

BANK OF GHANA



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Overview

This economic report highlights developments in the global and domestic economies for the first quarter of 2020. These includes developments in the real sector performance, inflation, government budgetary operations, monetary aggregates, banking sector credit, exchange rates, interest rates, the capital market, external sector, and debt stock.

Global Economy

The expected recovery in the global economy following partial easing of pandemic lockdown in the second quarter of the year did not occur. The impact of COVID-19 on economic activity has been more negative than expected and recovery is expected to be gradual. The IMF, in its World Economic Outlook (June forecast), projects that global growth will contract by 4.9 percent in 2020. The downward revision of the global growth forecast is broad-based, involving both the advanced and emerging market economies (EMDEs).

The Domestic Economy

Real Sector

Developments in the domestic economy indicated a general downturn in activity due to the negative impact of COVID-19 and the measures taken to combat it. Real GDP for Q2:2020 was estimated at -3.2 percent from a growth of 4.9 percent in the first quarter. Industry was the sector most affected by the lockdown measures during the review quarter, contracting by 5.7 percent, followed by services with -2.6 percent. The Agricultural sector fared much better with a growth of 2.5 percent, though slightly down from 2.8 percent growth in Q1:2020.

Inflation

Headline inflation rose to 11.2 percent at the end of the second quarter of 2020, significantly above the 7.8 percent recorded at the end of the first quarter of 2020. The rise in inflation between the quarters was due to price hikes associated with panic-buying related shortages during the market fumigation exercise and lockdown restrictions. Food inflation picked up from 8.4 percent at the end of the first quarter to 13.8 percent, while non-food inflation rose to 9.2 percent from 7.4 percent in June 2020.

Government Budgetary Operations

In the first quarter of 2020, the fiscal deficit was GH¢10,389.2 million (2.7% of GDP). This was higher than the deficit of GH¢6,297.9 million (1.8% of GDP) recorded in the corresponding quarter in 2019. This outturn was influenced by revenue shortfalls and increased COVID related spending.

Government receipts (including grants) for the review period totaled GH¢11,050.3 million (2.9% of GDP). This was lower than the target of GH¢15,810.5 million (4.1% of GDP) by GH¢4,760.2 million.

Government expenditure and net lending for the second quarter of 2020 was GH¢22,807.4 million (5.9% of GDP), higher than programmed target of GH¢20,036.1 million (5.2% of GDP) by 15.8 percent.

Compensation of employees and Goods and Services exceeded their targets by about 16.2 percent and 59.3 percent respectively, largely due to COVID-related spending to reduce the negative social impact of the pandemic.

The stock of domestic debt increased by GH¢16,583.4 million to GH¢121,966.8 million

(31.6 % of GDP) at the end of the second quarter of 2020 from GH¢105,383.4 million (30.2 % of GDP) at the end of 2019.

Monetary Aggregates

Developments in the monetary aggregates indicate a slowdown in the growth of broad money supply (M2+) on a year-on-year basis. The annual growth in M2+ was 20.3 percent in the second quarter of 2020, slightly down from 22.1 percent in the second quarter of 2019. Growth in M2+ reduced on account of a significant decrease in the growth in Net Foreign Assets (NFA) which was moderated by an increase in Net Domestic Asset (NDA). NFA declined from 22.5 percent in the second quarter of 2019 to 6.2 percent at the end of the second quarter of 2020. This was however higher than the contraction of 8.2 percent recorded in the first quarter of 2020.

The slowdown in growth of NFA during the quarter was attributed to energy sector payments, debt service, and balance of payments support. Net Domestic Assets (NDA) increased by 25.0 percent from 22.0 percent growth in second quarter of 2019. Stock of M2+ stood at GH¢100,498.91 million as at end of June 2020 compared with GH¢83,517.12 million for Q2:2019 and GH¢92,905.07 million for Q1:2020.

Banking Sector Credit

The annual growth in banks' outstanding credit to the public and private institutions decreased from 18.4 percent in the second quarter of 2019 to 13.8 percent in the second quarter of 2020. This was also lower than the growth of 16.5 percent recorded in the first quarter of 2020. At the end of Q2:2020, total outstanding credit stood at GH¢52,076.42 million compared with GH¢45,773.70 million and GH¢51,924.57 million recorded in Q2:2019 and Q1:2020, respectively. In real terms, credit from banks grew by 2.3 percent in Q2:2020, a decrease from 10.0 percent growth at the end of the second quarter of 2019, and the 8.1 percent growth realised in Q1:2020.

At the end of the review quarter, the share of private sector credit of total credit decreased to 86.7 percent from 87.8 percent share recorded in the second quarter of 2019.

Exchange Rates

The domestic currency weakened in Q2:2020 from a comparatively strong performance during the previous quarter. On the Interbank market, the Ghana Cedi depreciated by 3.5 percent, 6.1 percent, and 4.0 percent against the Pound Sterling, the Euro, and the U.S. Dollar respectively during Q2:2020. Comparatively in Q2:2019 the Cedi depreciated by 0.9 percent, 3.3 percent, and 4.6 percent against the Pound Sterling, the U.S. Dollar, and the Euro, respectively.

On the Forex Bureau market, the Cedi fell by 1.6 percent, 6.3 percent, and 5.0 percent against the U.S. Dollar, the Pound Sterling, and the Euro, respectively. Akin to the Interbank market, the Cedi fared better in Q2:2019 when it depreciated by 4.0 percent and 4.7 percent against the U.S. Dollar and the Euro, respectively. Against the Pound Sterling it appreciated by 0.1 percent.

Interest Rates

Interest rate developments in the money market for the second quarter of 2020 showed a general downward trend on a year-on-year basis. The rates on BOG bills and GOG securities decreased on a year-on-year basis compared to the corresponding quarter in 2019. The lending and deposit rates of Deposit Money Banks (DMBs) also decreased when compared with rates recorded in Q2:2019. Compared with Q1:2020,

rates on GOG and BOG securities similarly declined. The lending and deposit rates of the DMBs also decreased in the review quarter when compared with rates recorded in Q1:2020.

Interest rate developments in the money market for Q2:2020 reflected mixed trends on a year-on-year basis. The Monetary Policy Rate (MPR) remained at 14.5 percent during the second quarter having been reduced by 150 basis points (bps) to 14.50 percent in Q1:2020 to serve as incentive to the financial sector to on-lend to the private sector following the outbreak of the COVID-19 pandemic.

Rates on BOG bills decreased compared with the first quarter in 2020, and the interest equivalent of the 14-day and 56-day BOG bills both decreased by 112 bps each from 15.62 percent.

On the treasury market, the 91-day, 182-day, and the 364-day T-bill rates declined by 78 bps, 118 bps and 105 bps respectively on year-on-year basis to settle at 13.97 percent, 14.05 percent, and 16.87 percent respectively.

The interbank weighted average interest rate decreased by 138 bps year-on-year, from 15.20 percent recorded in the second quarter in 2019 to 13.82 percent at the end of the second quarter of 2020. The downward trend observed can be attributed to the reduction in the Monetary Policy Rate (MPR) and a reduction in BOG's participation on the reverse repo market.

Capital Market

The Ghana Stock Exchange Composite Index (GSE-CI), a key indicator of performance of stocks on the local bourse, dipped by 12.0 percent in Q2:2020. The GSE-CI was adversely impacted by the emergence of the COVID-19 pandemic as investors sought safe-haven assets to minimize their risk exposures. The GSE-CI fell significantly by 12.0 percent (-259.71 points) at the end of Q2:2020, which compares with a decline of 2.4 percent (-59.69 points) recorded in the same period in Q1:2019. Total market capitalization as at the end of Q2:2020 stood at GH¢52,950.40 million, representing a decrease of 5.4 percent (-GH¢3,035.15 million). Comparatively, market capitalization decreased by 1.7 percent (-GH¢1,020.37 million) in the same period in 2019.

External Sector

The estimated value of merchandise exports for the second quarter of 2020 was US\$3,481.52 million, indicating a decrease of US\$548.42 million or 13.6 percent compared with US\$4,029.94 million recorded in the same period in 2019. The decrease was attributable to declining receipts from the exports of crude oil, although other exports (other minerals and non-traditional exports) and some commodities recorded lower export receipts as the negative effects of COVID-19 hit trade.

The total value of merchandise imports for the second quarter of 2020 amounted to US\$3,366.08 million, up by 1.5 percent compared to US\$3,317.49 million recorded in 2019. The increase was driven by non-oil imports.

The provisional trade balance for Q2:2020 showed a surplus of US\$114.47 million compared to a surplus of US\$712.44 million recorded for the same period in 2019. The reduction in the trade balance was because of a larger decline in exports (13.6% y/y) relative to imports (1.5% y/y).

The country's gross international reserves stood at US\$9,171.36 million at the end of June 2020 from a stock position of US\$8,418.08 million as at the end of December 2019. This was sufficient to provide 4.3 months of imports cover compared to 4.3 and 4.0 months of imports cover as of June 2019 and December 2019, respectively.

External Debt

The provisional stock of government and government-guaranteed external debt at the end of Q2:2020 stood at US\$24,035.89 million. This was US\$1,096.29 million (4.8%) higher than the stock position of US\$22,939.60 million registered at the end of Q1:2020, and US\$3,453.48 million (16.8%) more than the level of US\$20,582.41 million recorded in Q2:2019.

This rise in the stock of external debt is attributed to net transactions (disbursements and amortizations) during the review quarter and the Eurobond issued in February 2020 as well as the IMF US\$1 billion under the Rapid Credit Facility.

The external debt stock at the end of the second quarter of 2020 represented 35.5 percent of total GDP at current prices compared with 31.0 percent recorded for the same period in 2019.

1. Developments in the World Economy

Developments in the global economy continued to reflect the spread of the COVID-19 pandemic and the public health counter measures implemented to contain the outbreak. Although infections rates have been broadly brought under control and many countries have re-opened their economies, there is a resurgence of infections in some others. This has led to concerns about the possibility of a second wave of infections across the globe. The resurgence of the COVID-19 in some U.S. states, and more recently in Spain, lends credence to this possibility.

The economic fallout of the pandemic is estimated to be deeper than previously anticipated. Output declined in all sectors of the global economy, but more so in the manufacturing and services sectors, driven mainly by supply disruptions and the precautionary behaviour of households and firms in response to the containment measures introduced to stem the outbreak. EMDEs faced multi-layered shocks including domestic economic disruptions due to containment measures, the challenging global environment, the collapse of oil prices, and tighter financial conditions. Although sovereign spreads have retreated somewhat following the sharp rise in March 2020, on average spreads remain about 150 basis points below the pre-pandemic level in many EMDEs.

The timely and massive fiscal and monetary policy support have contributed to the ongoing stability in global financial markets and are expected to mitigate the economic slowdown in the near-term. The early indication from China's experience with the virus is that as countries bring down the infection rate and gradually re-open their economies, manufacturing and services output will rebound, albeit gradually, in view of persistent social distancing measures.

The outlook for the global economy remains uncertain despite these early encouraging signs of recovery. In addition, although crude oil price has recovered somewhat, it remains below the pre-pandemic level and is forecast to end the year below US\$40/bbl, sustaining the pressure on the finances of oil exporting countries. These developments may slow the global recovery in the near term.

The IMF in its WEO July update projects that global growth will contract by 4.9 percent in 2020, 1.9 percentage points higher than the April 2020 forecast. The downward revision is broad-based, involving both the advanced and emerging market economies. However, the degree of contraction varies, reflecting the severity of the pandemic in various countries. Growth in EMDEs is projected to decline from 3.7 percent in 2019 to -3.0 percent in 2020.

Sub-Saharan Africa's real GDP growth is also projected to decline from 3.1 percent in 2019 to -3.2 percent in 2020. However, the global economy is expected to recover to a growth of 5.4 percent in 2021, 0.4 percentage points lower than the April 2020 forecast. The recovery in 2021 is expected

to be supported by a gradual strengthening of both consumption and investment spending, as the public health counter measures introduced to control the outbreak are gradually rolled back. For countries where infections are declining, a gradual recovery path is anticipated in view of the larger-than-anticipated hit to activity in Q1&Q2 2020, the need for the continuation of social distancing into H2:2020, changes in consumer behavior due to fear of infection, and the precautionary behaviour of firms in the face of uncertainty surrounding their earnings prospects. For economies struggling to control infection rates, the need to continue lockdown measures and social distancing will take an additional toll on activity.

