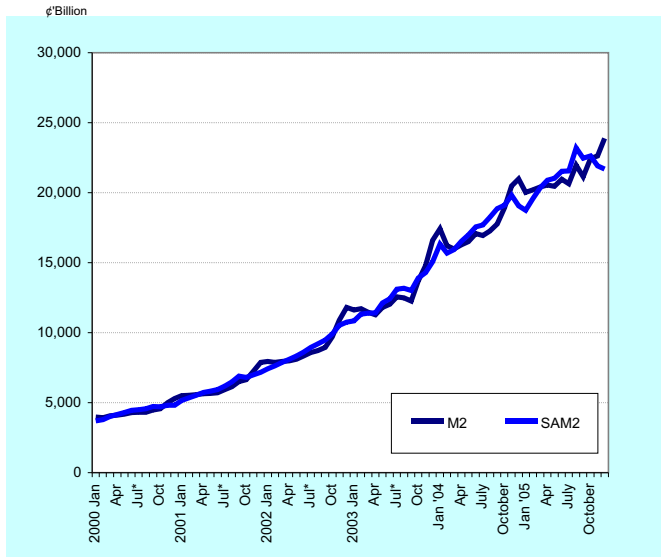


Chart 27
Total Liquidity (M2+) Actual & Seasonally Adjusted

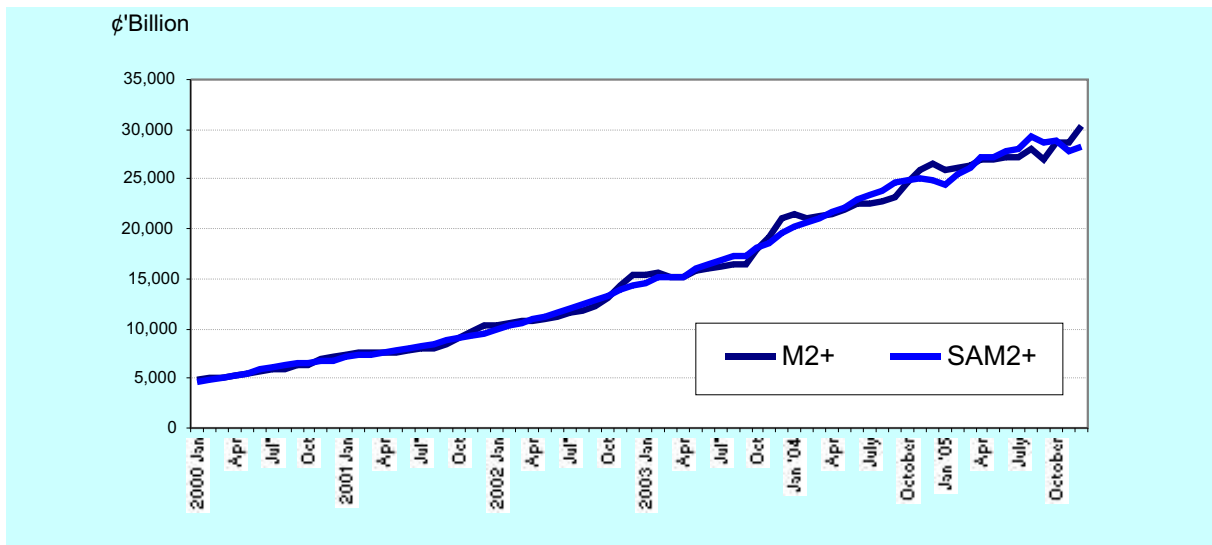


Table 16
Growth in Actual & Seasonally Adjusted Monetary Aggregates
(Q4 2002 - Q4 2005)

	GM1	GSAM1	GM2	GSAM2	GM2+	GSAM2+
Dec-02	60.5	59.6	50.1	49.3	50.1	49.6
Mar-03	55.5	55.9	44.4	44.6	41.6	41.6
Jun-03	54.4	54.6	44.6	44.7	42.5	42.5
Sep-03	40.2	40.2	37.1	37.3	35.5	35.8
Dec-03	34.8	34.1	40.5	39.9	37.8	37.5
Mar-04	41.3	41.6	39.6	39.8	39.7	39.9
Jun-04	45.2	45.3	41.8	41.9	40.2	40.2
Sep-04	52.3	52.4	44.8	45.0	41.6	41.7
Dec-04	31.9	31.6	26.6	26.3	26.0	25.9
Mar-05	28.0	28.1	27.6	27.8	24.0	24.1
Jun-05	15.7	15.6	22.7	22.6	20.5	20.4
Sept-05	14.2	14.3	19.1	19.1	16.0	16.1
Dec-05	6.7	6.9	13.8	13.8	14.1	14.1

Table 17
Analysis of Credit To The Private Sector

	2004		2005		Annual Chg.		Share in Annual Change
	Dec 2004		Dec 2005		φ 'bn	%	%
	φ 'bn	Share (%)	φ 'bn	Share (%)			
Public Institutions	2394.7	18.7	3479.4	19.4	1084.7	45.3	21.2
Private Sector	10417.2	81.3	14454.8	80.6	4037.5	38.8	78.8
Agric., For. & Fish.	933.4	7.3	1105.8	6.2	172.4	18.5	3.4
Export Trade	247.0	1.9	300.8	1.7	53.8	21.8	1.1
Manufacturing	2583.0	20.2	3135.1	17.5	552.2	21.4	10.8
Trans., Stor., & Comm.	364.0	2.8	382.5	2.1	18.5	5.1	0.4
Mining & Quarrying	306.2	2.4	583.8	3.3	277.7	90.7	5.4
Import Trade	997.8	7.8	1242.4	6.9	244.5	24.5	4.8
Construction	821.1	6.4	968.8	5.4	147.7	18.0	2.9
Commerce & Finance	1370.2	10.7	2123.5	11.8	753.2	55.0	14.7
Elect., Gas & Water	63.3	0.5	244.0	1.4	180.7	285.6	3.5
Services	1274.2	9.9	2394.3	13.4	1120.1	87.9	21.9
Miscellaneous	1457.2	11.4	1973.9	11.0	516.7	35.5	10.1
Total	12811.9	100.0	17934.1	100.0	5122.2	40.0	100.0

PANEL H

Chart 28
Distribution of Credit to Manufacturing (For Export)

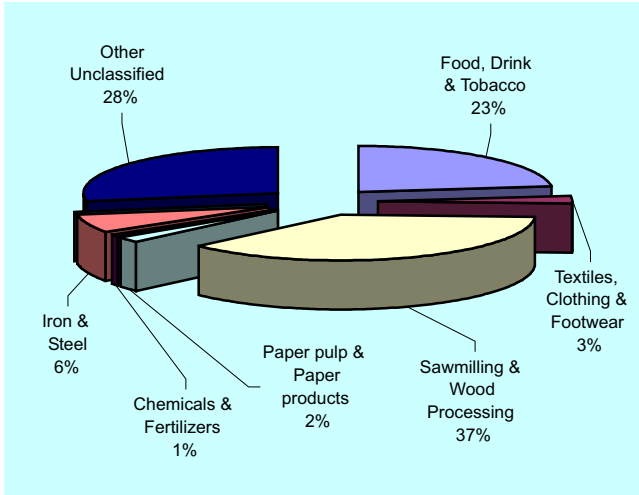


Chart 29
Distribution of Credit to Transport & Communication Sub-sectors

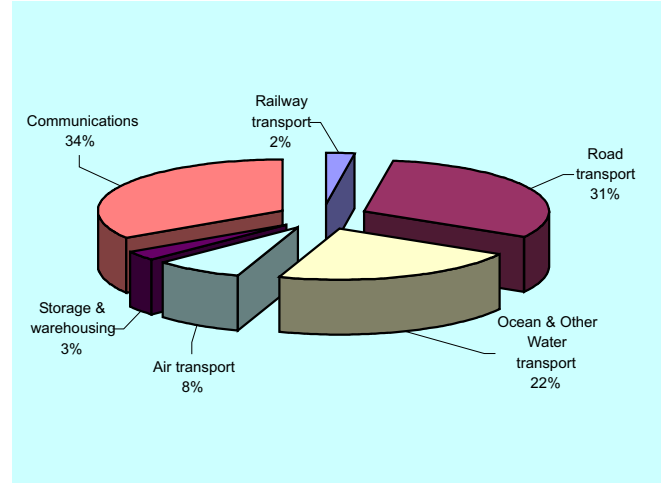


Chart 30
Distribution of Credit to The Private Sector (Dec'05)

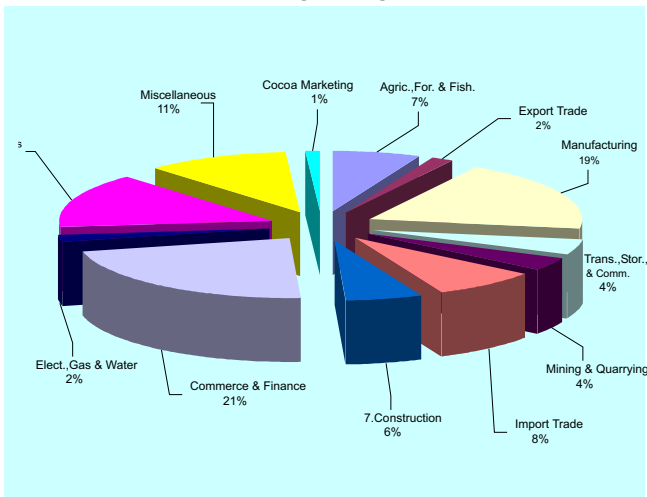
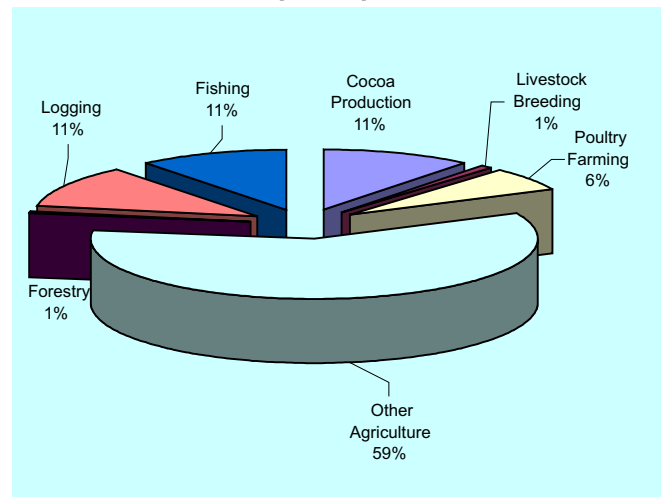


Chart 31
Distribution of Credit to Agric Forestry & Fishing Sectors (Dec-05)



PANEL I

Chart 32
Sources of Changes in The Stock of Credit
(Dec'04-Dec '05)