Table 1.1: Global Growth Projections

JUNE 2020 UPDATES (YEAR-ON-YEAR)				
REAL GDP GROWTH (%)	ESTIMATES		PROJECTIONS	
	2018	2019	2020	2021
World	3.6	2.9	-4.9	5.4
Advanced Economies	2.2	1.7	-8.0	4.8
United States	2.9	2.3	-8.0	4.5
Euro Area	1.9	1.3	-10.2	6.0
Germany	1.5	0.6	-7.8	5.4
France	1.8	1.5	-12.5	7.3
Italy	0.8	0.3	-12.8	6.3
Spain	2.4	2.0	-12.8	6.3
Japan	0.3	0.7	-5.8	2.4
United Kingdom	1.3	1.4	-10.2	6.3
Emerging and Developing Economies	4.5	3.7	-3.0	5.9
Russia	2.5	1.3	-6.6	4.1
China	6.7	6.1	1.0	8.2
India	6.1	4.2	-4.5	6.0
Brazil	1.3	1.1	-9.1	3.6
Sub-Saharan Africa	3.3	3.1	-3.2	3.4
Ghana	6.3	6.1	1.5	5.9
Nigeria	1.9	2.2	-5.4	2.6
South Africa	0.8	0.2	-8.0	3.5

Source: IMF WEO June Updates

United States

The US economy shrank by an annualized 32.9 percent in the second quarter of 2020, down from the 5.0 percent contraction recorded in the first quarter of 2020. The sharp slowdown reflects the economic disruptions associated with the spread of the COVID-19 pandemic. Recent survey information and high frequency indicators show that the economy bottomed out in May 2020. For instance, retail sales, industrial production, and jobs have all rebounded. The resurgence of the pandemic in some U.S. states have raised fears of a second wave of infections. The IMF estimates that growth in the U.S. will end 2020 at -8.0 percent before rebounding to 4.5 percent growth in 2021.

United Kingdom

Activity in the UK contracted by 20.4 percent quarter-on-quarter in Q2:2020, having declined by 2.2 percent in the previous quarter. The contraction was driven primarily by the effects of the coronavirus lockdown on businesses and consumer spending. Household consumption spending and fixed capital formation dropped sharply. These negative effects were reinforced by a decrease in government spending by 14 percent. The UK economy is projected to contract by 10.2 percent this year and to recover to a growth of 6.3 percent in 2021. In addition, the negative effects of the

prolonged Brexit negotiations will continue to weigh on private investment and activity in the near-term.

Euro Area

In the Euro area, economic activity contracted by an annualized 12.1 percent in Q2:2020, a significant drop from the contraction of 3.6 percent recorded in the previous quarter. The contraction was due largely to the spread of the COVID-19 pandemic and the associated disruptions to economic activity in major European countries such as Italy, France, Spain, and Germany. The COVID-19 curve appears to be flattening in most affected countries and liquidity measures proposed by the European Central Bank and stimulus packages implemented by various governments in Europe should ease the deterioration in global financial market risk sentiment and spur a gradual recovery.

Japan

Japan's economy shrank by 9.9 percent in Q2:2020, after contracting by 0.6 percent in the previous quarter. The decline in activity was driven mainly by a fall in private consumption and net external demand reflecting the adverse effects of the COVID-19 pandemic. Government spending has been stepped up with two supplementary budgets for 2020, amounting to about 10 percent of GDP. Japan's economy is forecast to contract by 5.8 percent this year, reflecting the weak external demand and disruptions to domestic economic activity.

China

Economic activity in China rebounded by an annualized 11.5 percent in the second quarter of 2020, following a revised contraction of 10.0 percent in Q1:2020. The rebound reflects improving demand at home and abroad as more countries bring the spread of COVID-19 under control. The IMF estimates that the Chinese economy will slow from 6.0 percent growth in 2019 to 1.0 percent in 2020 because of the Coronavirus. The recent shift towards expansionary monetary and fiscal policy is expected to strengthen domestic demand. However, should trade tensions with the US escalate further, economic activity may decline.

Emerging Market and Developing Economies

Emerging Market and Developing Economies faced a multi-layered crisis: First, most EMDEs have been hit by the COVID-19 health shock and attempts to contain the spread of the virus through restrictions on movement of people has resulted in disruptions to domestic economic activity. Second, EMDEs were also faced with plummeting external demand due to the spread of the pandemic globally. Finally, spreads of dollar-denominated emerging market sovereign bonds have narrowed in recent months. Economic activity in EMDEs is forecast to contract by 3.0 percent in 2020 and rebound strongly by 5.9 percent in 2021. Plummeting oil prices present a headwind to commodity-exporting countries although it helps the fiscal and external positions of commodity-

importing countries in the region. Oil prices are projected to remain below US\$40 per barrel for the near-term (IMF WEO June 2020 updates).

Sub-Saharan Africa

Sub-Saharan African (SSA) countries are also fighting the COVID-19 pandemic with the associated disruptions to the various economies. In addition, the sharp slowdown in global growth poses a danger to the already weak economies in the region. Furthermore, plummeting global oil prices present a major headwind to the largest economies such as Nigeria and Angola. The IMF forecast a contraction of 3.2 percent in SSA economies in 2020 with a rebound of 3.4 percent in 2021. Downside risks to growth in SSA include a downturn in commodity prices, prolonged presence of the COVID-19 pandemic, and slower than expected growth in China and the Euro area, which have strong trade and investment links to SSA. Domestically, country specific risks such as fiscal slippages, political uncertainty, domestic conflicts, and adverse weather conditions could also dampen growth prospects.

2. Real Sector Developments

A review of selected indicators of economic activity depicts evidence of some slowdown in the domestic economy during the second quarter of 2020 compared with trends observed during the second quarter of 2019. The relative moderation in real sector activities was mainly due to the coronavirus outbreak.

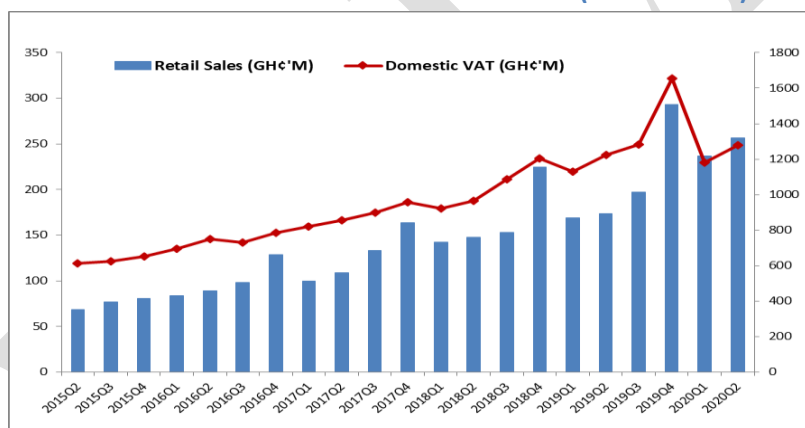
2.1 Indicators of Economic Activity

Consumer Spending

Consumer spending, measured by domestic VAT collections and retail sales, improved in the second quarter of 2020, compared with figures recorded in the corresponding period of 2019. Domestic VAT collections grew by 4.5 percent year-on-year to GH¢1,280.39 million, relative to GH¢1,225.37 million collected during the same quarter in 2019. Similarly, domestic VAT increased by 8.3 percent compared with GH¢1,182.25 million collected for the first quarter of 2020.

Retail sales increased by 47.9 percent (year-on-year) to GH¢256.50 million during the second quarter of 2020 from GH¢173.48 million registered in the corresponding quarter of 2019. The comparative improvement in retail sales could be attributed to increased household consumption during the review period.

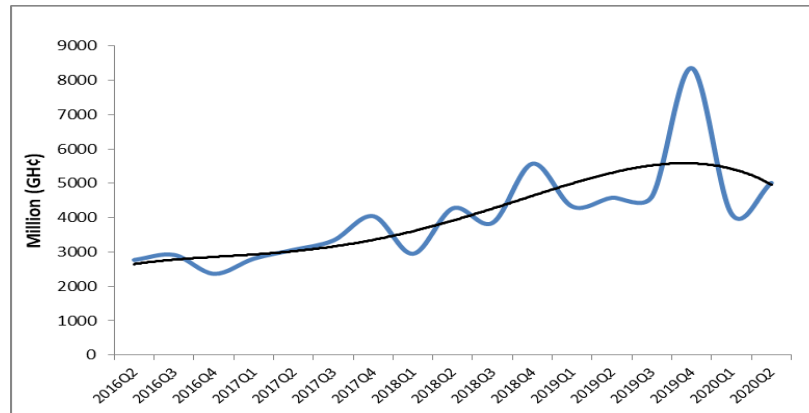
Chart 2.1: Retail Sales and Domestic VAT (GH¢' Million)



Manufacturing Activities

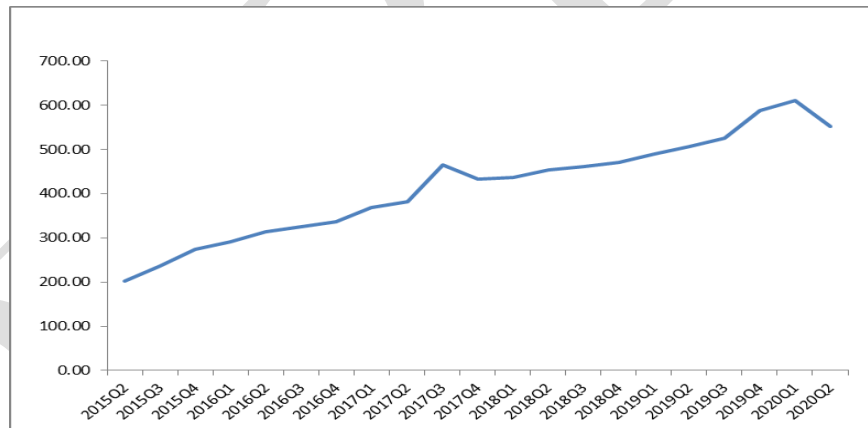
Manufacturing related activities, as measured by trends in the collection of direct taxes (income, corporate and others) and private sector workers' contributions to the SSNIT Pension Scheme (Tier-1), posted positive outturns during the second quarter of 2020, compared with what was observed in the same period of 2019. Total direct taxes collected increased by 9.4 percent (year-on-year) to GH¢5,015.12 million in the second quarter of 2020, relative to GH¢4,582.52 million recorded for Q2:2019. Total direct tax collected for the quarter under review also rose by 21.9 percent from GH¢4,113.91 million collected in the first quarter of 2020. In terms of contribution of the various sub-tax categories, Corporate tax accounted for 50.4 percent, followed by Income tax (P.A.Y.E and self-employed) with 38.5 percent, while other tax sources contributed 11.2 percent.

Chart 2.2: Trends in Domestic Taxes (Direct)



Similarly, private sector workers' contributions to the SSNIT Pension Scheme (Tier-1) went up by 8.7 percent, year-on-year, to GH¢551.59 million in the second quarter of 2020, from GH¢507.39 million collected during the corresponding quarter of 2019. However, total contribution in the review period declined by 9.7 percent when compared with GH¢610.81 million collected for the first quarter of 2020. The improvement in private workers' contributions to the Tier-1 pension scheme (year-on-year) could be attributed to the registration of new employees as well as improved compliance by private sector employers.

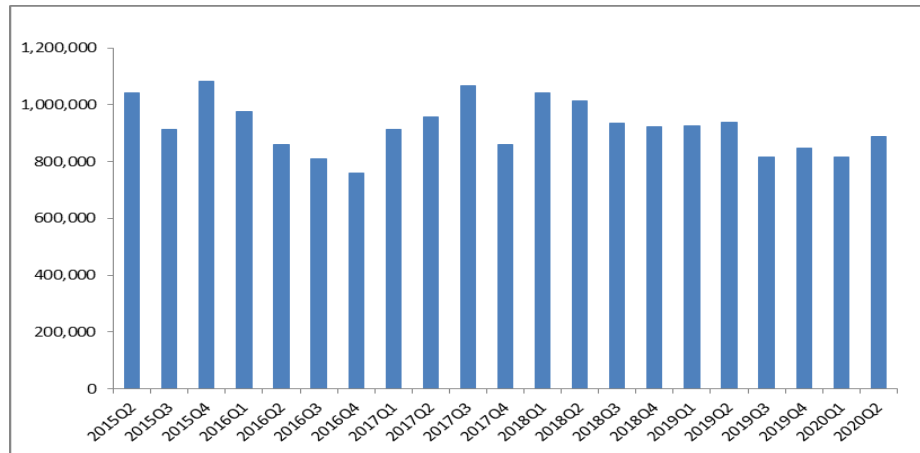
Chart 2.3: SSNIT Contributions from Private Sector Workers (GH¢' Million)



Construction Sector Activities

Economic activity in the construction sub-sector, as measured by the volume of cement sales, declined by 5.3 percent (year-on-year) during the second quarter of 2020 to 887,734.28 tonnes, from 937,374.64 tonnes recorded in the second quarter of 2019. However, when compared with 814,979.29 tonnes recorded during the first quarter of 2020, total cement sales during the review period increased by 8.9 percent. The relative dip in total cement sales (year-on-year) was due to a slowdown in construction activities during the review period.

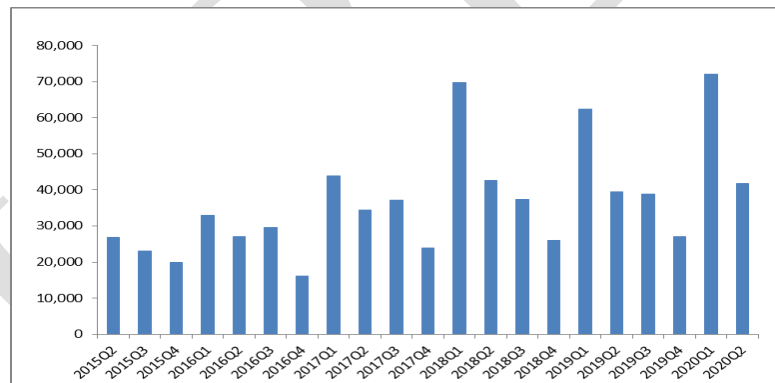
Chart 2.4: Cement Sales (Tonnes)



Vehicle Registration

Transport-related economic activities, measured by vehicle registration by DVLA, improved by 5.7 percent to 41,748 in the second quarter of 2020 compared to 39,511 vehicles registered during the corresponding quarter of 2019. The number of vehicles registered during the review period, however, declined by 42.1 percent relative to 72,130 vehicles registered in the first quarter of 2020. The comparative improvement in vehicle registration (year-on-year) was due to an increase in vehicle importation during the review period.

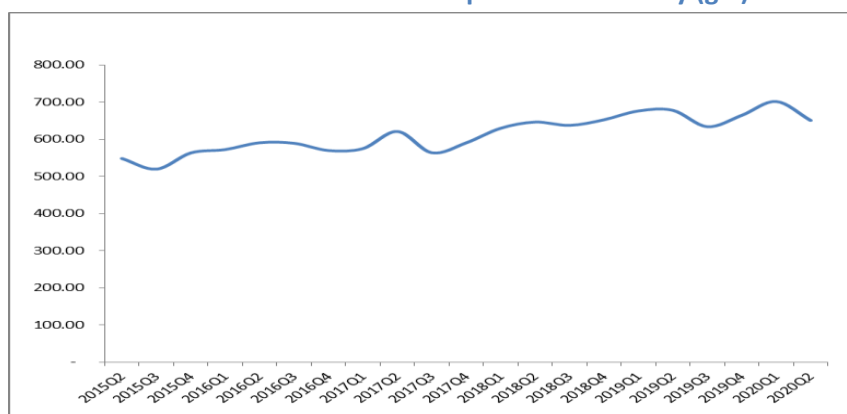
Chart 2.5: Vehicle Registration



Industrial Consumption of Electricity

The consumption of electricity by industries, which is a proxy for activities within the productive sectors of the economy, declined by 4.0 percent during the second quarter of 2020, compared with observations made in the corresponding period of 2019. Industries utilised 650.84 giga-watts of power in the second quarter of 2020, as against 678.09 giga-watts for the same period in 2019. Similarly, industrial consumption of electricity decreased by 7.3 percent from 701.88 giga-watts utilised during the first quarter of 2020. The relative decline in the electricity consumed by industries could be attributed to a slowdown in industrial activity in the wake of the coronavirus pandemic.

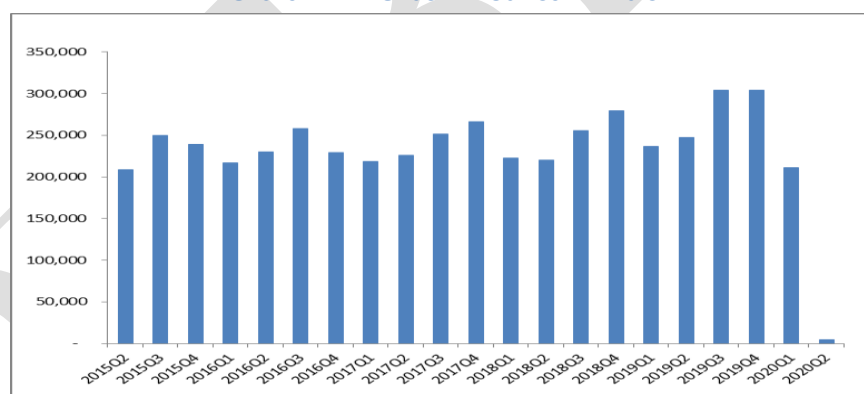
Chart 2.6: Industrial Consumption of Electricity (gw)



International Tourist Arrivals

Tourist arrivals through the country's various ports of entry essentially came to a standstill in the second quarter of 2020, compared with figures recorded in the corresponding quarter of 2019. A total of 4,583 tourists entered the country during the review period, as against 247,561 visitors received in the second quarter of 2019, indicating a significant decline of 98.2 percent. Similarly, tourist arrivals during the period dropped by 97.8 percent when compared with 211,599 visitors received in the first quarter of 2020. The halting of tourism-related activities was due to the imposition of travel restrictions in the fight against the COVID-19 pandemic.

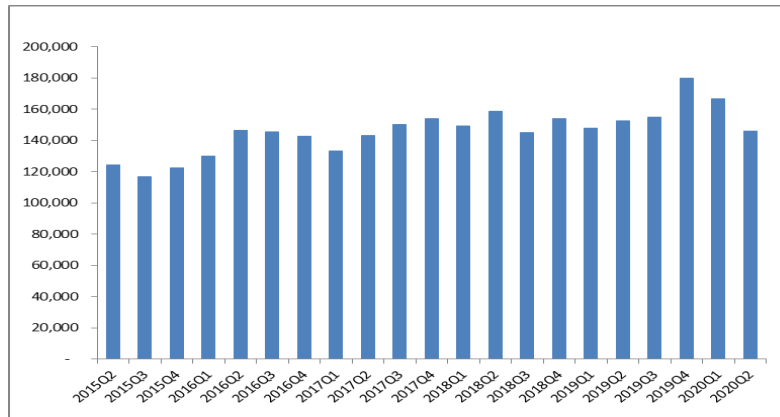
Chart 2.7: Trends in Tourist Arrivals



Port Activity

Economic activities at the country's two-main harbours (Tema and Takoradi), as measured by container traffic, recorded a decline during the second quarter of 2020 compared with what was observed in the corresponding quarter of 2019. Total container traffic went down by 4.1 percent, year-on-year, to 146,266 during the review period from 152,441 for the second quarter of 2019. Similarly, port activity decreased by 12.3 percent when compared to 166,685 containers recorded in the first quarter of 2020. The relative decline in port activities may be attributed to a moderation in international trade activities during the quarter.

Chart 2.8: Port Activity (Total Container Traffic)



2.2 Labour Market Conditions

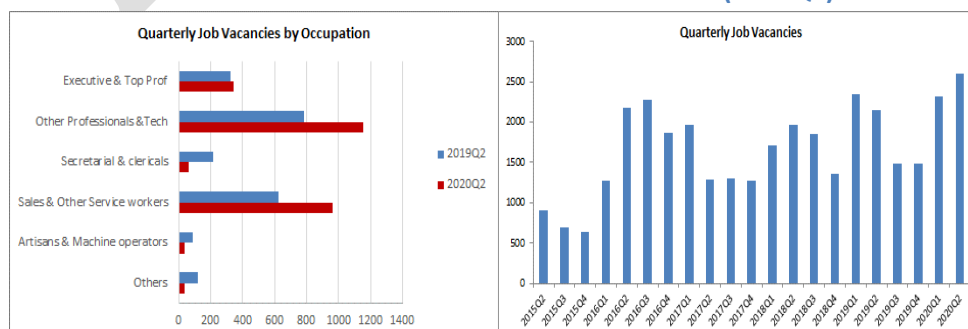
The number of jobs advertised in the “Daily Graphic” during the second quarter of 2020 increased relative to what was observed in the second quarter of 2019. In total, 2,599 job adverts were recorded as compared with 2,148 for Q2:2019, indicating a growth of 21.0 percent (year-on-year). Similarly, the number of job vacancies advertised in the second quarter of 2020 increased by 11.9 percent from 2,322 recorded in the first quarter of 2020.

Sector Distribution and Skill Set of Job Adverts

The Services Sector maintained its dominance as the leading job providing sector in the economy, accounting for 91.6 percent of total job adverts recorded during the second quarter of 2020. This compares with a share of 89.3 percent it recorded in the second quarter of 2019. Industry followed with a share of 6.5 percent (down from 9.1% in the second quarter of 2019), while the Agriculture Sector accounted for 1.8 percent of the job adverts during the period, compared with 1.7 percent of total job adverts recorded for the corresponding quarter of 2019.

Further analysis showed that the main requirements for skilled employees were tertiary education qualification(s) and a minimum of three years’ working experience. This category, classified as Professionals and Technicians, collectively accounted for 57.8 percent of total jobs advertised during the second quarter of 2020 relative to 51.4 percent recorded in Q2:2019. This was followed by the categories classified as Sales and Other Service Workers (37.0% in Q2:2020 vs. 29.0% in Q2:2019), Secretarial & Clerical Staff (2.4% vs. 10.1%), Artisans and Machine Operators (1.5% vs. 4.1%) and Others (1.3% vs. 5.5%).

Chart 2.9: Trends in Advertised Job Vacancies (2020Q2)



3. Price Developments

3.1 Global Inflation

Global inflation remained subdued in the second quarter of 2020. The sharp decline in price of crude oil and precipitous fall in aggregate demand due to the COVID-19 pandemic reduced price pressures and muted inflation expectations across countries. The IMF in its June WEO Update forecast global inflation to slowdown in 2020 and then to rise in 2021 driven by a pickup in economic activity.

Advanced Economies

Average inflation in advanced economies declined in the second quarter compared to the first quarter as weak aggregate demand exerted downward pressures on prices, implying muted upward pressures from recent supply disruptions. In the outlook, inflation is forecast to decline sharply to 0.3 percent in 2020 from 1.4 percent in 2019, before rising to 1.1 percent in 2021 as economic activity rebounds in 2021.

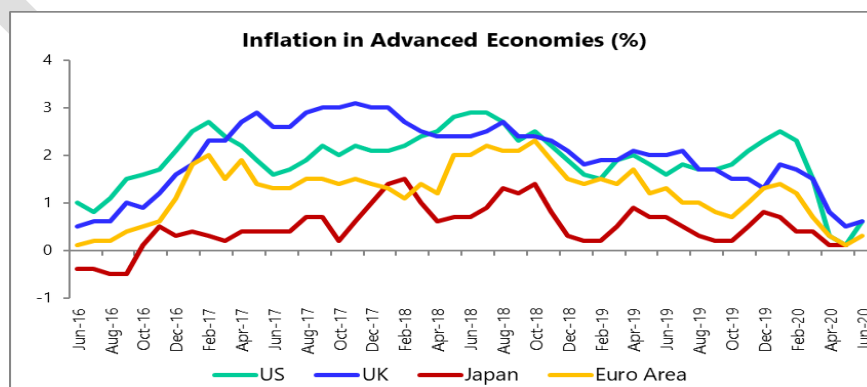
Consumer price inflation in the **United States** fell to 0.6 percent at the end of the second quarter of 2020 from 1.5 percent at the end of the first quarter of 2020 mainly driven by the fall in aggregate demand pressures due to the COVID-19 pandemic.

In the **Euro area**, inflation declined to 0.3 percent at the end of Q2:2020 from 0.7 percent in the preceding quarter due to the significant decline in energy prices and the effects of Covid-19.

Alongside the observed decline in inflation in advanced economies, consumer price inflation in the **United Kingdom** fell sharply to 0.6 percent at the end of the second quarter from 1.9 percent in the prior quarter due to the impact of the pandemic.