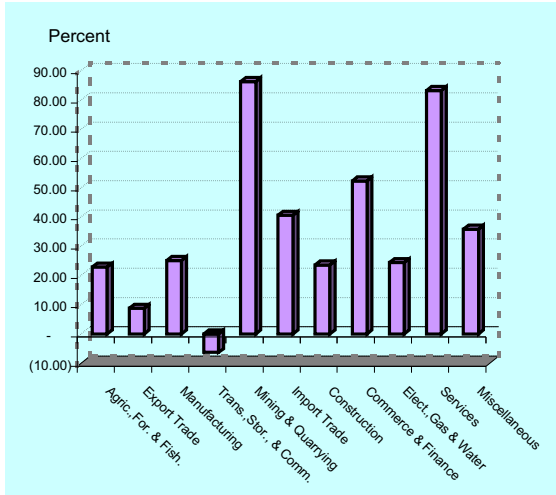


Chart 33
Sectoral Shares of Credit as at Dec 2005

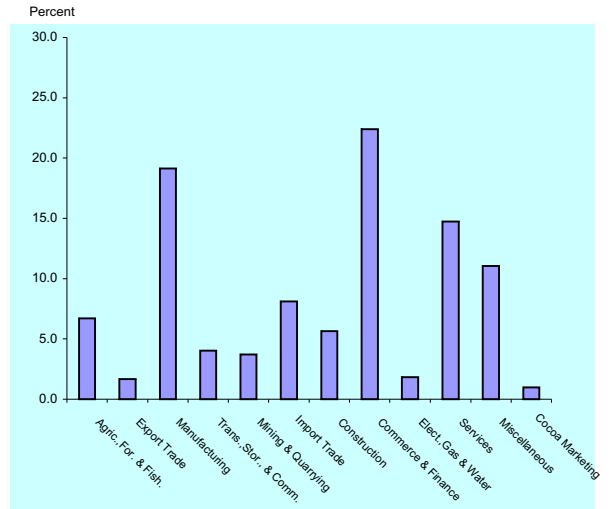


Chart 34
Money Market Developments-Yield Curve

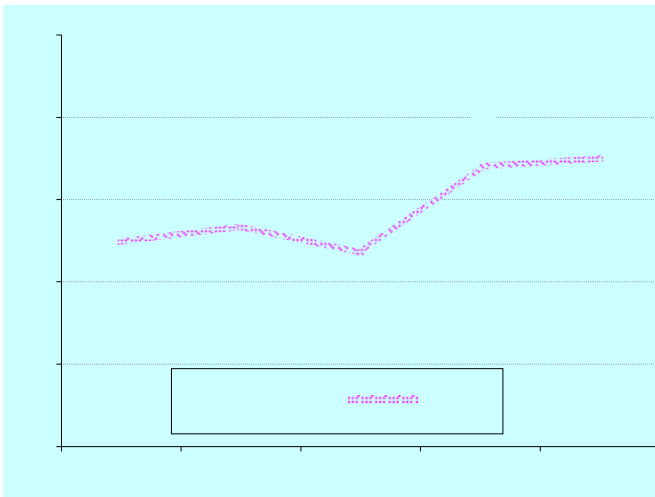
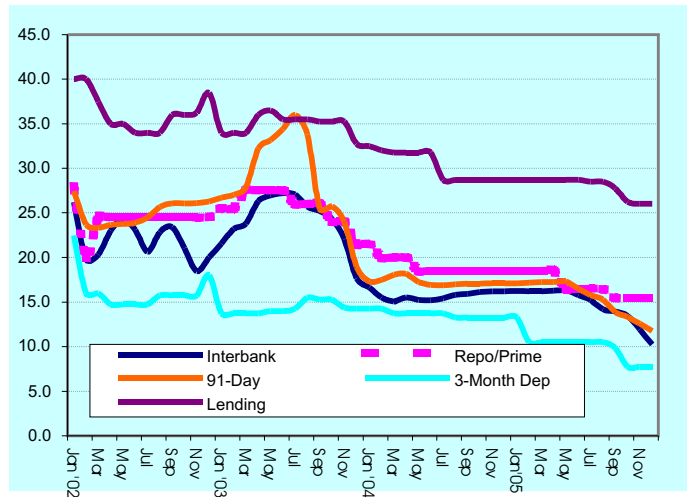


Chart 35
Money Market Developments-Interest Rates



Developments in Interest Rates

Interest rates declined consistently in line with the stance of monetary policy during the review period. As inflationary pressures in the economy eased, the MPC of the Bank of Ghana lowered the Prime Rate steadily from 18.5 per cent at the beginning of the year to 15.5 per cent as at the end of December 2005. Similarly, in the government securities market, the average interest rate on the 91-day Treasury bill instrument shed off 5.31 percentage points to 11.77 per cent while the inter-bank weighted average rate dropped 5.96 percentage points to 10.23 per cent. This resulted in a downward movement in the yield curve as at the end of December 2005.

The borrowing and lending rates of DMBs also trended downwards in line with developments in the Prime Rate and government securities market. Similarly, the average 12-month time deposit rate of DMBs went down by 1.75 percentage points to 9.5 per cent while their average lending rate fell by 2.75 percentage points to 26.0 per cent. DMBs base rates also fell by 3.15 percentage points to 21.45 per cent.

Cheques Clearing

Total number of cheques cleared during the fourth quarter 2005 was 1,244,067 valued at ₵32,142.7

Billion. This shows an increase of 2.8 percent and 4.6 per cent over cheques cleared during the third quarter of 2005 and the corresponding quarter of the year 2004 respectively. On average a total of 60,459 (₵1,562.4 billion) cheques were cleared daily in the review quarter compared with 55,947 (₵1,577.4 billion) cleared in the previous quarter and 54,895 (₵1,408.8 billion) in the fourth quarter of 2004.

Inter-bank Transactions

Total transactions settled through the Ghana Inter-bank System (GIS) in the review quarter increased by 30.4 percent to 13,570 (111,414.8 billion). This may be compared with the 10,403 transactions (₵83,903.4 billion) a year ago.

The Auction Market (Treasury Bills)

Total Money Market sales during the fourth quarter amounted to ₵10,730.7 billion while maturities totaled ₵10,508.3 billion, yielding a net sale of ₵222.4 billion. The net sale resulted from a redemption of Government of Ghana instruments of ₵298.1 billion and a liquidity absorption of ₵520.46 billion.

Table 18
Analysis of Tender Results (Oct -Dec 2005)

Security	Disct Rates (Bid Range)	Int Equivalent (Bid Range)	No. of Bids	Range Accepted	WeightedA vg/UAR*	No. of Bids Accepted	Values (₹'bn)
Oct							
14-day	12.50-13.80	13.45	9	13.38	12.50-13.50	6	158.0
1-Month	13.00-13.50	13.28	4	13.14	13.00-13.50	4	145.0
2-Months	13.1	13.37	1	13.10	13.1	1	20.0
91-day	12.00-17.00	12.71-13.76	69697	12.91	12.00-13.50	63548	2,999.6
182-day	12.50-14.60	14.13-15.75	1247	13.43	12.50-13.82	952	312.6
1-Year	16.00-17.50	16.95-17.50	462	0.0	16.00-17.50	364	589.4
2-Yr Floating	17.00-17.40	17.00-17.25	33	0.0	17.00-17.25	30	9.8
2-Yr Fixed	16.50-18.00	17.30-17.9	52	0.0	17.30-17.90	37	169.6
3-Yr Floating	0.0	0.0	0	0.0	0.0	0.0	0.0
3-Yr Fixed	18.00-20.00	18.0	4	0.0	18.0	4	0.3
Sub-total			71509			64946	4,404.7
Nov							
14-day	12.00-13.00	13.45	4	13.38	12.00-13.00	4	40.0
1-Month	12.50-13.10	12.97	3	12.84	12.50-13.10	4	38.0
2-Months	0.0	0.0	0	0.0	0.0	0.0	0.0
91-day	11.75-17.00	12.50-13.44	50527	12.04-13.00	11.75-13.00	44044	2,189.4
182-day	12.00-13.50	12.90-13.84	730	12.73-13.50	12.00-13.00	726	233.7
1-Year	16.00-18.00	16.95	341	0.0	16.00-16.95	339	194.4
2-Yr Floating	16.98-17.00	16.98-17.00	21	0.0	16.98-17.00	21	10.1
2-Yr Fixed	16.50-17.30	17.00-17.30	58	0.0	16.50-17.30	58	30.6
3-Yr Floating	0.0	0.0	0	0.0	0.0	0.0	0.0
3-Yr Fixed	17.85-18.00	17.85-18.00	6	0.0	17.85-18.00	6	82.1
Sub-total			51690			45202	2,818.2
Dec							
14-day	11.50-13.50	11.55-12.04	11	11.5-11.98	11.50-12.00	8	242.5
1-Month	12.00-13.00	12.11-12.59	4	11.98-12.18	12.00-13.00	4	140.0
2-Months	0.0	0.0	0	0.0	0.0	0.0	0.0
91-day	10.0-12.50	11.45-16.50	70739	11.33-11.75	10.0-12.11	69663	2,379.0
182-day	11.20-12.40	12.78-13.79	1026	12.01-12.61	12.20-12.80	783	363.3
1-Year	12.35-16.95	16.50-16.80	428	0.0	12.35-16.80	392	184.8
2-Yr Floating	16.50-16.97	16.7-16.97	4	0.0	16.50-16.97	4	5.3
2-Yr Fixed	12.98-17.00	17	67	0.0	12.98-17.00	64	162.4
3-Yr Floating	0.0	0	0	0.0	0.0	0.0	0.0
3-Yr Fixed	16.70-17.50	17.0-17.50	11	0.0	16.70-17.50	9	30.5
Sub-total			72290			70927	3,507.8
Total							10,730.7

*End period

E. Price Developments

Headline Inflation

Headline Inflation dropped marginally in the fourth quarter as it declined from a recorded rate of 14.9 per cent at the end of the third quarter to 14.8 per cent at the end of the fourth quarter. The development within the review quarter was the

Result of the continued slow down in food inflation. Food inflation declined from 15.2 per cent at the end of the third quarter to 15.0 per cent at the end of the review quarter. Non-food inflation, on the other hand rose marginally from 14.4 per cent in the previous quarter to end the review quarter at 14.6 per cent.

Table 19
Combined, Food and Non-Food Inflation Rates (year-on-year)

	Combined			Food			Non-Food		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
Jul	29.0	12.4	14.9	24.1	16.3	14.6	32.3	10.4	15.0
Aug	27.7	12.9	14.7	23.6	19.1	14.6	33.7	6.8	14.8
Sep	26.8	12.6	14.9	21.4	20.1	15.2	35.8	5.3	14.4
Q3 Average	27.8	12.6	14.8	23.0	18.5	14.8	33.9	7.5	14.7
Oct	24.6	1-2.4	15.4	22.2	16.4	16.0	29.3	8.4	14.8
Nov	23.8	12.3	15.3	22.5	15.1	15.7	27.2	9.4	14.8
Dec	23.6	11.8	14.8	21.5	15.5	15.0	27.9	7.9	14.6
Q4 Average	24.0	12.2	15.2	22.1	15.7	15.6	28.1	8.6	14.7

Source: Ghana Statistical Service

Quarterly Inflation Month-to-Month Changes

In terms of the quarterly changes, inflation in the review quarter recorded 0.4 per cent, lower than the same period figures in the

Two preceding years. The main contributor of the inflationary pressures within the quarter was the non-food sub-component.

PANEL J

Chart 36
Year-on Year Inflation Rates
(2002-2005)

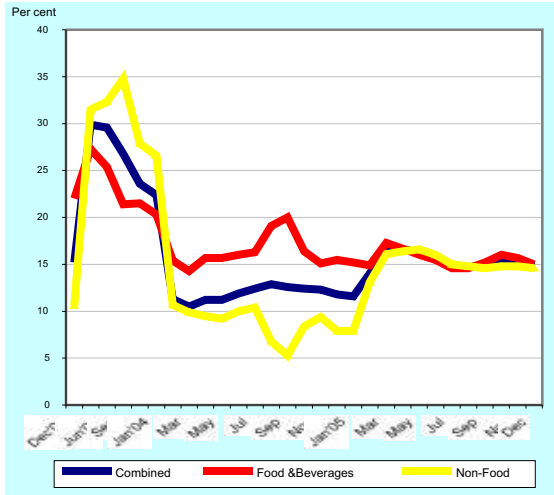


Chart 37
Overall Inflation: Monthly Changes
(2002-2005)

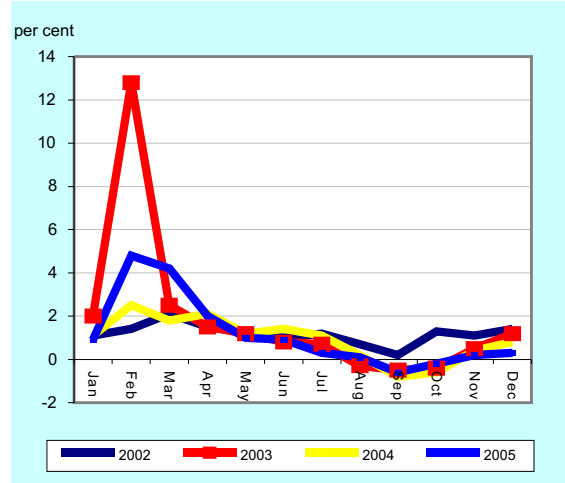


Chart 38
Non-Food Inflation: Monthly Changes
(2002-2005)

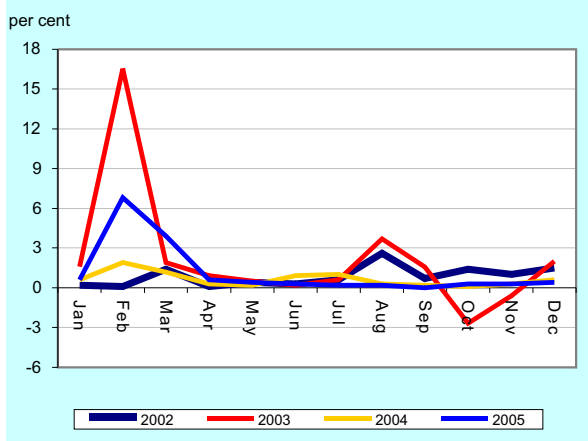


Chart 39
Food Inflation: Monthly Changes
(2002-2005)