Japan's consumer price inflation also eased to 0.1 percent in the second quarter from 0.4 percent at the end of the first quarter as prices of crude oil declined in the period under review

Chart 3.1: Inflation Trends in Advanced Economies



Emerging Market Economies

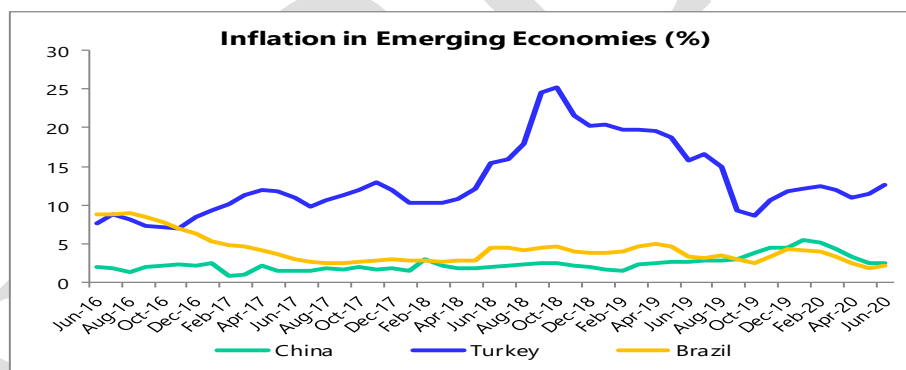
Alongside the fall in inflation in advanced economies, inflation in the major emerging market economies declined in the second quarter as the fall in aggregate demand placed downward pressures on prices which outweighed upward pressures from recent supply interruptions. However, the decline in inflation was muted in emerging market economies whose currencies experienced sharp depreciations and exacerbated impacts from supply chain disruptions. Inflation in emerging market and developing economies is expected to fall from 5.1 percent in 2019 to 4.4 percent in 2020, and then to edge up to 4.5 percent in 2021.

China's headline inflation decreased from 4.3 percent at the end of Q1:2020 to 2.7 percent at the end of Q2:2020 with higher food prices moderating the impact of weak aggregate demand on prices.

In **Brazil**, inflation dropped from 3.3 percent at the end of the first quarter of 2020 to 2.1 percent at the end of the second quarter as the sharp fall in the currency was offset by a decline in fuel prices amidst the coronavirus pandemic.

Turkey's inflation rate remained flat at 11.9 percent between the review periods as recent currency depreciations were moderated by weak aggregate demand pressures.

Chart 3.2: Inflation Trends in Emerging Economies

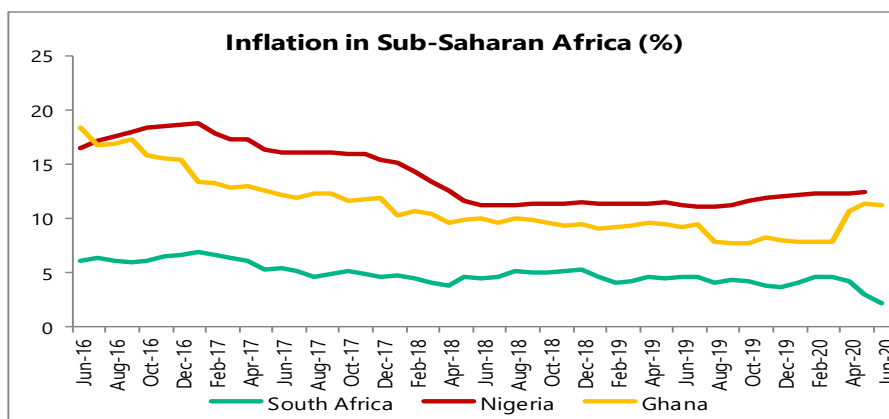


Sub-Saharan Africa

Headline inflation in **South Africa** declined to 3.2 percent at the end of the second quarter from 4.1 percent at the end of the first quarter of 2020 on the back of lower aggregate demand pressures.

In **Nigeria**, inflation rose from 12.3 percent at the end of the first quarter of 2020 to 12.8 percent at the end of the second quarter of 2019 on the back of continued border closures and the lingering effects of coronavirus-induced supply disruptions.

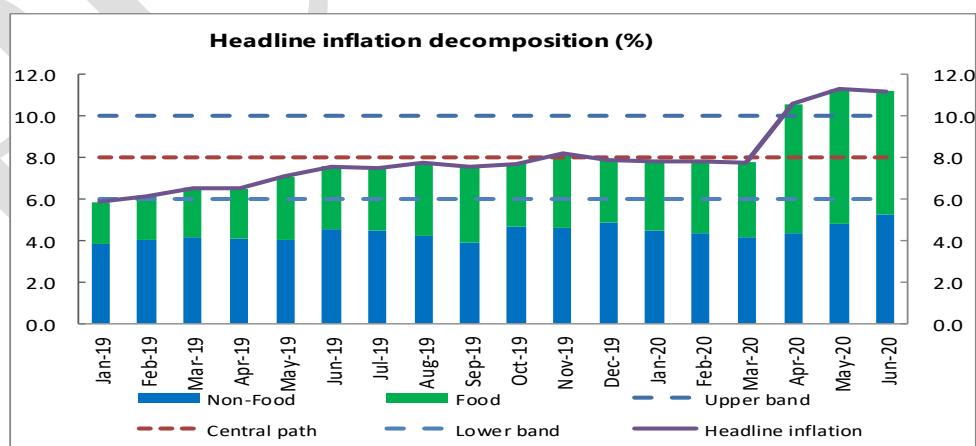
Chart 3.3: Inflation Trends in Sub-Saharan Africa

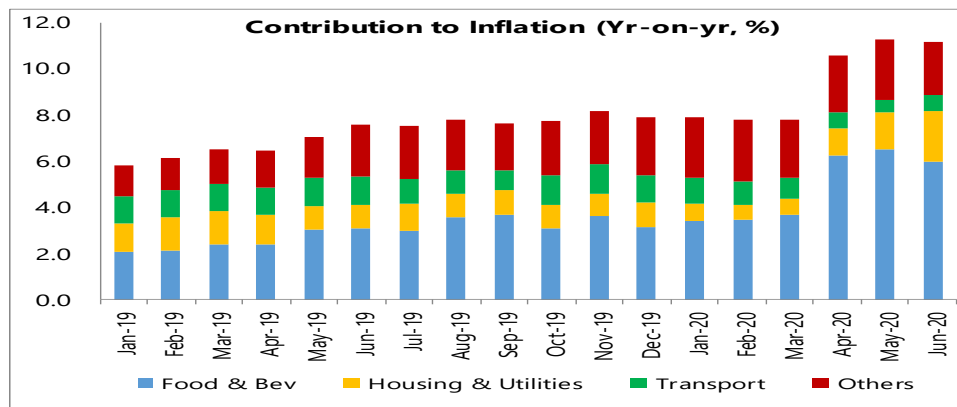


3.2 Domestic Inflation

Headline inflation firmed up significantly to 11.2 percent at the end of the second quarter of 2020, significantly above the 7.8 percent recorded at the end of the first quarter of 2020. The rise in inflation between the quarters was due to the impact of the market fumigation exercise and lockdown restrictions, which caused panic buying of various products especially food items, leading to a surge in prices. Food inflation picked up from 8.4 percent at the end of the first quarter to 13.8 percent at the end of the second quarter of 2020 because of a broad-based increase in food prices across the CPI basket. Non-food inflation, also rose in tandem with food inflation to 9.2 percent from 7.4 percent in the review period, largely driven by rising household rents in the housing and utilities category. The BOG's survey of inflation expectations pointed to heightened inflation expectations within the period which was mainly attributed to the impact of the two panic buying episodes on price expectations.

Chart 3.4: Headline Inflation-Components and Contribution





3.3 Inflation Outlook

The subdued global inflation and well anchored inflation expectations, receding domestic aggregate demand pressures, and a well-calibrated monetary policy stance should help ensure inflation returns to the medium-term target band in the outlook.

The inflation outlook is characterized by pervasive uncertainty, given the difficulty in assessing the full impact of COVID-19 on supply chains. Going forward, the key risks to inflation include the possible second-round effects of the rise in transport prices and the inertia in food prices which has slowed the disinflation process. However, the potential decline in food prices during the impending harvest season and the agreement by transport operators to reduce transport fares by 10 percent could possibly mute the second-round effects. Inflation is projected to return to the central target by the second quarter of 2021.

Table 3.1: Headline Inflation and Components

	Headline Inflation (%)			Monthly Changes in CPI (%)		
	Combined	Food	Non-food	Combined	Food	Non-food
Dec-18	9.4	8.7	9.8	1.1	1.3	1.0
2019						
Jan	9.0	8.0	9.5	1.0	1.5	0.8
Feb	9.2	8.1	9.7	1.0	1.2	0.9
Mar	9.3	8.4	9.7	1.2	1.3	1.1
Apr	9.5	7.3	10.4	1.1	0.1	1.5
May	9.4	6.7	10.6	0.9	0.6	1.0
Jun	9.1	6.5	10.3	0.8	0.8	0.8
Jul	9.4	6.6	10.7	0.6	0.4	0.7
Aug	7.8	8.2	7.4	0.5	1.0	0.1
Sep	7.6	8.5	7.0	-0.1	-0.3	0.2
Oct	7.7	7.0	8.2	0.3	-1.3	1.6
Nov	8.2	8.4	8.0	0.7	1.1	0.4
Dec	7.9	7.2	8.5	0.3	-0.6	1.0
2020						
Jan	7.8	7.8	7.9	1.4	2.3	0.8
Feb	7.8	7.9	7.7	0.4	0.5	0.4
Mar	7.8	8.4	7.4	0.8	1.6	0.3
Apr	10.6	14.4	7.7	3.2	6.4	0.8
May	11.3	15.1	8.4	1.7	2.3	1.3
Jun	11.2	13.8	9.2	1.0	0.1	1.8

Source: Ghana Statistical Service

Table 3.2: Contributions to Inflation

CPI Components (%)															
	Weights (%)	2018	2019							2020					
		Dec	Jan	Mar	Apr	May	Jun	Jul	Jan	Feb	Mar	Apr	May	Jun	
Overall	100.0	9.4	9.0	9.3	9.5	9.4	9.1	9.4	7.8	7.8	7.8	10.6	11.3	11.2	
Food and Beverages	43.9	8.7	8.0	8.4	7.3	6.7	6.5	6.6	7.8	7.9	8.4	14.4	15.1	13.8	
Non-food	56.1	9.8	9.5	9.7	10.4	10.6	10.3	10.7	7.9	7.7	7.4	7.7	8.4	9.2	
Alcoholic Beverages, Tobacco	1.7	8.4	8.3	8.4	8.7	9.5	9.9	10.3	11.1	11.6	11.4	9.7	10.1	8.6	
Clothing and footwear	9.0	13.0	12.8	13.3	14.3	15.0	15.2	14.9	7.2	8.5	8.4	8.3	7.9	7.3	
Housing and Utilities	8.6	3.4	2.9	2.1	6.0	6.5	6.8	9.8	7.6	6.3	6.7	11.2	15.1	21.3	
Furnish, H/H Equipt. Etc	4.7	11.6	11.2	12.2	12.8	14.5	14.6	14.6	4.3	4.3	4.3	4.6	4.5	4.9	
Health	2.4	6.4	5.3	5.0	5.9	7.1	7.5	7.9	6.3	6.4	6.2	6.5	5.6	7.8	
Transport	7.3	13.6	13.4	13.7	13.2	12.5	6.9	6.9	10.5	9.9	9.2	6.7	5.4	6.3	
Communications	2.7	5.1	5.2	5.8	6.7	6.1	6.9	7.6	3.1	2.9	3.0	4.0	6.2	6.3	
Recreation & Culture	2.6	13.2	12.7	14.1	14.1	15.0	15.0	14.8	9.0	9.0	9.0	8.6	9.4	5.8	
Education	3.9	8.2	8.1	8.4	7.8	6.2	6.2	6.4	6.8	6.7	6.8	6.9	7.1	4.1	
Hotels, Cafes & Restaurants	6.1	6.3	6.7	7.5	8.1	7.2	9.5	9.9	7.5	6.8	3.5	3.6	4.3	5.8	
Insurance and Financial services									0.6	0.4	0.1	0.1	0.2	3.5	
Miscellaneous goods & services	7.1	10.0	9.6	9.4	10.0	9.5	11.3	11.2	7.3	7.4	7.3	6.4	5.9	5.4	
Source: Ghana Statistical Service															

4. Money and Financial Markets

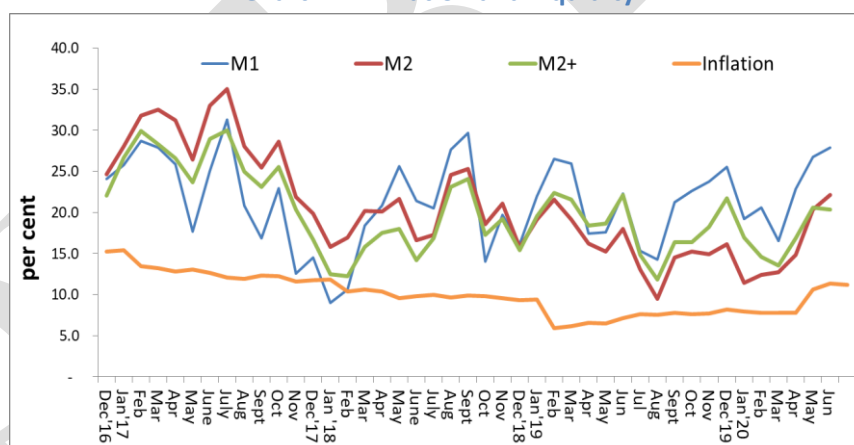
Developments in monetary aggregates for the second quarter of 2020 showed a slowdown in the growth of broad money supply (M2+) on year on year basis. Growth in broad money supply (M2+) reduced on account of a significant decrease in the growth in Net Foreign Assets (NFA) which was moderated by an increase in Net Domestic Asset (NDA). The decline in the growth of NFA of depository corporations was mainly due to significant reduction in the NFA of Domestic Money Banks (DMBs). The growth in M2+ was however higher than what was recorded for the first quarter of 2020.