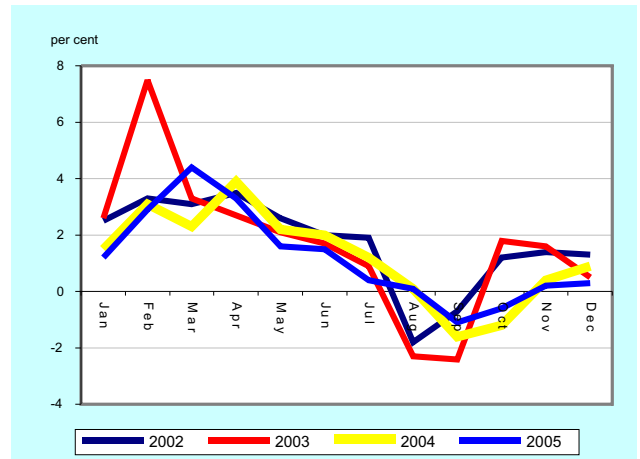


Table 20
Combined, Food and Non-Food Inflation (Quarterly Changes)

	Combined	Food	Non-Food
Q1-2003	17.9	13.9	20.8
Q2	3.5	6.6	1.4
Q3	-0.1	-3.8	6.0
Q4	1.3	4.0	-1.4
Q1-2004	5.5	7.1	3.8
Q2	4.9	8.2	1.4
Q3	0.5	-0.4	1.5
Q4	0.5	0.1	1.0
Q1-2005	10.1	8.7	11.6
Q2	4.0	6.5	1.3
Q3	-0.2	-0.7	0.4

Source: Ghana Statistical Service

Table 21
Component Analysis of Consumer Price Index
(Quarterly Growth Rates)

	Combined	& Beverages	& Tobacco	& Footwear	& Utilities	Oper. & Services	Care & Health Exp.	& Communi- cations	Enter'nment, Edu. & Cu.I Serv.	Gds & Serv.
2004										
Q1	5.5	7.1	3.8	3.2	7.3	-1.2	7.7	4.9	0.8	3.0
Q2	4.9	8.2	0.1	2.8	2.0	4.0	3.2	1.4	3.1	1.2
Q3	0.5	-0.4	1.4	-0.4	4.8	-0.3	3.4	0.1	-1.9	-2.7
Q4	0.5	0.1	1.1	-1.0	3.9	0.1	4.6	1.0	4.7	1.1
2005										
Q1	10.1	8.8	5.0	4.4	17.0	6.2	8.6	26.9	6.7	4.8
Q2	4.0	6.5	2.3	2.4	0.6	2.8	10.6	2.5	7.8	2.4
Q3	-0.2	-0.7	1.3	0.0	-1.3	1.1	-0.1	1.3	3.4	2.8
Q4	0.4	-0.1	0.7	1.9	0.6	0.9	2.2	1.7	3.4	0.2

Source: Ghana Statistical Service

Component Analysis of The Consumer Price Index

The component analysis on the contribution of each sub-index to consumer price index during the fourth quarter indicates that the main sources of pressures on inflation were: Medical Care & Health as well as Clothing & Footwear indices. This could be attributed to increased activities in these sub-indices during the review period.

Core Measures of Inflation

The estimated core measures of inflation, which indicate the underlying inflation, during the fourth quarter of 2005 showed a slight slowdown as depicted in table 22 .

Table 22
Measures of Core Inflation

	Mar -04	Jun -04	Sep -04	Dec -04	Mar -05	Jun -05	Sep -05	Dec -05
Headline Inflation: CPI levels	340.5	356.7	359.0	360.7	397.0	413.2	412.5	414.2
Monthly inflation Rates	1.8	1.4	-0.7	0.8	4.2	0.9	0.6	0.3
Inflation Rate	10.5	11.9	12.6	11.8	16.7	15.7	14.9	14.8
CORE1:INFXEU ¹								
Estimated CPI-CORE1	325.1	340.3	345.2	344.3	376.6	391.7	391.2	392.5
Estimated Monthly Change	1.8	1.4	0.7	0.7	4.2	0.9	0.6	0.3
Implied yr-on-yr Inf. Rate	10.9	12.1	12.7	12.1	14.8	14.0	13.3	13.1
CORE2:INFXEUF ²								
Estimated CPI-CORE1	320.6	329.9	330.6	333.7	355.5	365.0	370.1	363.9
Estimated Monthly Change	1.6	1.0	0.1	0.1	3.5	0.9	0.2	0.1
Implied yr-on-yr Inf. Rate	10.7	10.7	9.2	9.3	10.9	10.6	12.0	9.9
CORE3:INFXEUFT ³								
Estimated CPI-CORE1	319.8	329.1	333.0	332.4	346.8	360.4	365.7	360.8
Estimated Monthly Change	1.5	1.0	0.1	0.1	2.6	0.8	0.2	0.1
Implied yr-on-yr Inf. Rate	10.5	10.4	10.0	9.0	8.4	9.5	9.8	8.3
CORE 4:INFXAFA ⁴								
Estimated CPI-CORE1	281.2	284.4	285.8	288.0	299.1	303.3	305.9	303.3
Estimated Monthly Change	0.6	0.5	0.5	0.3	1.8	0.8	0.2	0.2
Implied yr-on-yr Inf. Rate	5.6	5.9	5.9	5.1	6.4	6.6	6.8	5.3
HP Inflation ⁵								
Implied yr-on-yr Inf. Rate ⁶	17.7	16.8	16.0	15.3	14.7	14.1	13.5	12.9
Trimmed Mean Core Inf.Rate								
Estimated Monthly Change	1.6	1.2	1.3	0.8	3.7	1.1	0.8	0.3
Implied yr-on-yr Inf. Rate	8.0	9.1	10.6	8.4	11.1	10.3	10.8	10.5

Actual and Seasonally Adjusted (SA) Inflation

The analysis on the actual and seasonally adjusted inflation during the review period shows that the actual inflation during the third and fourth quarters of 2005 was below its seasonally adjusted trend. This underscores a continued favourable

Seasonal impact on inflation during the fourth quarter. This was the result of the development in the actual and seasonally adjusted food inflation suggesting that the improved food supply continued to influence inflation in the fourth quarter of the year.

¹ Excludes energy and utility price changes from the basket

² Excludes energy, utility and selected volatile food items

³ Excludes transport in the basket of INFXEUF

⁴ Excludes all the food items, utility and transport from the basket

⁵ Eliminate cyclical component of inflation

⁶ Excludes the most volatile item(item) in each month

PANEL K

Chart 40
Actual and Seasonally Adjusted Combined Inflation
(m-on-m)

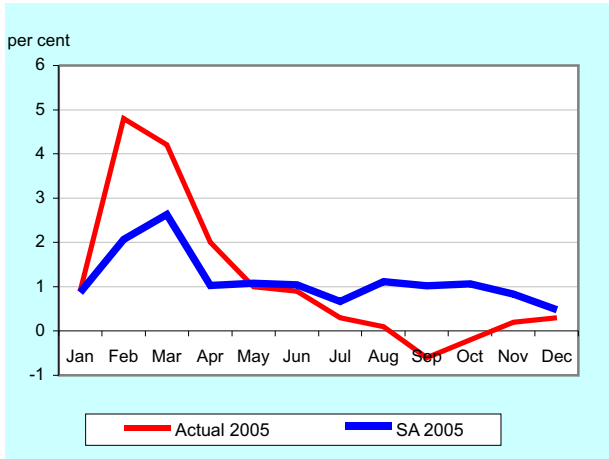


Chart 41
Actual and Seasonally Adjusted Food Inflation
(m-on-m)

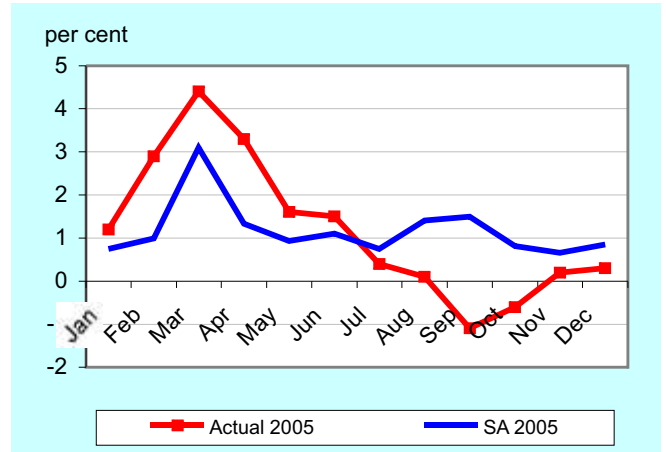
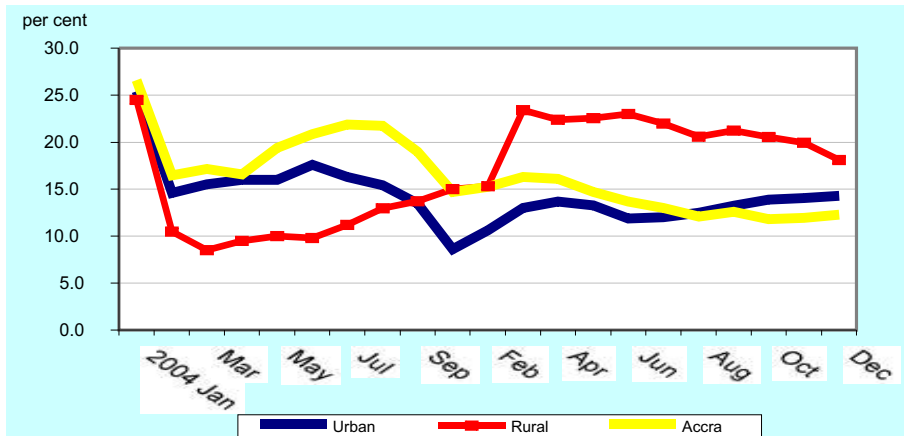


Chart 42
Urban, Rural and Accra Inflation
(yr-on-yr changes)



Analysis on Actual and Seasonally Adjusted inflation

The analysis on the actual and seasonally adjusted inflation during the review period clearly shows that the actual inflation during the third and fourth quarters of 2005 kept lying below its seasonally adjusted trend as presented in chart 39. This underscores a continued favourable seasonal impact on inflation during the fourth quarter. This

Certainly was the result of the development in the actual and seasonally adjusted food inflation as shown on chart 40. This suggests that the improved food supply continue to influence inflation in the fourth quarter of the year.

Table 23
Actual and Seasonally Adjusted Inflation: Quarterly Changes

	Overall	SA Overall	Food	SA Food	Non-food	SA Non-Food
2003-Q1	12.8	17.9	8.6	13.9	15.5	20.8
Q2	2.9	3.5	3.9	6.6	3.4	1.4
Q3	2.9	-0.1	1.2	-3.8	6.6	6.0
Q4	3.5	1.3	6.5	4.0	0.9	-1.4
2004-Q1	0.7	5.5	2.1	7.1	-1.4	3.8
Q2	4.1	4.9	5.3	8.2	3.5	1.4
Q3	3.7	0.5	4.8	-0.4	2.5	1.5
Q4	2.9	0.5	2.6	0.1	3.4	1.0
2005-Q1	4.8	10.1	3.7	8.7	5.7	11.6
Q2	3.3	4.0	3.6	6.5	3.4	1.3
Q3	3.2	-0.2	4.5	-0.7	1.5	0.4
Q4	2.8	0.4	2.4	-0.1	3.3	1.0

Developments in Urban and Rural Inflation

The fourth quarter developments in the rural and Accra inflation as compared to the third quarter of

2005 dipped while the recorded inflation in the urban areas edged up slightly. This development is depicted on chart 41 and table 24 .

Table 24
Urban, Rural and Accra Inflation Yr-on-Yr Changes (2004-2005)

	<i>Urban</i>	<i>Rural</i>	<i>Accra</i>
2004			
Jul	16.3	11.2	21.9
Aug	15.4	13.0	21.7
Sep	13.5	13.7	19.0
Avg. Jul-Sep	15.1	12.6	20.9
Oct	12.0	12.5	19.9
Nov	11.0	13.1	18.1
Dec	8.2	15.1	13.2
Avg. Oct-Dec	10.4	13.6	17.1
2005			
Jul	12.0	22.0	13.0
Aug	12.5	20.6	12.1
Sep	13.2	21.2	12.6
Avg. Jul-Sep	12.6	21.3	12.6
Oct	13.9	20.6	11.8
Nov	14.1	19.9	11.9
Dec	14.3	18.1	12.3
Avg. Oct-Dec	14.1	19.5	12.0

Source: Ghana Statistical Service

Component Analysis of Urban Inflation

Table 24 below presents the analysis of the contribution of each sub-component index to the urban inflation within the fourth quarter. This analysis indicates that the Clothing & Footwear (C&F), Medical Care and Health Expenses (MC&HE), as well as Recreation, education and

Entertainment (RE&CS) were the major sources of inflationary pressures as compared with the trends in the third quarter of the same year. This supports the earlier assertion that activities in these sub-indices increased significantly during the review quarter and also suggest that the urban developments featured strongly in the development of overall inflation.

Table 25
Component Analysis of Urban Inflation (Quarterly Changes)

	<i>Overall</i>	<i>F&B</i>	<i>A&T</i>	<i>C&F</i>	<i>H&U</i>	<i>H/H Gds& S</i>	<i>MC&HE</i>	<i>T&Comm</i>	<i>RE&CS</i>	<i>MGds&S</i>
2003-Q1	15.0	9.0	7.7	5.3	31.9	8.6	5.1	45.4	6.3	14.0
Q2	3.1	6.1	-0.4	4.0	-1.6	3.9	1.4	0.3	0.3	0.7
Q3	2.8	3.4	7.3	1.8	0.3	2.4	0.2	0.9	2.1	1.1
Q4	4.0	5.5	2.0	0.7	15.2	1.3	-0.1	0.9	-0.7	0.6
2004-Q1	4.7	7.3	0.5	5.9	6.6	0.7	4.8	6.9	3.7	2.5
Q2	5.0	6.1	0.6	3.1	3.6	5.1	6.0	2.5	4.3	2.0
Q3	-0.8	-0.5	4.8	-3.5	3.9	-4.1	2.6	-0.6	-4.9	-1.6
Q4	-0.8	-2.8	0.7	-4.1	2.5	-2.1	3.9	0.8	5.7	-0.6
2005-Q1	9.4	7.3	7.9	5.7	14.3	6.4	4.9	25.8	8.3	4.4
Q2	3.9	6.9	1.5	3.6	-0.4	1.6	1.9	4.2	11.9	2.7
Q3	0.4	-0.2	0.8	1.6	0.4	3.3	-0.1	1.3	2.8	3.5
Q4	0.2	-0.5	0.0	3.5	-0.1	-0.8	2.8	1.5	6.3	1.2

Source: Ghana Statistical Services

Component Analysis of Rural Inflation

Component analysis of the rural consumer price index in the fourth quarter as compared to the third quarter of 2005 indicates that the Household Goods and Services (H/H Gds & S), Housing & Utilities (H&U), as well as Transport and telecommunications were the notable Contributors

of the inflationary pressures during the review period. Recreation, education and entertainment (RE&CS), food and beverages (F&B) as well as miscellaneous goods and services (MG gds & S) sub indices on the other hand subdued during the same period as shown on Table 25.

Table 26
Component Analysis of Rural Inflation (Quarterly Changes)

	Overall	F&B	A&T	C&F	H&U	H/H Gds & S	MC&HE	T&Comm	RE&CS	MGds&S
2003-Q1	20.1	17.6	6.5	9.1	81.2	6.8	6.3	51.0	5.1	9.7
Q2	3.8	7.0	2.3	2.8	0.8	2.8	0.3	0.1	0.9	3.1
Q3	-1.7	-4.7	4.8	1.0	2.7	2.1	-2.4	1.0	4.2	0.4
Q4	2.4	2.7	1.6	2.5	16.7	4.3	1.4	1.3	4.0	8.7
2004-Q1	3.9	5.5	4.3	-0.9	2.5	-0.6	6.1	2.4	-3.0	3.4
Q2	5.1	9.4	-0.6	2.0	-0.6	1.5	-0.8	-1.1	3.3	0.9
Q3	1.8	0.1	0.2	4.8	6.2	3.5	5.2	1.8	3.6	-5.0
Q4	3.7	2.7	3.1	2.3	7.7	2.3	7.3	-0.1	3.0	3.2
2005-Q1	11.3	9.8	4.0	2.3	24.0	3.9	13.7	30.0	4.5	5.2
Q2	4.7	4.7	3.9	0.4	2.3	0.2	13.9	2.7	3.2	0.4
Q3	0.3	0.7	2.4	-1.3	-1.8	-0.1	0.3	1.3	4.0	2.0
Q4	1.0	0.0	1.0	0.3	1.3	3.3	0.2	1.9	-1.1	-1.8

Component Analysis of Accra Inflation

With the exception of Clothing & Footwear (C&F) as well as Recreation, Education & Entertainment (RE&CS) sub-indices,

Which recorded slight increases during the fourth quarter, all the other indices eased during the period.

Table 27
Component Analysis of Accra Inflation (Quarterly Changes)

	Overall	F&B	A&T	C&F	H&U	H/H Gds & S	MC&HE	T&Comm	RE&CS	MGds&S
2003-Q1	17.4	11.6	9.4	8.4	31.9	12.2	0.0	44.3	2.8	22.1
Q2	2.9	5.1	-2.8	5.5	-2.9	6.6	2.0	0.5	0.8	0.9
Q3	2.7	3.9	5.3	4.1	1.9	5.8	0.6	1.6	1.9	-1.3
Q4	5.4	12.7	3.5	-5.2	16.3	1.3	-4.5	1.9	-11.0	-6.5
2004-Q1	5.2	7.3	1.8	6.2	1.5	-2.0	4.3	9.9	7.6	0.2
Q2	6.1	8.0	1.3	2.7	3.4	7.1	5.4	0.8	-0.5	2.2
Q3	1.1	1.2	3.2	-7.0	4.9	-6.6	0.3	0.3	0.5	-4.2
Q4	0.3	-0.2	-1.6	-1.0	0.7	1.8	0.3	-0.1	-0.1	1.3
2005-Q1	8.0	5.0	7.5	10.2	17.5	2.1	4.9	18.9	8.3	2.2
Q2	3.8	7.1	1.3	3.2	2.4	3.5	2.1	2.3	9.8	6.1
Q3	0.1	-1.2	0.4	1.2	0.7	5.9	0.6	0.1	3.5	6.7
Q4	0.0	-1.0	-1.0	2.1	0.1	2.6	0.7	0.0	4.5	0.2

F. The Stock Market

The buoyant condition of the Ghana Stock Exchange in 2004 turned lackluster in 2005 with the GSE All Share Index recording a significant decline. The decline in the index has been attributed to a market correction.

In spite of the negative growth the Ghana Stock exchange has strong potentials for raising long-term equity capital. Investor confidence in the Exchange has been rekindled given the price correction that has already taken place.

GSE All-Share Index

The decline in the GSE All - share index slowed down from 16.8 per cent (984.5 points) in the third quarter 2005 to 2.2 per cent (109.3 points) in the review quarter. Cumulatively, the index shed off 29.9 per cent (2,029.5 points) compared with a gain of 91.3 per cent (3,245.0 points) a year ago.

Sectoral Indices

The decline in the GSE All - Share index in the fourth quarter was reflected in almost all sectors except that of Mining (due to inactivity) and Food and Beverages, which grew by 1.3 per cent (4.1 points).

The Agricultural sector index recorded the largest percentage decline (8.3 percent) as the share price of Benso Oil Palm Plantation (BOPP), the only equity in the sector, went down by ₵500 to close at ₵5,500.00. The Finance Sector index followed, shedding off 4.1 per cent (14.3 points).

Table 28
Sectoral Performance Of the Stock Exchange Q1-Q4 2005

SECTOR	F&B	MAN	FINANCE	DISTR	MINING	AGRIC	All-Share
Mar - 05	452.2	313.1	485.8	708.7	109.1	140	6,453.80
Jun - 05	452.2	287.8	419.7	659.6	109.1	120	5,862.70
Sep - 05	312.1	267.2	345.5	659.5	109.1	120	4,878.30
Dec - 05	316.2	266.8	331.2	655.5	109.1	110	4,769.00
Chg Q4 '05							
Abs	4.1	-0.4	-14.3	-4.0	0.0	-10.0	-109.3
%	1.3	-0.1	-4.1	-0.6	0.0	-8.3	-2.2

The Size of The Ghana Stock Exchange

The market capitalization and its growth rates are indicators of market size and performance of the stock market in relation to the economy. Market size is measured by the market capitalization ratio, that

is, the market capitalization of listed companies divided by gross domestic product. Other stock market development indicators include volume of trade and value traded, these indicators highlights the level of market liquidity and volatility.

Table 29
Market Capitalisation, GDP and Market Capitalisation Ratio

	Market Capitalization (¢billions)	GDP (¢billions)	Market Capitalization Ratio
1990	30.46	1,920.7	1.59
1991	23.54	2,427.5	0.97
1992	43.75	2,802.8	1.56
1993	95.72	3,872.5	2.47
1994	1,963.48	5,205.2	37.72
1995	2,396.88	7,752.6	30.92
1996	2,860.04	11,339.2	25.22
1997	2,535.48	14,113.4	17.97
1998	3,256.21	17,295.8	18.83
1999	3,197.82	20,579.0	15.54
2000	3,654.61	27,157.7	13.46
2001	3,904.04	38,070.7	10.25
2002	6,029.05	48,862.4	12.34
2003	11,758.7	66,157.7	17.77
2004	97,614.45	79,803.7	122.32
2005	91,875.3	97,018.0	94.70

The market capitalization ratio was 1.5 per cent in 1990. This increased to 38.7 per cent in 1994. The market capitalization reached all time high of 122.3 per cent (i.e. due the entry of AngloGold), but this declined in 2005 to 94.7 per cent. In absolute terms, market capitalization of the Exchange increased considerably from ¢3,205.39 billion in 1999 to ¢3,904.0 billion in 2001. The market capitalization has been on the increase since then. With the merger between AngloGold South Africa and Ashanti Goldfields into AngloGold Ashanti, and their subsequent entry into the market, the market capitalization increased from ¢17,950.5 billion in March 2004 to ¢95,645.7 billion in April 2004 (representing about 432.8% change). However, the performance of the market in 2005 fell below expectation and consequently, the market capitalization decreased from ¢97,614.5 billion in 2004 to ¢91,875.3 billion in 2005, indicating about 5.8 per cent negative growth.

In a more general sense, market capitalization of GSE went up by 673.6 per cent in 2004, which exceeded the 2003 figure of 104.0 per cent. Moreover, the downward pressure on share prices sliced market capitalization by 5.8 per cent (¢5,693.6 billion) in 2005 to close the year at ¢91,857.3 billion. The food and Beverage sector lost 41.9 per cent (¢1,782.4 billion) of its market capitalization to contribute its fair share of the loss. Other losses were Finance (¢2,934.2 billion), Manufacturing (¢865.30 billion), Distribution (¢292.6 billion) and Agriculture (¢17.50 billion) respectively.

Additionally, trend in market capitalization of listed firms on GSE is very encouraging. The individual companies on the market have seen their share of the market in terms of market capitalization increased over the years.

Table 30
Trends in Market Capitalisation of Selected Firms on GSE (₹billions)

	1991	1996	2000	2002	2003	2004	2005 (Sept)
ABL	0.8	17.28	52.38	68.18	91.8	369.18	369.18
BAT	0.55	7.62	27.65	69.13	359.49	532.32	207.40
EIC	0.6	2.15	13.5	23	52.5	204.54	154.30
FML	2.9	7.99	16.81	35.31	75.16	395.6	308.67
GBL	0.56	3.96	39.04	14.46	487.97	534.76	-
GGL	2.4	32.31	105.73	123.35	663.76	2,090.17	1,202.10
MGL	0.32	0.9	3.6	4.57	4.95	4.95	-
MOGL	1.44	23.9	75.33	79.91	141.75	184.28	179.55
PZ	0.31	9.92	11.2	56.14	75.6	131.60	179.40
SCB	6.03	72	340.56	505.01	1,073.38	2,991.33	2,357.87
UNIL	6.2	50	100	300.31	877.56	1,375.00	968.75
(AGA)	-	2,409	2,099	3434	3,754.48	78,888.03	79,092.03

Source: GSE Market Statistics from 1990-2005

Market Concentration

The concentration of the market is the share of the market capitalization accounted for by the dominant companies in the market. GSE is highly concentrated with AGC alone accounting for about 90 per cent of total market capitalization when it was first listed on GSE in 1994. This figure decreased from 90 per cent to 88 per cent in 1995 and further decreased to 73 per cent in 1998. This trend shows decreasing concentration in terms of the share of market capitalization of the dominant companies listed on the GSE.

The data available shows that between 1994 and 1998, concentration on the market reduced by about 18 per cent and this indicates improvement in liquidity of the Exchange. GSE experienced lower market concentration in 2003 compared with

Previous figures, market concentration decreased by about 50 per cent using AGC's market capitalization as a ratio of total market capitalization of the market. With the inactiveness of the AGC equity on the market and the improved performance of other equities on the market, concentration continues to improve on the exchange.

Prospects of the Market

With the current improvements in the macroeconomic landscape as evidenced by the relative low rate of inflation and declining money market rates (increased external inflows), the stock market would serve as a safe haven and can therefore provide opportunities for investors and also listed companies to float new shares on the exchange.