4.1 Broad Money Supply

Developments in the monetary aggregates showed a slowdown in the growth in M2+ on a year-on-year basis from 22.10 percent in the second quarter of 2019 to 20.33 percent in the second quarter of 2020. Stock of M2+ stood at GH¢100,498.91 million during the review period compared with GH¢83,517.12 million in Q2:2019 and GH¢92,905.07 million in Q1: 2020 respectively.

The decrease in year-on-year growth of M2+ during the second quarter of 2020 reflected in the decline in growth of demand deposits and foreign currency deposits relative to that of the second quarter of 2019. However, growth in currency with the public and saving and time deposits increased over the same comparative periods.

Chart 4.1: Inflation and Liquidity



Trends in developments of monetary aggregates were broadly consistent with the trends in inflation. For the period under review (Q2:2019 to Q2:2020), although growth in monetary aggregates showed a downward trend, inflation remained fairly flat during the review period indicating that the factors driving inflation during the review period were largely non-monetary shocks to food prices attributed to increased demand, and supply constraints on account of COVID-19 global supply chain disruptions.

4.2 Sources of Change in M2+

The observed contraction in M2+ was mainly attributed to considerable reduction in Net Foreign Assets (NFA) which was moderated by an increase in Net Domestic Asset (NDA). Growth in NFA decreased significantly from 22.5 percent in the second quarter of 2019 to 6.2 percent at the end of Q2:2020. This was however higher than the growth of negative 8.2 percent recorded Q1:2020. The slowdown in growth of NFA during the period can be attributed to energy sector payments, debt servicing and balance of payments support. In contrast, Net Domestic Assets (NDA) increased from a growth of 22.0 percent in Q2:2019 to 25.0 percent growth in second quarter of 2020 compared the growth of 25.4 percent recorded in Q1: 2020.

Monetary Indicators (GH¢ million)

In terms of components of NDA, growth in net claims on government and claims on public sector increased from 71.4 percent and 9.3 percent respectively in Q2:2019, to 111.1 percent and 30.5 percent respectively in Q2:2020. This was influenced by increases in government expenditure to contain the impact of COVID-19 disruptions on business activities and economic growth. However, growth in claims on private sector declined from 15.8 percent to 12.7 percent over the same comparative period, influenced by sluggish demand for credit due to uncertainties associated with COVID-19. Growth in Other Items (Net) amounted to 139.9 percent in the second quarter of 2019 compared to 215.5 percent in Q2:2020.

Table 4.1: Monetary Indicators (GH¢ million)

	Levels				Variations (Year-on-Year)							
					As at end-Jun 2018		As at end-Jun 2019		As at end-Mar 2020		As at end-Jun 2020	
	Jun-18	Jun-19	Mar-20	Jun-20	abs	per cent	abs	per cent	abs	per cent	abs	per cent
Reserve Money	20,259.33	21,906.30	28,486.64	25,546.83	2,474.47	13.91	1,646.97	8.13	4,828.44	20.41	3,640.54	16.62
Narrow Money (M1)	31,134.76	38,072.77	44,691.05	48,684.68	5,490.95	21.41	6,938.01	22.28	6,347.12	16.55	10,611.91	27.87
Broad Money (M2)	53,390.07	63,008.83	71,097.88	76,951.84	7,596.73	16.59	9,618.75	18.02	8,033.31	12.74	13,943.02	22.13
Broad Money (M2+)	68,402.24	83,517.12	92,905.07	100,498.91	8,498.34	14.19	15,114.88	22.10	11,067.90	13.52	16,981.79	20.33
Currency with the Public	9,715.62	10,840.44	13,647.53	14,817.44	908.52	10.32	1,124.82	11.58	2,356.42	20.87	3,977.01	36.69
Demand Deposits	21,419.14	27,232.34	31,043.52	33,867.24	4,582.43	27.22	5,813.19	27.14	3,990.70	14.75	6,634.90	24.36
Savings & Time Deposits	22,255.31	24,936.05	26,406.84	28,267.16	2,105.78	10.45	2,680.74	12.05	1,686.18	6.82	3,331.11	13.36
Foreign Currency Deposits	15,012.17	20,508.29	21,807.18	23,547.07	901.61	6.39	5,496.12	36.61	3,034.60	16.17	3,038.77	14.82
Net Foreign Assets (NFA)	16,822.19	20,607.50	26,544.12	21,888.34	(2,595.32)	(13.37)	3,785.32	22.50	(2,374.95)	(8.21)	1,280.84	6.22
BOG	16,196.52	18,717.23	27,685.53	20,458.68	(1,443.68)	(8.18)	2,520.71	15.56	502.07	1.85	1,741.45	9.30
DMBs	625.67	1,890.28	(1,141.41)	1,429.66	(1,151.64)	(64.80)	1,264.61	202.12	(2,877.01)	(165.76)	(460.62)	(24.37)
Net Domestic Assets (NDA)	51,580.06	62,909.62	66,360.95	78,610.57	11,093.66	27.40	11,329.56	21.97	13,442.85	25.40	15,700.95	24.96
Claims on Government (net)	14,834.19	25,421.86	42,196.66	53,676.32	3,739.62	33.71	10,587.67	71.37	24,298.81	135.76	28,254.45	111.14
BOG	4,991.20	4,032.30	12,879.65	21,714.12	1,138.76	29.56	(958.90)	(19.21)	16,594.01	(446.75)	17,681.82	438.50
DMBs	9,842.99	21,389.57	29,317.01	31,962.19	2,600.86	35.91	11,546.58	117.31	7,704.80	35.65	10,572.63	49.43
Claims on Public Sector	5,548.67	6,064.02	7,444.56	7,912.11	696.43	14.35	515.35	9.29	2,206.21	42.12	1,848.09	30.48
BOG	1,698.83	1,366.19	917.79	1,051.73	(348.44)	(17.02)	(332.63)	(19.58)	487.60	113.34	(314.46)	(23.02)
DMBs	3,849.85	4,697.83	6,526.77	6,860.38	1,044.87	37.25	847.98	22.03	1,718.61	35.74	2,162.55	46.03
Claims on Private Sector	34,979.42	40,495.30	45,870.05	45,645.04	1,900.96	5.75	5,515.87	15.77	6,738.56	17.22	5,149.75	12.72
BOG	599.27	325.56	530.52	487.91	51.45	9.39	(273.72)	(45.67)	121.11	29.58	162.35	49.87
DMBs	34,380.15	40,169.74	45,339.53	45,157.13	1,849.52	5.69	5,789.59	16.84	6,617.45	17.09	4,987.39	12.42
Other Items (Net) (OIN)	(3,782.23)	(9,071.56)	(29,150.32)	(28,622.90)	4,756.64	(55.71)	(5,289.33)	139.85	(19,800.73)	211.78	(19,551.34)	215.52
o/w BOG OMO (Sterilisation)	-	(131.14)	(131.14)	(131.14)	-	#DIV/0!	(131.14)	#DIV/0!	-	-	-	-

4.3 Developments in Banks Credit

The annual growth in banks' outstanding credit to the public and private sectors in the second quarter of 2020 decreased significantly compared to what was recorded in the corresponding period of 2019. The nominal annual growth rate of banks' outstanding credit decreased from 18.4

percent in Q2:2019 to 13.8 percent in Q2:2020. This was also lower than the growth of 16.5 percent recorded in Q1:2020. At the end of Q2:2020, total outstanding credit stood at GH¢52,076.42 million compared with GH¢45,773.70 million and GH¢51,924.57 million recorded in the Q2:2019 and Q1:2020 respectively. The decrease in the nominal growth in credit reflected in decreases in the nominal growth in credit to both the public and private sectors.

In real terms, credit from the banks decreased from 10.0 percent at end of Q2:2019 to 2.3 percent in Q2:2020. This was also lower than the 8.1 percent growth realised in Q1:2020. The share of total outstanding credit to the private sector also decreased to 86.7 percent at the end of the review period, from 87.8 percent recorded in Q2:2019.

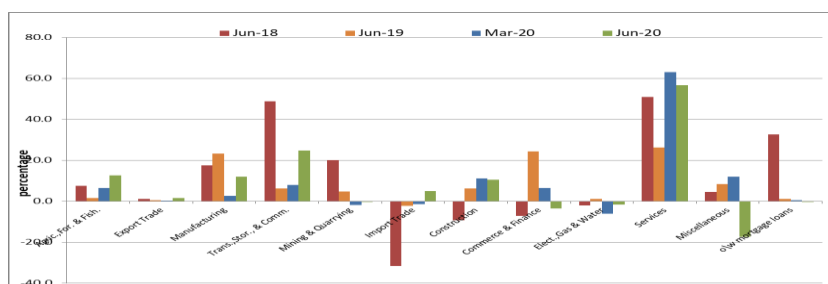
Table 4.1: Sectoral Distribution of Banks Outstanding Credit

	Levels (GH¢ Millions)				Quarter-On-Quarter Variation							
	Jun-18	Jun-19	Mar-20	Jun-20	As at end-Jun 2018		As at end-Jun 2019		As at end-Mar 2020		As at end-Jun 2020	
					Abs	Percent	Abs	Percent	Abs	Percent	Abs	Percent
a Public Sector	4,290.2	5,604.0	6,585.0	6,919.3	(775.0)	(15.3)	1,313.8	30.6	740.7	12.7	1,315.3	23.5
b Private Sector	34,380.1	40,169.7	45,339.5	45,157.1	1,849.5	5.7	5,789.6	16.8	6,617.5	17.1	4,987.4	12.4
Agric., For. & Fish.	1,425.2	1,513.1	1,739.9	2,142.4	138.6	10.8	87.8	6.2	424.3	32.2	629.4	41.6
Export Trade	307.1	328.4	343.6	403.8	19.9	6.9	21.3	6.9	18.1	5.5	75.4	22.9
Manufacturing	3,139.1	4,486.6	4,505.7	5,079.0	321.6	11.4	1,347.5	42.9	169.9	3.9	592.4	13.2
Trans., Stor., & Comm.	2,619.4	2,983.6	3,395.8	4,216.5	903.7	52.7	364.1	13.9	529.4	18.5	1,232.9	41.3
Mining & Quarrying	1,235.9	1,506.8	1,348.6	1,489.4	369.9	42.7	270.9	21.9	(126.3)	(8.6)	(17.4)	(1.2)
Import Trade	1,442.6	1,312.4	1,229.2	1,562.6	(586.2)	(28.9)	(130.2)	(9.0)	(99.5)	(7.5)	250.2	19.1
Construction	3,630.7	3,988.7	4,607.0	4,512.6	(171.5)	(4.5)	358.0	9.9	736.5	19.0	523.9	13.1
Commerce & Finance	6,615.8	8,020.6	7,978.9	7,844.6	(133.4)	(2.0)	1,404.8	21.2	424.8	5.6	(175.9)	(2.2)
Elect., Gas & Water	2,886.2	2,954.4	2,563.7	2,875.4	(38.9)	(1.3)	68.3	2.4	(412.3)	(13.9)	(79.0)	(2.7)
Services	7,180.9	8,695.5	12,750.3	11,524.4	942.7	15.1	1,514.6	21.1	4,165.2	48.5	2,828.9	32.5
Miscellaneous	3,897.3	4,379.7	4,876.8	3,506.4	83.1	2.2	482.5	12.4	787.4	19.3	(873.3)	(19.9)
c Grand Total	38,670.3	45,773.7	51,924.6	52,076.4	1,074.6	2.9	7,103.4	18.4	7,358.1	16.5	6,302.7	13.8

Distribution of Outstanding Credit to the Private Sector

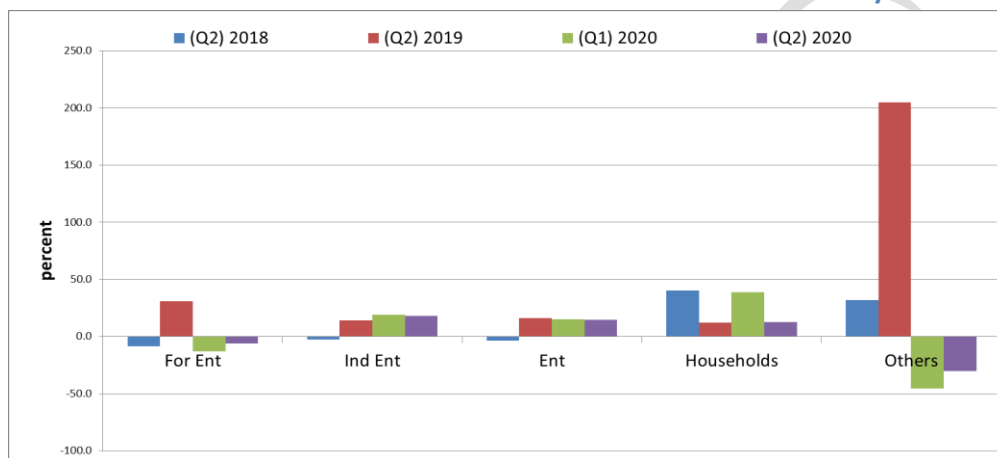
The growth of outstanding credit to the private sector decreased in nominal and real terms in Q2: 2020. In nominal terms, outstanding credit to the private sector decreased to 12.4 percent in the Q2:2020 from 16.8 percent recorded in Q2:2019. This was also lower than the 17.1 percent registered at the end of Q1:2020. The outstanding credit to the private sector at the end of the second quarter of 2020 was GH¢45,157.13 million, compared with GH¢40,169.74 million and GH¢45,339.53 recorded in Q2:2019 and Q1:2020 respectively. In real terms, the annual growth rate of outstanding credit to the private sector decreased to 1.1 percent at the end of Q2:2020, from 8.6 percent recorded in the same period in 2019.

Chart 4.2: Allocation of Annual Flow of Credit to the Private Sector



The decrease in credit to the private sector during Q2:2020 when compared with Q2:2019 reflected in decreases in annual flow of credit to the following sectors: Commerce & Finance, Miscellaneous, Manufacturing, Mining & Quarrying, and Elec., Gas & Water. However, major beneficiary sectors of annual flow of private sector credit in the second quarter of 2020 were Services, Transport, Storage & Communication, Agriculture, Forestry & Fisheries, and Import trade saw significant increases in credit flow in June 2020 when compared with the corresponding period in 2019.

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



In terms of annual flow of credit to private sector by borrower at the end of the second quarter of 2020, although flows to enterprise (foreign and indigenous) sub-sector decreased, the mix showed that flow of credit to foreign enterprises decreased while indigenous enterprise increased in 2020 relative to 2019. In addition, credit to the household and the 'others' sub-sectors increased in 2020 when compared to the same period in 2019.

4.4 Sources and Uses of Banks Flow of Funds

The provisional figures for the second quarter of 2020 showed that the proportion of commercial banks' funds allocated to other assets increased while proportion of funds in investments in Government securities, bank credit, balances with Bank of Ghana and foreign assets decreased relative to that of the corresponding period in 2019. The proportion of bank funds invested in other assets increased from negative 94.1 percent in the second quarter of 2019 to a growth of 22.0 percent in Q2:2020.

The proportion of bank funds allocated to Government securities decreased significantly from 85.1 percent in the second quarter of 2019 to 45.5 percent in Q2:2020. This reflected a decline in investments in both short-term bills and medium-term securities. Investment in short-term and medium/long term government instruments decreased from 15.1 percent and 70.1 percent respectively in Q2:2019, to 4.7 percent and 40.8 percent respectively in Q2: 2020.

The proportion of funds to bank credit decreased from 63.5 percent in the second quarter of 2019 to 23.6 percent in Q2:2020. This was also lower than the 30.4 percent recorded in Q1:2020. Similarly, proportion of investment in foreign assets also decreased from 20.2 percent to negative 0.4 percent.

Table 4.3: Sources and Uses of Banks' Funds

	(Amount in GH¢ 'million)											
					Percentage of Annual Flows (Quarter-on-Quarter)							
					As at end-Jun. 2018		As at end-Jun. 2019		As at end-Mar. 2020		As at end-Jun. 2020	
	Jun-18	Jun-19	Mar-20	Jun-20	Abs	% of Change	Abs	% of Change	Abs	% of Change	Abs	% of Change
Sources of Funds												
Total Deposits	56,319.63	69,983.09	76,343.85	82,672.78	6,959.03	51.14	13,663.46	96.73	10,119.48	41.82	12,689.69	47.53
Domestic	41,307.46	49,474.80	54,536.67	59,125.72	6,057.42	44.51	8,167.33	57.82	7,084.89	29.28	9,650.92	36.15
Demand Deposits	19,052.15	24,538.74	28,129.83	30,858.56	3,951.64	29.04	5,486.59	38.84	5,398.70	22.31	6,319.81	23.67
Savings Deposits	9,257.08	11,004.38	13,504.80	14,340.38	1,308.98	9.62	1,747.29	12.37	2,877.69	11.89	3,336.01	12.50
Time Deposits	12,998.22	13,931.68	12,902.04	13,926.78	796.80	5.86	933.45	6.61	-1,191.51	-4.92	-4.90	-0.02
Foreign Currency	15,012.17	20,508.29	21,807.18	23,547.07	901.61	6.63	5,496.12	38.91	3,034.60	12.54	3,038.77	11.38
Credit From BOG	2,944.52	621.59	1,177.23	158.20	-959.10	-7.05	-2,322.93	-16.45	609.96	2.52	-463.39	-1.74
Balances Due to Non-Resident Banks	6,439.50	8,024.07	9,356.87	8,589.69	1,318.90	9.69	1,584.58	11.22	1,492.90	6.17	565.62	2.12
Capital	6,327.81	9,004.34	9,783.32	9,738.18	2,062.28	15.16	2,676.53	18.95	900.67	3.72	733.84	2.75
Reserves	7,994.27	6,956.37	8,651.62	9,942.58	1,146.09	8.42	-1,037.90	-7.35	2,057.55	8.50	2,986.21	11.19
Other Liabilities*	19,341.15	18,902.74	29,523.61	29,087.94	3,080.66	22.64	-438.41	-3.10	9,014.70	37.26	10,185.20	38.15
Total	99,366.88	113,492.20	134,836.49	140,189.37	13,607.87		14,125.31		24,195.26		26,697.18	
Uses of Funds												
Bank Credit	36,803.58	45,773.70	51,924.57	52,076.42	1,344.61	9.88	8,970.12	63.50	7,358.11	30.41	6,302.72	23.61
o/w Private Sector Credit	34,380.15	40,169.74	45,339.83	45,157.13	1,849.52	13.59	5,789.59	40.99	6,617.45	27.35	4,987.39	18.88
Investment in Government Securities	13,354.41	25,380.92	35,081.37	37,531.02	3,028.65	22.26	12,026.51	85.14	9,219.19	38.10	12,150.10	45.51
Short Term	1,371.43	3,500.89	4,564.54	4,755.97	-1,143.50	-8.40	2,129.46	15.08	2,010.56	8.31	1,255.08	4.70
Medium/Long Term	11,982.98	21,880.03	30,516.83	32,775.06	4,172.15	30.66	9,897.05	70.07	7,208.63	29.79	10,895.02	40.81
Foreign Assets	7,065.16	9,914.35	8,215.45	10,019.35	167.27	1.23	2,849.19	20.17	-1,384.11	-5.72	105.00	0.39
Balances with BOG	9,533.27	13,105.62	19,483.99	15,376.74	1,230.32	9.04	3,572.35	25.29	8,645.69	35.73	2,271.12	8.51
Other Assets**	32,610.46	19,317.61	20,131.11	25,185.84	7,837.02	57.59	-13,292.86	-94.11	356.38	1.47	5,868.23	21.98
Total	99,366.88	113,492.20	134,836.49	140,189.37	13,607.87		14,125.31		24,195.26		26,697.18	

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

**Includes real estate and equipment and other unclassified assets

The main source of funds for the financing of banks assets emanated from the mobilisation of deposits. Its share in source of funds however decreased significantly from 96.7 percent in the second quarter of 2019 to 47.5 percent in the second quarter in 2020. This can be compared with 41.8 percent share recorded in Q1:2020. The decrease in total deposit for the period under review can be attributed to decrease in both domestic currency deposits and foreign currency deposits. Domestic deposits decreased from 57.8 percent in Q2:2019 to 36.2 percent in Q2:2020. The decrease in domestic deposits was reflected in decreases in demand and time deposits. Savings deposits on the other hand marginally increased when compared with same period in 2020.

Similarly, foreign deposits decreased from 38.9 percent in Q2:2019 to 11.4 percent in Q2:2020. Proportion of balances due non-resident banks, and bank capital in the sources of bank funds also declined over the same comparative periods. Balances due non-resident banks decreased from 11.2 percent to 2.1 percent, while bank capital decreased from 19.0 percent to 2.8 percent.

Other sources of funds such as credit from Bank of Ghana, bank reserves and other liabilities recorded increases in proportion in Q2:2020 relative to 2019. Credit from Bank of Ghana, bank reserves, and other liabilities increased from -16.5 percent, -7.4 percent, and -3.1 percent respectively, to -1.7 percent, 112 percent, and 38.2 percent respectively in Q2:2020.

Chart 4.4: Deployment of Banks' Annual Flow of Funds

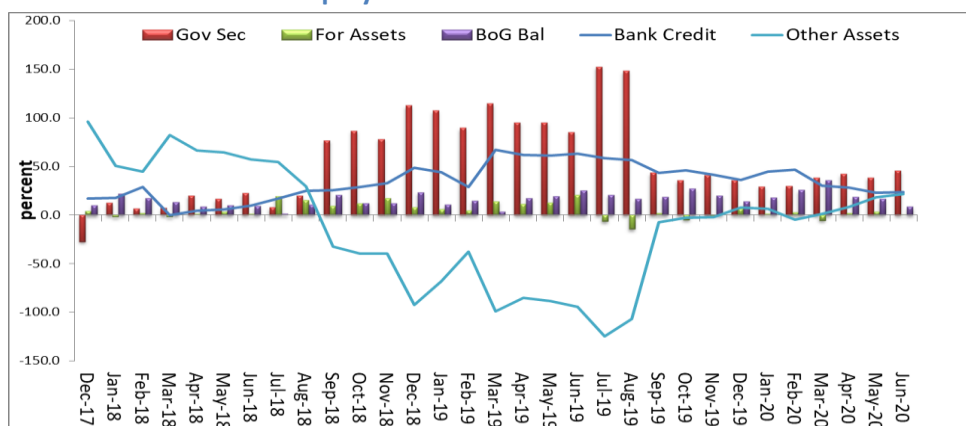
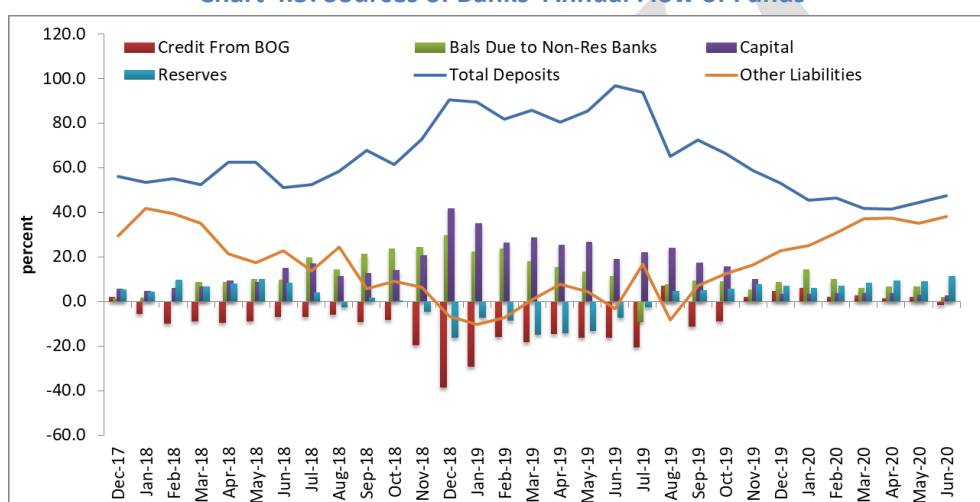


Chart 4.5: Sources of Banks' Annual Flow of Funds



4.5 Money Market

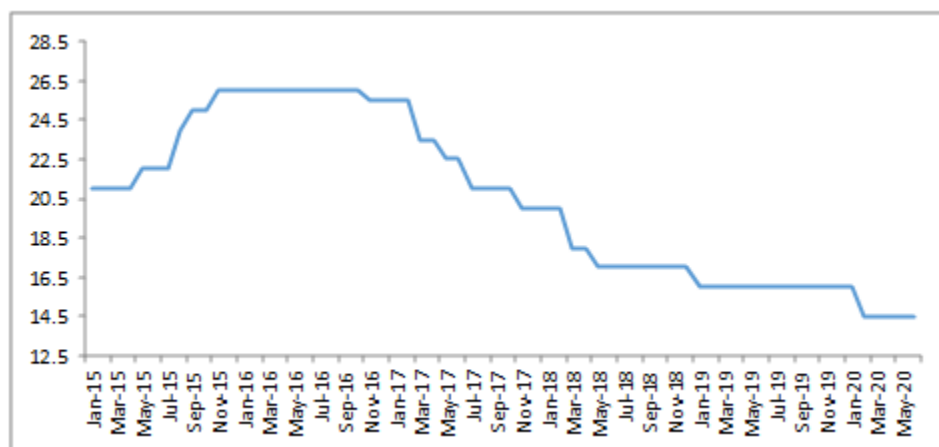
Money Market Developments

Interest rate developments in the money market during the second quarter of 2020 showed a general downward trend on a year-on-year basis. The rates on BOG bills and GOG securities decreased on a year-on-year basis compared to Q2:2019. The lending and deposit rates of Deposit Money Banks (DMBs) also decreased when compared with rates recorded in Q2:2019. Compared with Q1:2020, rates on GOG and BOG securities decreased. The lending and deposit rates of the DMBs also decreased in the review quarter when compared with rates recorded in Q1:2020.