PANEL L

Chart 43
Market Cap, GDP & Mkt Cap Ratio

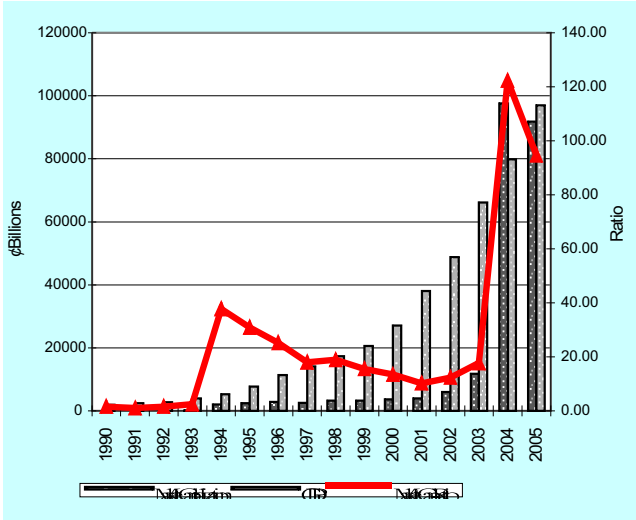


Chart 44
Market Cap & Value Traded

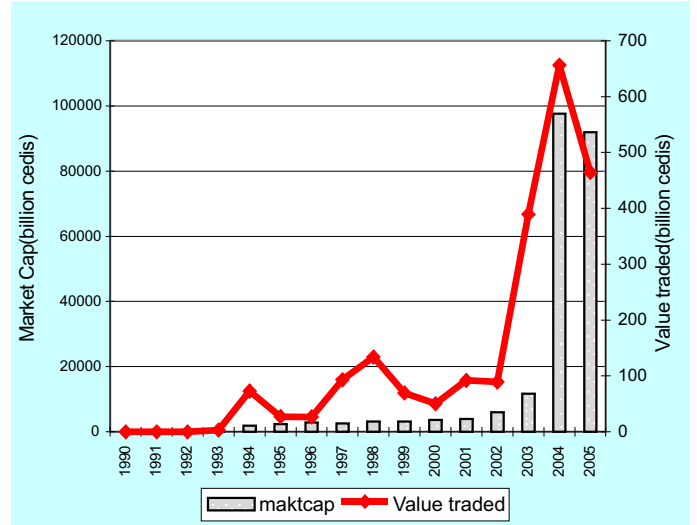


Chart 45
Volume of Activities (1990-2005)

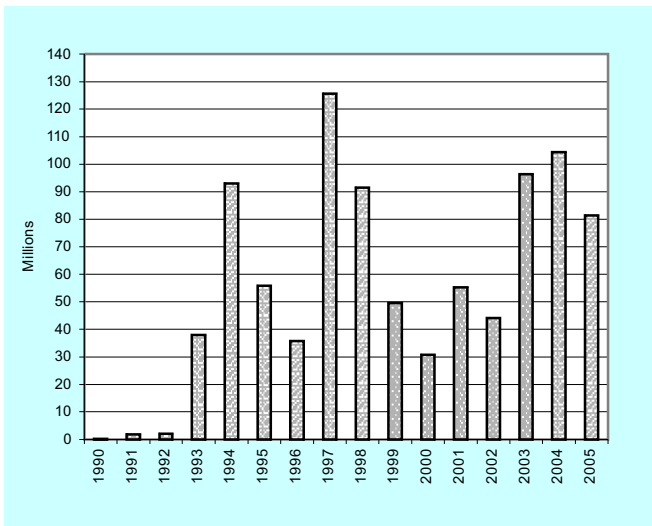
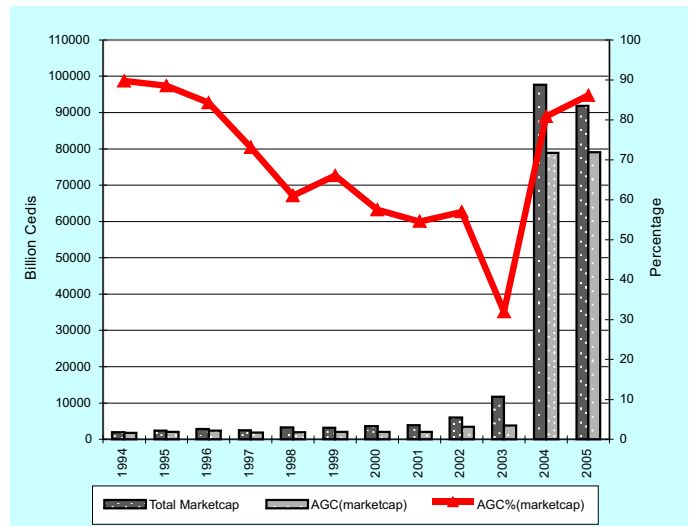


Chart 46
Total Market Cap, AGC Market Cap & Concentration Measure



G. Developments In The Foreign Exchange Market

International Exchange Rate Market

Successive increases in the US Federal Reserves Bank rate from 2.2 per cent in 2004 to 4.25 per cent at end 2005 allowed the US dollar to appreciate against the major international currencies.

Table 31
International Exchange Rate Movements

	End Period USUS\$/GBP	Quarterly Change	End Period USUS\$/Euro	Quarterly Change	End Period USUS\$/Yen	Quarterly Change
2003	1.6035		1.0427		0.0083	
Q1	1.5738	1.9	1.0794	-3.4	0.0083	0
Q2	1.6501	-4.6	1.144	-5.6	0.0083	0
Q3	1.6667	-1	1.1628	-1.6	0.0086	-3.5
Q4	1.7784	-6.3	1.2556	-7.4	0.0092	-6.5
2004						
Q1	1.8261	-2.6	1.2177	3.1	0.0094	-2.1
Q2	1.8073	1	1.2084	0.8	0.0092	2.2
Q3	1.8115	-0.2	1.2431	-2.8	0.0091	1.1
Q4	1.9267	-6	1.3644	-8.9	0.0097	-6.2
2005						
Q1	1.8741	2.8	1.2916	5.6	0.0093	4.3
Q2	1.8047	3.8	1.2065	7.1	0.0090	3.3
Q3	1.7627	2.4	1,2048	0.1	0.0088	2.3
Q4	1,7304	1.9	1,1873	1.5	0.0085	3.5

Depreciation (-)/Appreciation (+)

The US dollar appreciated against all the major global currencies during the quarter. It recorded quarterly appreciations of 1.9 per cent, 1.5 per cent and 3.5 per cent against the pound sterling, the euro and the yen respectively.

With interest rates of 2.5 per cent in the euro zone and near zero in Japan, investors were attracted to the 4.25 per cent rate yield in the US. The rate in the UK had been constant at 4.75 per cent since August 2004 and there were speculations that it would be lowered.

The Domestic Market

On the domestic market, the cedi continued to perform strongly on account of confidence in the economy, but was also influenced by developments on the global currency exchange market.

In the inter-bank market the cedi depreciated by 0.5 per cent against the **US dollar** during the quarter. The cedi however appreciated by 2.3 per cent and 1.3 per cent against the **pound sterling** and the **euro** respectively during the quarter under review.

Table 32
Inter-Bank Exchange Rate Movements

	End Period ¢/US\$	Quarterly Change	End Period ¢/GBP	Quarterly Change	End Period ¢/Euro	Quarterly Change
2003						
Q1	8,600.29	-1.9	13,729.81	-3.1	9,293.80	-8.4
Q2	8,700.36	-1.2	14,323.79	-4.1	10,000.23	-7.1
Q3	8,732.28	-0.4	14,277.69	0.3	9,851.31	1.5
Q4	8,852.32	-1.4	15,296.02	-6.7	10,986.26	-10.3
2004						
Q1	9,018.29	-1.8	16,309.55	-6.2	11,061.32	-0.7
Q2	9,046.54	-0.3	16,454.78	-0.9	10,943.53	1.1
Q3	9,051.76	-0.1	16,254.22	1.2	11,135.77	-1.7
Q4	9,051.26	0	17,411.51	-6.6	12,308.98	-9.5
2005						
Q1	9,075.45	-0.3	17,135.36	1.6	11,817.22	4.2
Q2	9,074.91	0	16,457.80	4.1	10,952.73	7.9
Q3	9,086.47	-0.1	16,036.95	2.6	10,955.53	0
Q4	9,130.82	-0.5	15,673.30	2.3	10,814.97	1.3

Depreciation (-)/ Appreciation (+)

Forex Bureaux Market

In the forex bureau market the cedi recorded 1.9 per cent depreciation against the US dollar. It however

appreciated at lower rates of 1.7 per cent, 1.0 per cent respectively against the pound sterling and the euro.

Table 33
Forex Bureaux Exchange Rate Movements

	End Period USUS\$/GBP	Quarterly Change	End Period USUS\$/Euro	Quarterly Change	End Period USUS\$/Yen	Quarterly Change
2003						
Q1	8,693.19	-0.1	13,581.82	-1.7	9,306.82	-7.6
Q2	8,829.55	-1.5	14,545.46	-6.6	10,245.46	-9.2
Q3	8,830.91	0.0	14,093.18	3.2	9,854.55	4.0
Q4	9,097.73	-2.9	15,402.28	-8.5	10,797.73	-8.7
2004						
Q1	9,235.46	-1.5	16,650.00	-7.5	11,277.27	-4.3
Q2	9,335.00	-1.1	16,879.55	-1.4	11,236.37	0.4
Q3	9,196.37	1.5	16,403.18	2.9	11,172.73	0.6
Q4	9,222.73	-0.3	17,365.91	-5.5	12,145.46	-8
2005						
Q1	9,179.09	0.5	17,120.46	1.4	11,979.55	1.4
Q2	9,203.64	-0.3	16,640.91	2.9	11,154.55	7.4
Q3	9,147.27	0.6	16,340.91	1.8	11,103.64	0.5
Q4	9,324.09	-1.9	16,063.64	1.7	10,988.64	1.0

Foreign Exchange Market Developments

The level of activities in the foreign exchange market continued to expand as the volume of transactions increased by 6.02 per cent from

US\$1,538.12 million in the third quarter to US\$1,636.69 million in the fourth quarter. Compared with the level of activities a year ago, the depth of the market expanded by 7.97 per cent.

Table 34
Foreign Exchange Market Developments

	Purchases				Sales				Total Volume	
	InterBank	F. Bureau	Total	Quarterly Change	InterBank	F. Bureau	Total	Quarterly Change	Total	Quarterly Change
2003										
Q1	281.36	48.59	329.96	-24.61	245.43	48.14	293.58	-46.10	623.53	-34.73
Q2	350.80	54.30	405.10	18.55	319.63	54.47	374.09	21.52	779.20	19.98
Q3	373.28	62.33	435.61	7.00	356.17	62.22	418.38	10.59	854.00	8.76
Q4	351.38	59.80	411.17	-5.94	368.79	60.12	428.90	2.45	840.08	-1.66
2004										
Q1	474.11	61.10	535.22	23.18	445.69	60.98	506.66	15.35	1041.88	19.37
Q2	475.30	63.07	538.37	0.59	489.54	63.09	552.63	8.32	1091.00	4.50
Q3	594.51	61.17	655.68	17.89	586.91	60.94	647.86	14.70	1303.54	16.30
Q4	658.96	73.64	732.60	10.50	713.96	74.02	787.99	63.07	1520.59	16.65
2005										
Q1	633.99	69.54	703.53	-3.97	704.50	69.09	773.59	-1.83	1475.92	-2.94
Q2	644.87	74.04	718.90	2.70	750.35	74.33	824.69	6.66	1543.59	4.81
Q3	651.50	77.47	728.97	1.38	731.68	77.46	809.15	-1.92	1538.12	-0.36
Q4	689.52	75.37	764.89	4.7	796.2	75.59	871.79	7.19	1636.69	6.02

PANEL M

Chart 47
Forex Bureau Exchange Rate

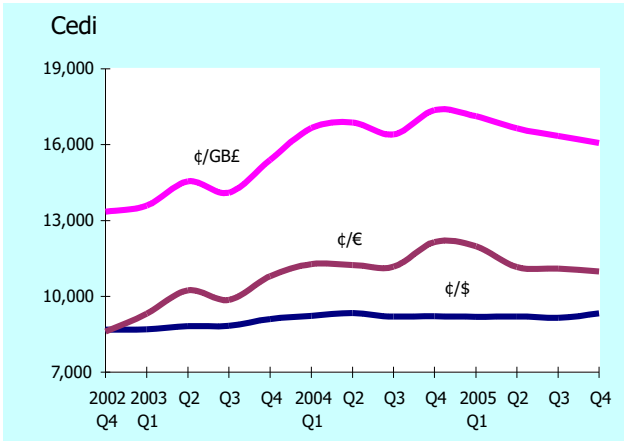


Chart 48
Inter-Bank Exchange Rate

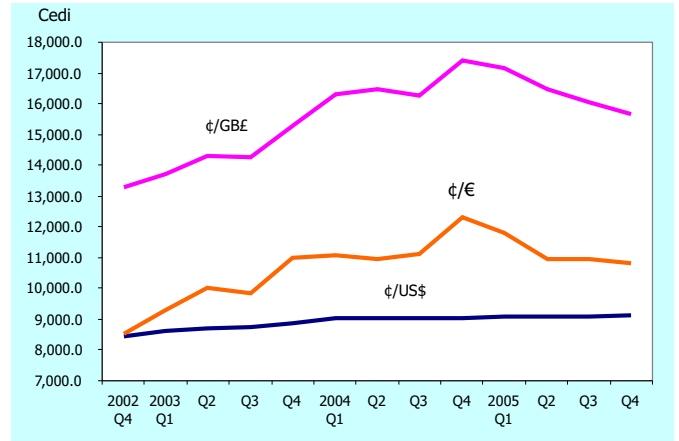


Chart 49
Inter-bank Foreign Exchange Transactions

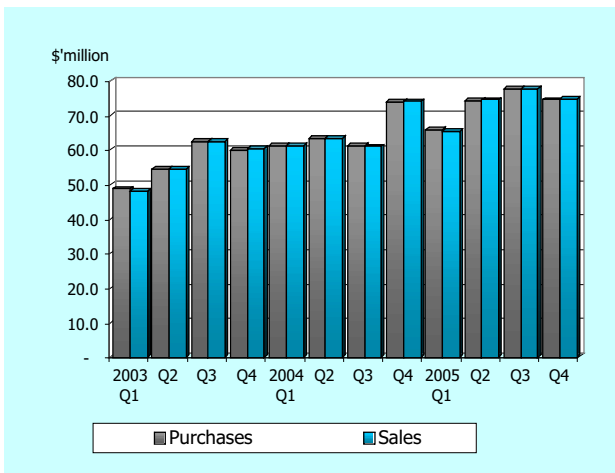
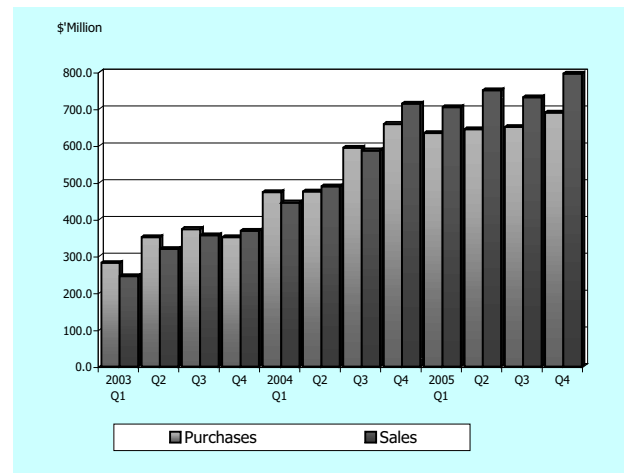


Chart 50
Forex Bureau Foreign Exchange Transactions



H. External Debt

Developments in External debt

In 2005, Multilateral Debt Relief Initiative (MDRI) proposed by the Group of Eight (8) Industrialized countries, was approved during the Annual Meetings of the IMF and the World Bank. Ghana was among the countries approved for 100 per cent cancellation of the outstanding stock of debt at end 2004. Eligibility for the debt cancellation included post HIPC countries that have maintained a satisfactory six-month track record of macroeconomic performance, of poverty reduction strategy implementation and not experienced any significant deterioration in public expenditure management.

US\$6,240.46 million in September to US\$6,692.36 million at the end of December 2005.

HIPC Relief

The IMF has cancelled US\$382.0 million of the US\$447.3 million owed to the Fund by Ghana. The World Bank and the African Development Bank are due to cancel just about US\$4 billion by middle of 2006. Ghana's external debt is therefore forecast to fall to about US\$2.5 billion by end of 2006.

These developments have greatly enhanced the outlook for external debt sustainability in Ghana.

Debt Stock

Ghana's total external debt including obligations to the IMF went up by US\$451.89 million from

Table 35
Public and Publicly Guaranteed External Debt By Maturity (US\$ Millions)

Items	2001	2002	2003	2004	2005*
Total External Debt	6,376.77	6,585.33	8,034.57	6,367.93	6,692.35
Short Term	300.00	360.00	474.77	330.00	540.00
Medium Term	476.24	528.30	730.80	722.81	647.09
Long Term	5,600.53	5,697.03	6,829.00	5,315.12	5,505.26
Bilateral	1,607.12	1,620.19	2,106.10	428.81	432.62
Multilateral	3,993.41	4,076.84	4,722.90	4,886.32	5,072.64

*Provisional

PANEL N

Chart 51
Selected Debt Indicators

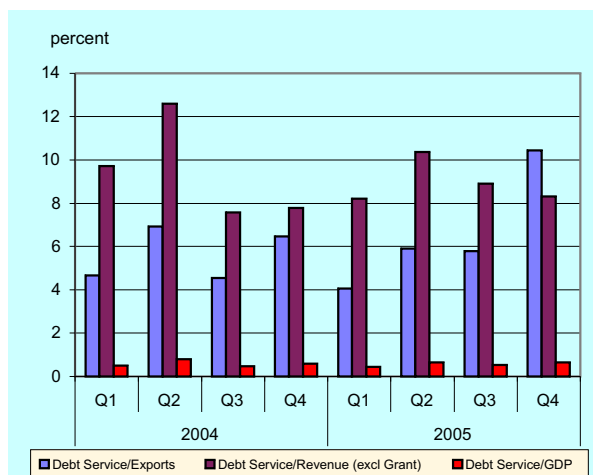


Chart 52
Debt Stock / GDP Q1 2004-Q4 2005

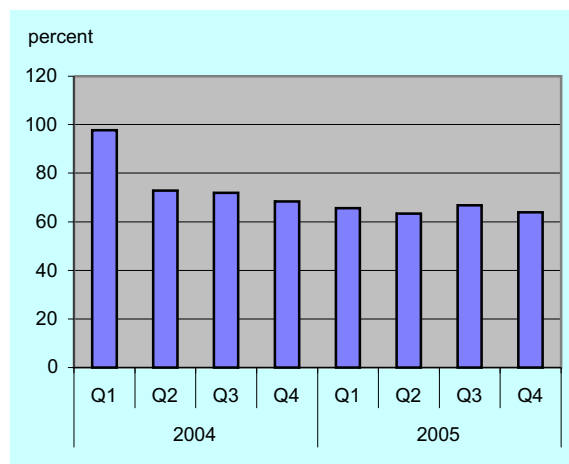


Table 36
Selected Debt Indicators

	2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(i) Debt Stock (excl short term) (\$m)	7,572.99	5,897.05	6,070.11	6,037.93	6,041.78	6,131.37	6,240.46	6,152.35
(ii) Debt Stock/GDP (%) (Excluding short term)	97.74	72.86	71.87	68.48	65.58	63.45	66.81	63.87
(iii) Debt Service /Exports (%)	4.67	6.92	4.54	6.47	4.06	5.90	5.80	10.44
(iv) Debt Service/Revenue (excl Grant) (%)	9.71	12.60	7.57	7.79	8.21	10.36	8.90	8.31
(v) Debt Service/GDP (%)	0.50	0.80	0.48	0.58	0.45	0.64	0.54	0.66

*Quarterly GDP is extrapolated

** Export is provisional

I. External Sector Developments

Review of International Trade and Finance

Provisional estimates of the balance of payments for the fourth quarter of 2005 indicated that the overall balance was a surplus of US\$283.63 million. This compares with a surplus of

US\$181.02 million recorded for the corresponding quarter of 2004. The improvement in the review period was mainly on account of significant inflows in the capital and financial account that dampened the deficit on the current account.

Table 37
Balance of Payments (US\$'M)

	2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4*
CURRENT ACCOUNT	25.02	34.68	-37.75	-303.08	-69.60	-139.85	-374.92	-189.82
Merchandise Exports (f.o.b.)	676.13	689.81	723.07	650.16	730.79	716.42	676.57	612.84
Cocoa beans and products	278.51	286.41	295.67	165.08	305.79	254.29	176.06	107.07
Gold	229.48	195.80	195.46	219.47	222.90	231.24	225.55	266.14
Timber	46.58	53.24	58.05	53.84	50.58	61.86	59.49	54.92
Others (including non-trationals)	121.56	154.36	173.89	211.77	151.52	169.04	215.47	184.71
Merchandise Imports (f.o.b.)	-934.78	-1,101.71	-1,034.93	-1,225.86	-1,158.00	-1,257.43	-1,458.11	-1,389.91
Non-oil	-792.65	-915.82	-807.95	-1,005.89	-948.83	-1,015.79	-1,204.17	-1,002.78
Oil	-142.13	-185.89	-226.98	-219.97	-209.17	-241.64	-253.94	-387.13
Trade Balance	-258.65	-411.90	-311.86	-575.70	-427.21	-541.01	-781.54	-777.07
Services, Income and Transfers (net)	283.67	446.58	274.11	272.62	357.61	401.16	406.62	587.25
CAPITAL & FINANCIAL ACCOUNT	-29.39	-114.52	23.57	321.93	-56.81	-41.58	294.32	703.55
Official Account	2.20	-35.30	80.48	5.07	14.71	-84.29	124.34	41.77
Private	82.84	16.88	148.01	84.26	38.79	211.50	187.69	141.01
Short-term	-114.43	-96.10	-204.92	232.60	-110.31	-168.79	-17.71	520.77
ERRORS AND OMISSIONS	-147.90	7.75	47.06	162.17	-28.39	53.41	190.23	-230.50
OVERALL BALANCE	-152.27	-72.09	32.88	181.02	-154.80	-128.02	109.63	283.23
FINANCING	152.27	72.09	-32.88	-181.02	154.80	128.02	-109.63	-283.23
Exceptional Financing	42.41	38.93	48.14	66.56	56.90	71.90	36.90	33.70
Changes in international reserves	109.86	33.16	-81.02	-247.58	97.90	56.12	-146.53	-316.93

* Provisional

The Current Account

The current account registered a deficit of US\$189.82 million, an improvement of US\$185.10 million from the previous quarter. This may be compared with a deficit of US\$303.08 million

registered in the same period in 2004. The developments in the current account reflected an increase in net inflows on the services, income and transfers account and the narrowing of the deficit on the trade account following a slowing down on imports.

Merchandise Trade

The deficit on the trade balance narrowed by US\$4.47 million from the previous quarter to US\$777.07 million. This compares with a deficit of US\$575.70 million in the same period in 2004. The improvement in the trade deficit was on account of the combined effects a decline in imports by US\$68.2 million from the third quarter to US\$1,390.14 million and a drop in the value of exports (fob) by US\$63.73 million.

Merchandise Exports

The fall in export earnings (f.o.b.) to US\$612.84 million from US\$676.57 million in the preceding quarter was mainly attributable to drop in earnings from cocoa (beans and products) and the 'other' exports that moderated the growth in gold earnings.

Earnings from **gold** exports increased to US\$266.14 million from US\$225.55 million in the preceding quarter, thereby increasing its share in total exports to 43.4 per cent from 33.3 per cent in the previous quarter. The earnings for the same period in 2004 were US\$219.47 million. The increase resulted from both price and quantity effects. Volume of gold exports improved by 7 per cent to 549,065 fine ounces, while realised prices increased by 10 per cent to US\$484.71 per fine ounce following investors interest in gold as a safe haven against continued weakening of the US dollar on the international market.

Earnings from cocoa (beans and products) amounted to US\$107.07 million, a drop of 39 per cent from previous quarter. Of this amount, earnings from cocoa beans amounted to US\$92.98 million compared with US\$139.62 million in the preceding quarter and US\$155.39 million in the corresponding period of 2004. Following the decline in earnings, the share of cocoa exports in

total export earnings dropped from 26 per cent in the previous quarter to 17 per cent during the review period. This development was on account of a decline of 42 per cent in volume to 60,339 tonnes that more than offset a rise of 14 percent in average realised prices to US\$1,540.96 per tonne. While the rise in price was attributed to the continued political instability in Cote d'Ivoire, the world's leading producer, the drop in the volume reflected the export of cocoa beans purchased during the minor crop season.

Exports of cocoa products was estimated at US\$14.09 million, showing a decline of 61 per cent from US\$36.44 million recorded for the last quarter. Export earnings for the corresponding period in 2004 amounted to US\$9.69 million.

Total earnings from timber exports was estimated at US\$54.92 million, a decline of 8 per cent from US\$59.49 million in the preceding quarter. The decline in receipts from timber exports was mainly due to 7 per cent drop in the volume exported to 114,148 metric tonnes. Average realised prices also declined marginally by US\$2.65 to settle at US\$481.13 per metric tonne.

Preliminary earnings from the 'other exports' during the quarter under review indicated that export earnings dropped to US\$184.71 million from US\$215.47 million recorded in the previous quarter.