Monetary Policy Rate

The MPR remained unchanged at 14.50 percent in Q2:2020 having been reduced by 150 basis points during Q1:2020. For the corresponding quarter in 2019, the MPR stood at 16.00 percent.

Chart 4.6: Monetary Policy Rate



BOG Bills

The interest equivalent on the 14-day BOG bill, which is pegged to the MPR, decreased on a year-on-year basis by 150 basis points from 16.00 percent in Q1:2019 to 14.50 percent at the end of Q2:2020. Rates on the 56-day bill also recorded a year-on-year decline of 150 basis points from 16.00 percent in the second quarter of 2019 to 14.50 percent in Q2:2020.

Government Securities

On the treasury market, interest rates trended downwards to reflect monetary policy transmission after the MPR was reduced by 150 basis points (bps) to 14.50 percent in Q1:2020. The 91-day, 182-day, and the 364-day T-bill rates declined by 78 bps, 118 bps and 105 bps respectively, on year-on-year basis to settle at 13.9 percent, 14.1 percent, and 16.9 percent, respectively. However, for the corresponding quarter in 2019, the interest rates on the 91-day and 182-day recorded a year-on-year increase of 145 bps and 137 bps, respectively. Compared with rates in the first quarter of 2020, the interest rates on the 91-day, the 182-day, and 364-day bills decreased by 75 bps, 113 bps, and 86 bps, respectively.

The rate on the 2-year fixed note decreased by 100 bps on a year-on-year basis to settle at 18.8 percent at the end of the second quarter of 2020. Compared with the corresponding quarter in 2019, the rate on the 2-year fixed note increased by 375 bps from 16.0 percent in June 2018 to 19.8 percent in June 2019.

The rates on the 3-year Government of Ghana (GOG) bonds declined by 85 bps from 19.7 percent recorded in the second quarter in 2019 to 18.9 percent at the end of Q2:2020. Quarter-on-quarter, the rate on the 3-year GOG bond also decreased by 190 bps from 20.8 percent recorded in Q1:2020.

Rates on the 5-year Government of Ghana (GOG) bonds, decreased by 50 bps on year-on-year terms to end the review quarter at 19.3 percent. The 6-year, 7-year, and 10-year GOG bonds recorded no change in interest rate on a year-on-year basis to settle at 21.0 percent, 16.3 percent,

and 19.8 percent respectively in Q2:2020. For the corresponding quarter in 2019, the 3-year, the 5-year, and 10-year GOG bond recorded increases in interest rates while the other medium to longer-dated securities registered no year-on-year changes in rates.

Interbank Market

The interbank weighted average interest rate decreased by 138 bps, year-on-year, from 15.2 percent recorded in the second quarter in 2019 to 13.8 percent at the end of Q2:2020. The downward trend observed can be attributed to the reduction in the MPR and a reduction in BOG's participation on the reverse repo market. This may be compared with the 118 bps year-on-year decrease in the interbank weighted average interest rate in Q2:2019. Quarter-on-quarter, the interbank weighted average rate decreased by 189 bps from 15.7 percent recorded at the end of Q1:2020.

Time and Savings Deposit Rates

The average interest rate on the DMBs' 3-month time remained unchanged at 11.5 percent in Q2:2020. The savings rate on a quarter-on-quarter and a year-on-year basis remains unchanged at 7.6 percent in Q2:2020. For the corresponding period in 2019, the interest earned on savings deposits with the DMBs also recorded no change.

Lending Rates

Lending rates trended downwards in the second quarter in 2020. The average lending rate decreased by 145 bps on a year-on-year basis, from 23.1 percent recorded at the end of Q2:2019 to 22.0 percent in Q2:2020. For the same period in 2019, average lending rates decreased by 103 bps. Compared with the first quarter of 2020, the average lending rate decreased by 145 bps from 23.4 percent recorded in March 2020 to 22.0 percent in June 2020.

The spread between the borrowing and lending rates narrowed by 115 bps on a year-on-year basis, from 11.6 percent in Q2:2019 to 10.5 percent in Q2:2020. In contrast, the spread between the borrowing and lending rates widened by 22 bps when compared with the corresponding period in 2019.

Chart 4.7: Yield Curve (%)

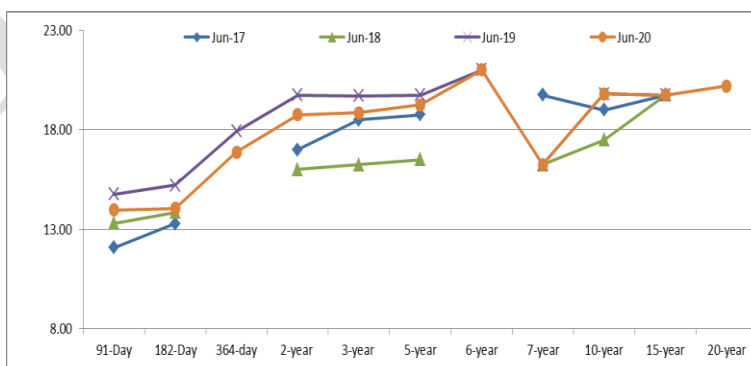
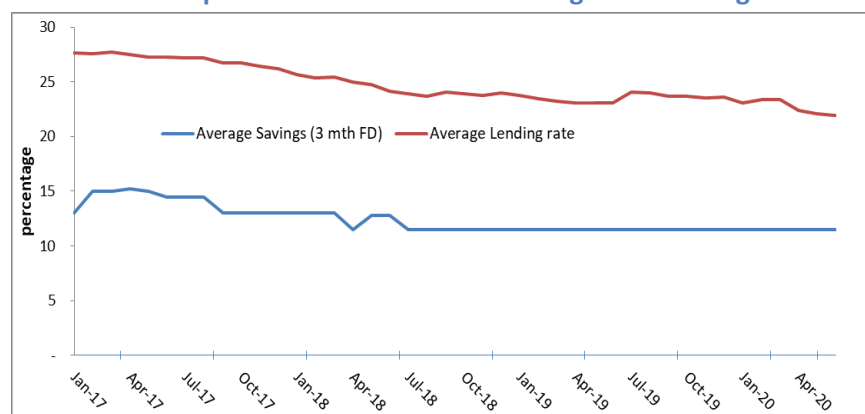


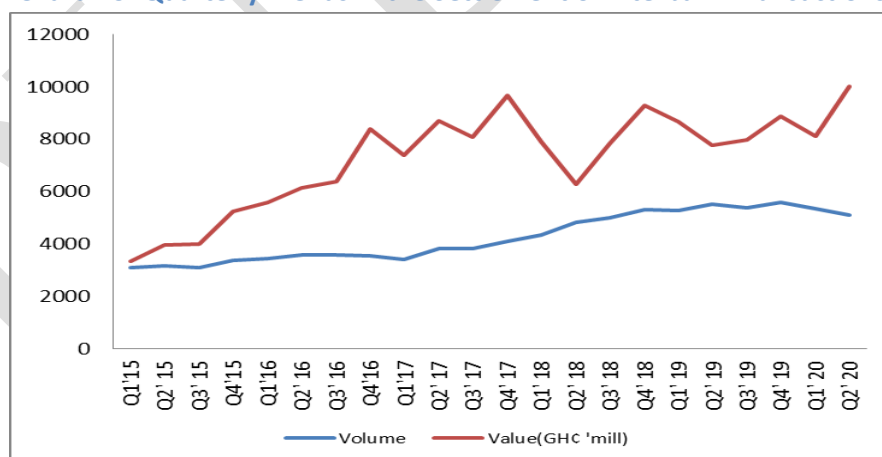
Chart 4.8: Spread between Nominal Savings and Lending Rates



Settlement of Interbank Transactions

The volume of transactions settled through the Ghana Interbank System (GIS) in Q2:2020 totaled 330,185 valued at GH¢650,679.48 million. This represented a decrease in volume by 4.5 percent, while the value of transactions increased by 23.7 percent compared to first quarter transactions in 2020. When compared with transactions settled during Q2:2019, there was a decrease in volume of transaction by 3.8 percent while the value of transaction increased by 35.2 percent. On the average, a total of 5,079.77 transactions were settled daily through the GIS, valued at GH¢10,010.45 million during the quarter under review, compared with a total of 5,319.12 cheques valued at GH¢8,095.80 million during the first quarter of 2020. In the same period in 2019, an average of 5,517.35 transactions were settled daily, valued at GH¢7,760.10 million.

Chart 4.9: Quarterly Trends in the Settlement of Interbank Transactions

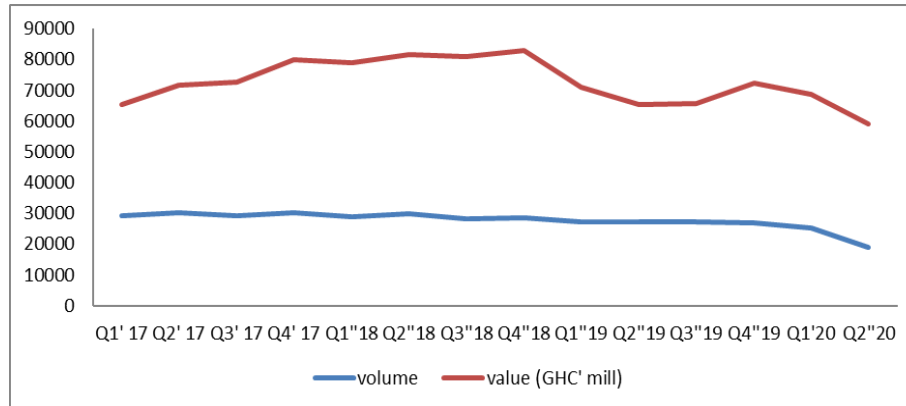


Cheques Cleared

The volume of cheques cleared during the second quarter of 2020 totaled 1,231,042 valued at GH¢38,334.87 million. This represents a decrease in both value and volume by 0.3 percent and 0.1 percent respectively compared to the first quarter transactions in 2020. When compared with the second quarter of 2019, the volume decreased by 26.7 percent while the value of cheques cleared

decreased by 5.6 percent. Daily, an average of 56,885 cheques valued at GH¢1,770.93 million were cleared during the period under review, compared with 75,950 cheques valued at GH¢1,770.93 million cleared during the first quarter of 2020. In the same period in 2019, an average of 81,228 cheques were cleared daily with a value of GH¢1,963.59 million.