Merchandise Imports

Total imports for the quarter under review amounted to US\$1,390.14 million relative to US\$1,474.25 million recorded in the previous quarter, representing a decline of 6 per cent. The import bill for the same period in 2004 was US\$1,225.86 million. The decline was on account

of combined effects of a decline in the imports of intermediate goods (mostly primary and processed goods for industrial production and imports of petroleum oil (crude and products) and capital goods that more than offset the increase in the importation of consumption goods.

The value of consumption goods went up by 27.7 per cent to US\$344.76 million mainly as a result of importation of seasonal goods for Christmas festivities. The imports of capital goods, which included machinery for the mining companies, declined by 15 per cent from the previous quarter to US\$231.50 million. Although imports of intermediate goods, which included oil imports declined by 16 per cent to US\$703.74 million, oil imports, in particular, rose by 43 per cent to US\$387.38 million, reflecting mainly higher volumes of crude oil. While the volume of crude oil imports rose by 15 per cent to 3.51 million barrels, average prices declined by 6.9 per cent to US\$58.96 per barrel from US\$63.35 recorded in the preceding quarter. Miscellaneous imports which were mainly passenger vehicles declined marginally by US\$4.91 million to US\$110.15 million.

Direction of Trade

During the quarter under review, countries in both North America and Europe absorbed 50 per cent of Ghana exports while the rest of the world absorbed the remaining half. The main markets for Ghana's merchandise exports were South Africa (35.9 %), Netherlands (8.8 %), Switzerland (7.7 %), United Kingdom (6.3 %), France (4.1 %) and Belgium (4 %).

On the other hand, the main countries of origin of imports were Nigeria (17 %), China (8.9 %) USA (7.6 %), Belgium (5.1 %), Germany (5.4.8 %), the U.K. (4.4 %) and South Africa (3.7 %).

Services, Income and Transfers Account

Preliminary estimates of the balance on the services, income and transfers account in the fourth quarter showed a surplus of US\$587.25 million, indicating an increase of US\$150.63 million from the US\$406.62 million recorded in the previous quarter. Within the account, the deficit on the Services account narrowed by US\$23.05 million to US\$81.67 million mainly on account of a decline in freight and insurance payments resulting from a decline in imports during the month under review.

In contrast, the surplus on the current (unrequited) transfers improved by 27 per cent to US\$705.56 million mostly because of a 46 per cent increase in private transfers. Cash transfers and remittances received by private sector amounted to US\$501.99 million compared with US\$343.59 million in the previous quarter. Net receipts for the same period in 2004 amounted to US\$302.19 million.

Net official transfers inflows declined to US\$203.57 million from US\$212.10 million recorded in the preceding quarter. This represents an improvement of US\$51.15 million over the US\$302.19 million recorded in the fourth quarter of 2004.

Table 38
Developments in Services and Transfers Account
(US\$ million)

Transactions	2004					2005				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
Services, Income & Transfers (Net)	283.67	446.58	274.1	272.62	1276.98	357.61	401.16	406.62	587.25	1,752.64
Services (Net)	-112.5	-32.37	-81.28	-130	-356.16	-3.8	72.58	-104.72	-81.67	-117.61
Freight and Insurance (Net)	-57.15	-69.28	-60.56	-78.58	-265.58	-71.96	-75.24	-105.09	-81.9	-334.19
Other Services (Net)	-55.35	36.92	-20.71	-51.44	-90.58	68.16	147.82	0.37	0.23	216.58
Of which										
Travel	55.92	97.86	69.9	111.46	335.14	111.46	102.73	160.91	113.24	488.34
Investment Income (Net)	-49.31	-46.28	-50.3	-51.97	-197.85	-53.14	-53.19	-44.35	-36.64	-187.32
Net Unrequited Transfers	445.47	525.22	405.7	454.61	1830.98	414.55	381.77	555.69	705.56	2057.57
Official	124.46	119.01	148	152.42	543.93	55.54	70.06	212.1	203.57	541.27
Private	321.01	406.21	257.6	302.19	1287.05	359.01	311.71	343.59	501.99	1516.3

*Provisional

Capital and Financial Account

The Capital and Financial account registered a surplus of US\$703.55 million in the quarter under review, an improvement of US\$409.24 million from US\$294.31 million in the previous quarter. This compares with US\$321.93 million recorded for the fourth quarter in 2004. The improvement was mainly on account of a significant improvement in the net flows on the short-term capital account.

Government Sector

The net outflow on the government (official) account declined from US\$124.34 million in the previous quarter to US\$41.77 million. Gross inflow of official loans amounted to US\$120.47 million, compared with debt amortisation of US\$78.70 million.

Table 39
Developments in the Capital and Financial Account
(US\$ million)

Transactions	2004					2005				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4*	Annual
Capital & Financial Account (Net)	-29.39	-114.52	23.57	321.93	201.59	-56.81	-41.58	294.31	703.55	899.47
Official Capital (Net)	2.2	-35.3	80.48	5.07	52.45	14.71	-84.29	124.34	41.77	96.53
Gross inflows	63.2	76.8	153.18	109.07	402.25	96.01	29.71	211.04	120.47	457.23
Amortisation	-61	-112.1	-72.7	-104	-349.8	-81.3	-114	-86.7	-78.7	-360.7
Private Capital (Net)	82.84	16.88	148.01	84.26	331.99	38.79	211.50	187.68	141.01	578.98
Direct Investment (Net)	20.52	22.00	43.00	53.75	139.27	18.59	31.49	37.23	45.30	132.61
Divestiture	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others (Net)	62.32	-5.12	105.01	30.51	192.72	20.20	180.01	150.45	95.71	446.37
Inflows	71.70	0.00	111.95	47.24	230.89	28.20	187.03	164.45	107.71	487.39
Amortisation	-9.38	-5.12	-6.94	-16.73	-38.17	-8.00	-7.02	-14.00	-12.00	-41.02
Short Term Capital	-114.43	-96.10	-204.92	232.60	-182.85	-110.31	-168.79	-17.71	520.77	223.96
Non-Monetary	-36.93	-189.80	-164.62	303.10	-88.25	-102.62	-181.39	-114.41	549.14	150.72
Monetary	-77.50	93.70	-40.30	-70.50	-94.60	-7.69	12.60	96.70	-28.37	73.24

*Provisional

Private Capital

During the period under review, net inflows on the private capital account declined to US\$141.01 million from US\$187.68 million registered in the preceding period. This was due to total disbursements of private capital, which declined from US\$150.45 million in the third quarter to US\$95.71 million. Net payments by the private sector declined marginally by US\$2.0 million to US\$12.00 million.

Short-term Capital

The balance on the short-term account showed a surplus of US\$520.77 million compared with a

deficit US\$17.71 million in the preceding quarter. The swing from a deficit to a surplus was largely attributed to the draw down of the cocoa pre-export finance facility by Cocobod to facilitate the purchase of cocoa beans during the 2005/2006 main crop-season.

International Reserves

Gross international reserves of the Bank of Ghana, at the end of December 2005 stood at US\$1,894.79 million, equivalent of 3.5 months of imports goods and services. This compares with 3.7 months of imports of goods and services at the end-December 2004.

Table 40
Gross International Reserves (US\$ million)

	2003	2004				2005			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4*
Gross Reserves	1,429.42	1,332.85	1,339.06	1,446.71	1,732.94	1,548.94	1,469.08	1,647.11	1,894.79
Short-Term Assets	1,423.32	1,327.05	1,333.26	1,440.91	1,727.13	1,542.98	1,463.13	1,611.83	1,859.34
Gold	117.08	117.1	117.1	117.1	122.84	122.85	122.85	122.85	144.4
Holdings of SDRs	46.63	42.37	30.81	26.56	20.64	16.08	7.89	2.05	1.1
Reserves in IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	1,259.61	1,167.58	1,185.35	1,297.25	1,583.65	1,404.05	1,332.39	1,516.61	1,743.37
Long-Term Assets	6.1	5.8	5.8	5.8	5.81	5.96	5.95	5.6	5.92

*Provisional

Deposit Money Banks

Gross reserves of the Deposit Money Banks (DMBs) declined to US\$382.48 million at the end

of the fourth quarter from US\$397.89 million in the previous quarter. Liabilities of the DMBs also declined to US\$91.05 million, from US\$180.63 million recorded at the end of the third quarter.

Table 41
Foreign Assets and Liabilities of Deposit Money Banks (US\$ million)

	2003	2004				2005			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Assets	335.89	395.27	364.74	397.14	414.34	461.31	488.44	397.89	382.48
Liabilities	111.6	93.51	156.67	148.82	95.58	134.8	174.5	180.63	91.05
Net	224.29	301.76	208.07	248.32	318.76	326.51	313.94	217.26	291.43

PANEL O

Chart 53
Origin of Imports in Q4 2005

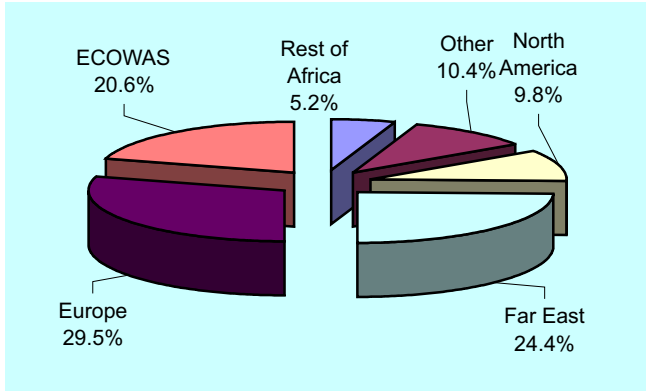


Chart 54
Destination of Exports in Q4 2005

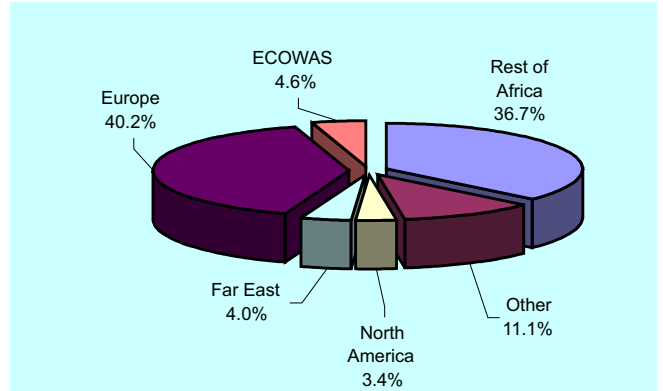


Chart 55
Composition of Imports in Q4 2005

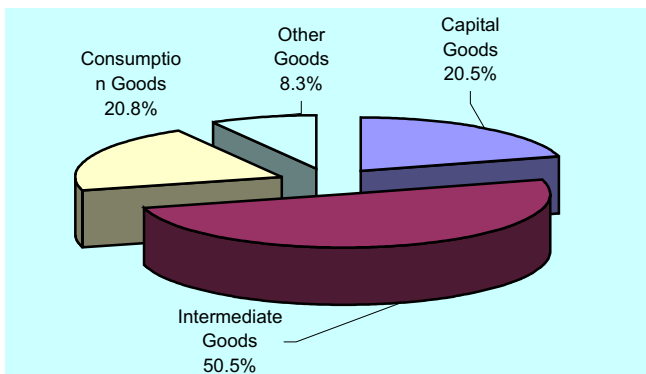
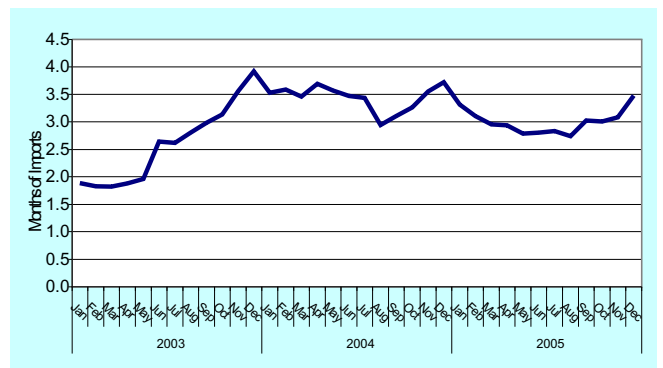


Chart 56
Gross International Reserves (Months of Import Cover)



J. Developments In The Rural Banking Sector ⁵

In the third quarter of 2005, one new rural bank (Sefwiman Rural Bank) was issued an operating licence. This brought the total number of rural/community banks in the country to 121.

The total number of rural/community banks operating fully by the end of September 2005, was 120. A classification of these banks using the capital adequacy ratio of 6 per cent, revealed that 98,

representing 82.4 per cent of the total 120 were satisfactory and while the remaining 22 were mediocre.

Thirty-one (31) out of the total of one hundred and twenty 120 rural/community banks were able to attain the new minimum paidup capital of ₦0.5 billion as required under the new Banking Act 2004 (act 673) during the quarter.

Table 42
Consolidated Assets and Liabilities of Rural and Community Banks (₦ billion)

	2004	2005			Change b/n Q2 05 & Q3 05	
	Q4	Q1	Q2	Q3	Abs	%
ASSETS						
Total Assets of which	1,790.5	1,897.2	1,991.6	2,038.1	46.5	2.3
Cash and Bank Balances	306.7	315.0	307.0	297.5	-9.5	-3.1
Bills and Bonds	736.2	803.4	835.0	779.3	-55.7	-6.7
Loans and Advances	529.0	569.7	629.4	748.9	119.5	19
Others	218.6	209.2	220.2	212.4	-7.8	-3.6
LIABILITIES						
Total Liabilities of which	1,790.5	1,897.2	1,991.6	2,038.1	46.5	2.3
Total Deposit	1,357.3	1,429.5	1,499.2	1,451.7	-47.5	-3.2
Shareholders Funds	245.9	272.6	287.1	244.8	-42.3	-14.7
i) Paid- up Capital	33.2	43.2	48.0	43.5	-4.4	-9.3
ii) Reserves	212.6	229.3	239.2	201.3	-37.9	-15.8
Others	187.3	195.2	205.3	341.6	136.3	66.4

Assets and Liabilities of Rural Banks

The financial performance of the rural/community banks in the quarter was subdued. Total assets held by the rural banks increased by 2.3 per cent (₦46.5 billion) to ₦2,038.1 billion. This increase was mainly reflected in loans and advances, which grew by 19.0 per cent (₦119.5 billion). There were declines in the other components of Assets, namely; Cash and bank balances went down by 3.1 per cent (₦9.5 billion), while investment in bills and

bonds also declined by 6.7 per cent (₦55.7 billion). The drop in investments was mainly on account of a decrease in deposits and the falling trend in Treasury Bill rates, making the instrument less attractive.

It is also significant to note that the investment portfolio of the rural/community banks continue to tilt towards the granting of credit.

Total deposits of the rural/community banks stood

⁵ Available data on Rural Banks covers the third quarter of 2005 only.

at ₪1,451.7 billion reflecting a decrease of 3.2 per cent (₪67.6 billion) over the previous quarter's position.

rural/community banks contributed ₪1,451.7 billion. At this level the rural/community banks' share of domestic deposits dropped to 9.1 per cent during the third quarter of 2005.

Rural Banks' Share of Domestic Deposits

The banking industry mobilised ₪16,020.9 billion in total domestic deposits out of which the

Table 43
Domestic Deposits of The Banking Industry

	2005					
	Q1		Q2		Q3	
Category Of Banks	Domestic Deposits (₪'billion)	% Share	Domestic Deposits (₪'billion)	% Share	Domestic Deposits (₪'billion)	% Share
Commercial Banks	13885.5	90.7	14468.6	90.6	14,569.2	90.9
Rural Banks	1429.5	9.3	1499.2	9.4	1,451.7	9.1
TOTAL	15314.9	100	15967.8	100	16,020.9	100

Reserve Requirements

Primary reserves⁶ of the rural/community banks showed an excess of 7.5 per cent over the mandatory minimum reserve requirement of 13.0

per cent. The secondary reserves⁷ ratio also recorded an excess of 23.7 per cent above the mandatory requirement of 30.0 per cent.

⁶Made up mainly of cash and bank balances.

⁷Consisting of investment in bills and bonds

PANEL P

Chart 57
Financial Ratios of Rural Banks in Ghana



Chart 58
Rural Banks Deposits and Credit

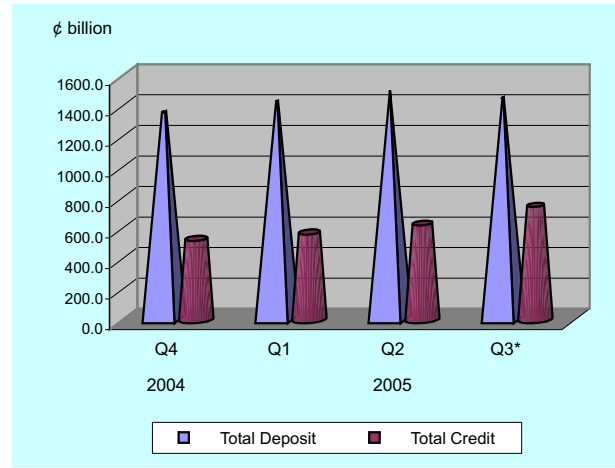
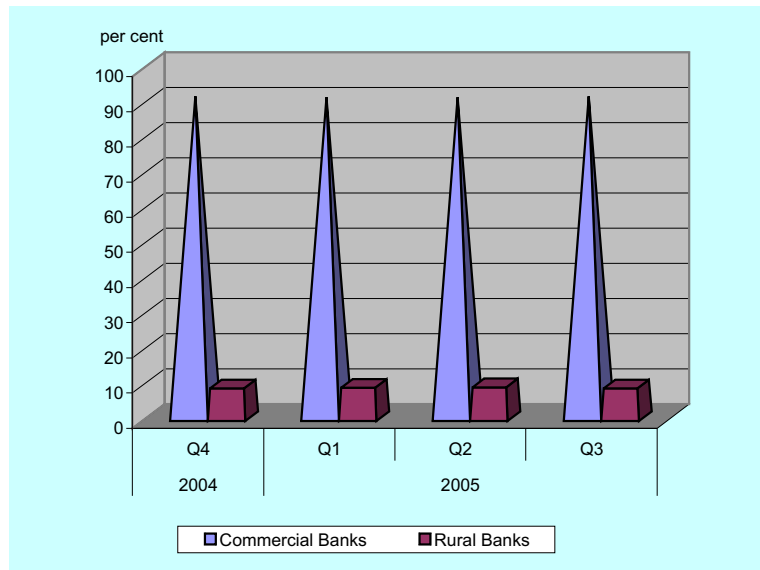


Chart 59
Share of Domestic Deposits



K. The Non-Bank Financial Institutions Sector

Total Assets

The annual growth rate of total assets of Non-Bank Financial Institutions (NBFIs) sector slowed down from 53.6 per cent (¢750.2 billion) at the end of the third quarter 2005 to 33.4 per cent (¢521.1 billion) in the review quarter. Total assets of the sector stood at ¢2,079.1 billion at the end of 2005.

Finance Houses overtook Savings and Loans Companies (SLCs) as the fastest growing sub sector with an annual growth rate of 78.0 per cent (¢372.3 billion) in the review quarter. SLCs recorded an annual growth rate of 50.1 per cent (¢170.9 billion) followed by Discount Houses with 36.4 per cent (¢136.6 billion). On the other hand, total assets of Leasing Companies went down 43.5 per cent (¢158.7 billion) on annual basis.

The share of Finance Houses and SLCs in total assets of the NBFIs sector increased from 34.1 and 20.6 per cent respectively in the previous quarter to 40.9 and 24.6 per cent. On the other hand, the contribution of Discount Houses and Leasing Companies to total assets of the sector declined by from 29.1 and 16.2 per cent respectively at the end of the third quarter to 24.6 and 9.9 per cent at the end of the year.

Deposit Mobilization by NBFIs

Deposit and deposit substitute mobilized by NBFIs also grew at a slower annual rate of 7.8 per cent (¢102.3 billion) at the end of the fourth quarter compared with the 28.1 per cent (¢331.4 billion) recorded in the previous quarter. Total deposits of the sector stood at ¢1,422.2 billion at the end of the year.

The share of the subsectors in total deposits were Finance Houses, 35.6 per cent (¢506.2 billion) Discount Houses 29.9 per cent (¢424.9 billion), SLCs, 22.0 per cent (¢313.2 billion) and Leasing Companies 12.5 per cent (¢177.9 billion).

Distribution of Deposits in the Financial Sector

Domestic currency deposit mobilised by DMBs, Rural Banks and NBFIs rose by 14.6 per cent (¢2,372.8 billion) on annual basis to ¢18,616.3 billion during the fourth quarter of 2005. This may be compared with an annual increase of 23.7 per cent (¢3,404.5 billion) recorded in the third quarter.

Of the total domestic currency deposits mobilised by the financial institutions surveyed, DMBs accounted for 84.6 per cent (¢15,742.4 billion) while Rural Banks and NBFIs contributed 7.8 per cent (¢1,451.7 billion) and 7.6 per cent (¢1,422.2 billion) respectively.

During the review quarter the prices of 6 equities appreciated while 12 lost value and the remaining 11 traded flat. Enterprise Insurance Company Ltd (EIC) led the advancers with a 13.6 per cent (¢821) gain followed by Guinness Ghana Breweries Ltd (GGBL; 6.0 % or ¢440) and Fan Milk Ltd (FML; 1.2 % or ¢195.0). On the other hand, Standard Chartered Bank Ltd (SCB) led the losers with a share price decline of 3.0 per cent (¢4,000) followed by Home Finance Company Ltd (HFC; 14.3% or ¢1,000) and The Trust Bank of The Gambia Ltd (TBL; 3.2% or ¢900).

PANEL O

Chart 60
NBFIs Total Assets Distribution

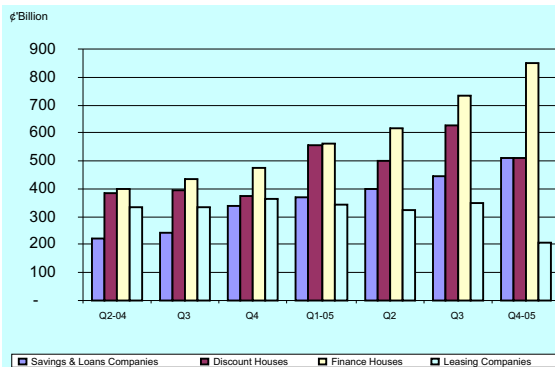


Chart 61
per centage Distribution of NBFIs Total Assets Dec'05

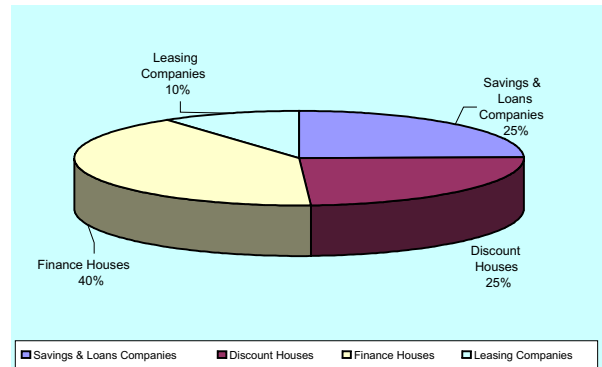


Chart 62
Deposit Mobilization by Financial Institutions

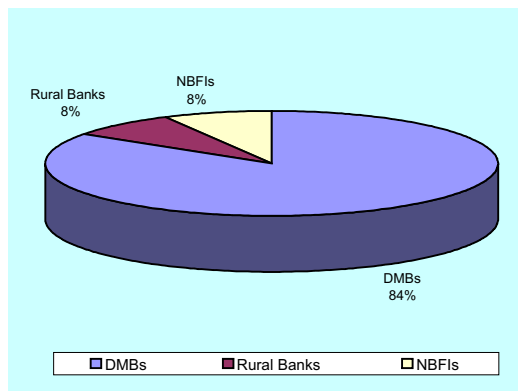


Chart 63
Distribution of NBFIs Deposits

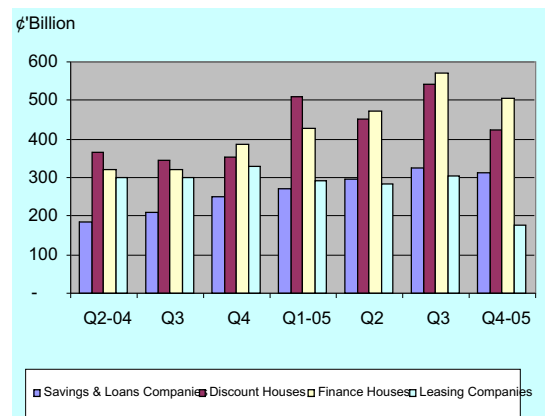


Table 44
Share Of Deposits Among The DMBs, NBFIs and The Rural Banks

	Q1 2005		Q2 2005		Q3 2005		Q4 2005	
	Dom Deposits	% Share	Dom Deposits	% Share	Dom Deposits	% Share	Dom Deposits	% Share
Financial Inst.								
DMBs	13,885.50	82.6	14,468.60	82.8	14,569.20	82.0	15,742.40	84.6
Rural Banks	1,429.50	8.5	1,499.20	8.6	1,451.70	8.2	1,451.70	7.8
NBFIs	1,499.90	8.9	1,509.60	8.6	1,745.90	9.8	1,422.20	7.6
TOTAL	16,814.90	100.0	17,477.40	100.0	17,766.80	100.0	18,616.30	100.0

*Q3 data repeated for Rural Banks