Chart 4.10: Quarterly Trends in Cheques Cleared

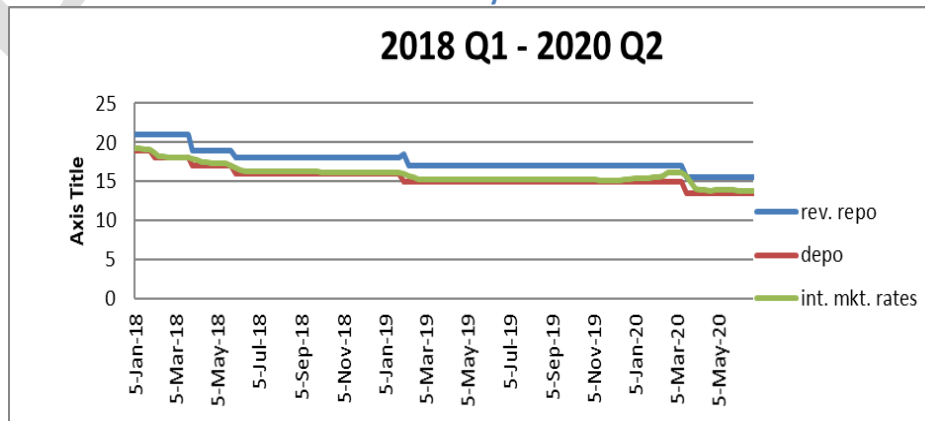


Interbank Market

During the quarter under review, depos by banks amounted to GH¢171,432.00 million from GH¢93,678.00 million recorded in the first quarter of the year representing an 83 percent increase. Compared with same period in the previous year, depo trades increased by 143.8 percent. There were no Reverse Repos during the review quarter.

On the interbank market, value of trades during the second quarter ranged between GH¢30.00 million and GH¢1,143.00 million at a weighted average rate ranging from 13.8 percent to 14.1 percent. In the previous quarter, values of trades ranged from GH¢519.00 million and GH¢4,403.00 million at a weighted average rate ranging from 14.93 percent to 16.12 percent. In the previous year, trades during the second quarter ranged from GH¢1,106.00 million and GH¢3,160.00 million. Weighted average rates were between 15.2 percent and 15.2 percent.

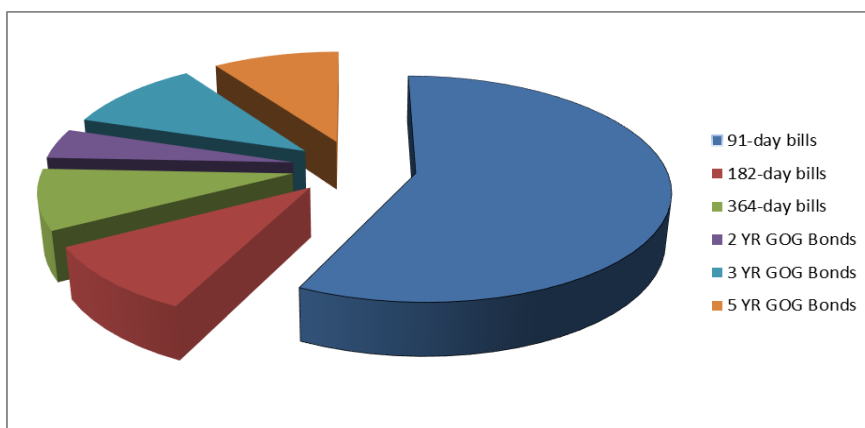
Chart 4.11: Money Market Rates



Tender Results

Total sales at the auction during the second quarter of 2020 amounted to GH¢52,365.51 million with maturities of GH¢45,909.21 million. This resulted in a net sale of GH¢6,456.31 million, out of which an amount of GH¢5,419.82 million was used to finance government's activities, while there was a withdrawal through Bank of Ghana's OMO activities to the tune of GH¢1,036.48 million.

Chart 4.12: Tender Results(Q2:2020)



4.6 Currency Markets

The International Currency Market

The U.S. Dollar and the Pound Sterling traded weak against major rivals on the international market in Q2:2020 due to revived investors' appetite for higher-risk currencies. The Euro on the other hand emerged strong during the period as an EU monetary stimulus package supported the common currency. The Japanese Yen ended Q2:2020 on a mixed note as the U.S.-China trade tensions and investors' rekindled appetite for higher-risk currencies weighed on the safe-haven currency.

The **U.S. Dollar** traded weak against the Euro and the Japanese Yen in Q2:2020. The U.S. Dollar weakened after recorded data showed massive job losses as millions applied for unemployment aid in the first month of the quarter under review. Investors also dropped the safe-haven currencies for higher risk currencies as risk appetite grew on optimism that the worst of the economic downturn from the spread of the coronavirus was past. Growing concerns over U.S.-China tensions, U.S. civil unrest and rising coronavirus infections also had an impact on the performance of the greenback. The currency ended the quarter with a loss of 2.2 percent and 0.1 percent against the Euro and the Japanese Yen, respectively. It however appreciated by 0.5 percent against the Pound Sterling.

The **Pound Sterling** was weak during the period under review as investors' focus shifted back to the possibility of negative interest rates in Britain in May 2020. A Coronavirus induced recession and growing debt also held down the Pound Sterling in the second quarter of 2020. Britain made

little headway in talks about a future trade relationship with the European Union. This development further weakened the currency. At the end of the Q2:2020, the Pound Sterling recorded a loss of 0.6 percent, 0.5 percent, and 2.7 percent against the Japanese Yen, the U.S. Dollar, and the Euro, respectively.

The **Euro** exhibited a strong performance against its rival currencies during Q2:2020. The currency was boosted when the EU policy makers unveiled a fiscal stimulus combining grants and loans intended to ease dissent among euro-zone countries. Performance of the Euro was also largely driven by broad US dollar weakness and expectations that policymakers would support the Euro zone's weak economies with debt purchases. The Euro ended the period with an appreciation of 2.3 percent, 2.7 percent, and 1.9 percent against the U.S. Dollar, the Pound Sterling, and the Japanese Yen, respectively.

The **Japanese Yen** had a mixed performance in Q2:2020 as it benefited from safe-haven purchases after U.S. President, Donald Trump, threatened to impose new tariffs on China over the coronavirus crises in the early periods of the second quarter. However, the safe-haven currency lost its steam against most of its major peers in the middle and last periods of Q2:2020 due to revived appetite for higher-risk currencies as businesses reopened. The safe-haven currency appreciated by 0.1 percent and 0.6 percent against the U.S. Dollar and the Pound Sterling respectively but depreciated against the Euro by 1.9 percent.

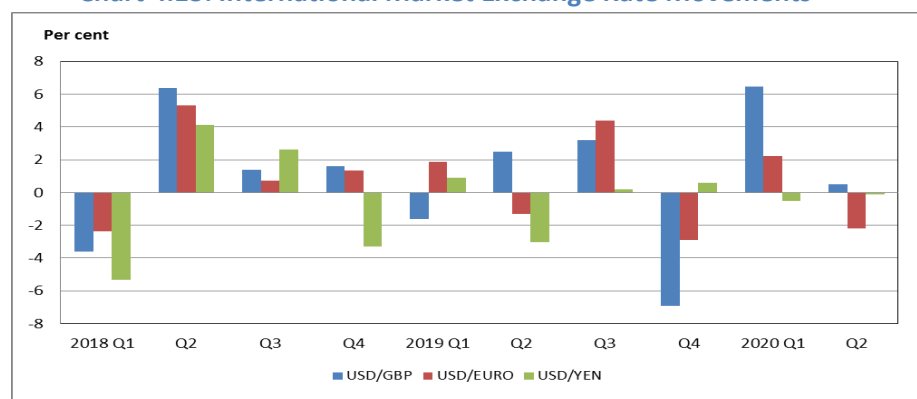
Table 4.4: International Market Exchange Rate Movements

End Period	Quarterly depreciation/ appreciation		Annual depreciation/ appreciation		Quarterly depreciation/ appreciation		Annual depreciation/ appreciation		Quarterly depreciation/ appreciation		Annual depreciation/ appreciation	
	US\$/£		US\$/€		US\$/¥		US\$/¥		US\$/¥		US\$/¥	
2018												
Q1	1.4035	-3.6	1.2300	-2.4	0.0094	-5.3						
Q2	1.3195	6.4	1.1677	5.3	0.0090	4.1						
Q3	1.3008	1.4	1.1593	0.7	0.0088	2.6						
Q4	1.2803	1.6	1.1438	1.4	0.0091	-3.3	5.0	-2.2				
2019												
Q1	1.3016	-1.6	1.1230	1.9	0.0090	0.9						
Q2	1.2700	2.5	1.1377	-1.3	0.0093	-2.7						
Q3	1.2305	3.2	1.0902	4.4	0.0093	0.2						
Q4	1.3222	-6.9	1.1224	-2.9	0.0092	0.4	1.9	-1.2				
2020												
Q1	1.2418	6.5	1.0978	2.2	0.0093	-0.5						
Q2	1.2358	0.5	1.1225	-2.2	0.0093	-0.1						

Depreciation (-)/ Appreciation (+)

Source: Reuters

Chart 4.13: International Market Exchange Rate Movements



The Domestic Currency Market

The Ghana Cedi traded weak in Q2:2020 from a comparatively stronger performance during the previous quarter against the three major currencies. The Ghana Cedi weakened with the slowdown in the economy after most businesses were forced to shut down during the lock down period. Demand pressures from the corporate and energy sectors further weakened the domestic currency. However, revived investors' appetite for higher risk investments backed by expectations that the global economy would recover as well as the Central Bank's forex auctions helped to moderate the fall of the currency.

On the **Interbank market**, the Ghana Cedi depreciated by 3.5 percent, 6.1 percent, and 4.0 percent against the Pound Sterling, the Euro, and the U.S. Dollar respectively during Q2:2020. In Q2:2019, the Cedi depreciated by 0.9 percent, 3.3 percent, and 4.6 percent against the Pound Sterling, the U.S. Dollar, and the Euro, respectively. On the **Forex Bureau market**, the Cedi fell by 1.6 percent, 6.3 percent, and 5.0 percent against the U.S. Dollar, the Pound Sterling, and the Euro, respectively. Like the interbank market, the Cedi fared better in Q2:2019 when it depreciated by 4.0 percent and 4.7 percent against the U.S. Dollar and the Euro, respectively. It however appreciated by 0.1 percent against the Pound Sterling.

Table 4.5: Inter-Bank Market Exchange Rate Movements

End Period	Quarterly depreciation/ appreciation		Annual depreciation/ appreciation		Quarterly depreciation/ appreciation		Annual depreciation/ appreciation		Quarterly depreciation/ appreciation		Annual depreciation/ appreciation	
	c/US\$		c/GBP		c/Euro							
2018												
Q1	4.4044	0.3	6.1816	-3.5	5.4179	-2.2						
Q2	4.5230	-2.6	5.9681	3.6	5.2808	2.6						
Q3	4.7776	-5.3	6.2145	-4.0	5.5392	-4.7						
Q4	4.8200	-0.9	6.1710	0.7	5.5131	0.5	-3.9					
2019												
Q1	5.0834	-5.2	6.6166	-6.7	5.7084	-3.4						
Q2	5.2590	-3.3	6.6787	-0.9	5.9831	-4.6						
Q3	5.3161	-1.1	6.5412	2.1	5.7956	3.2						
Q4	5.5337	-3.9	7.3164	-10.6	6.2114	-6.7	-11.2					
2020												
Q1	5.4423	1.7	6.7583	8.3	5.9752	4.0						
Q2	5.6674	-4.0	7.0038	-3.5	6.3613	-6.1						

Depreciation (-)/ Appreciation (+)

Chart 4.14: Inter-Bank Market Exchange Rate Movements

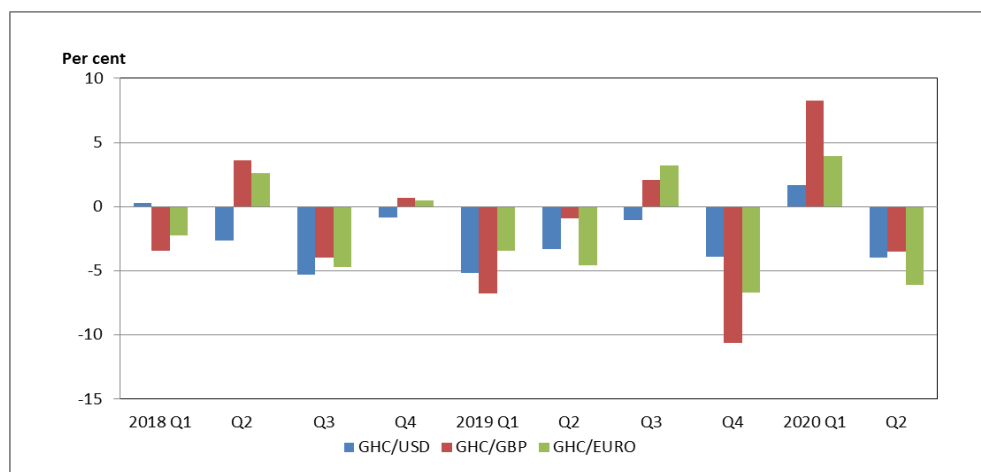
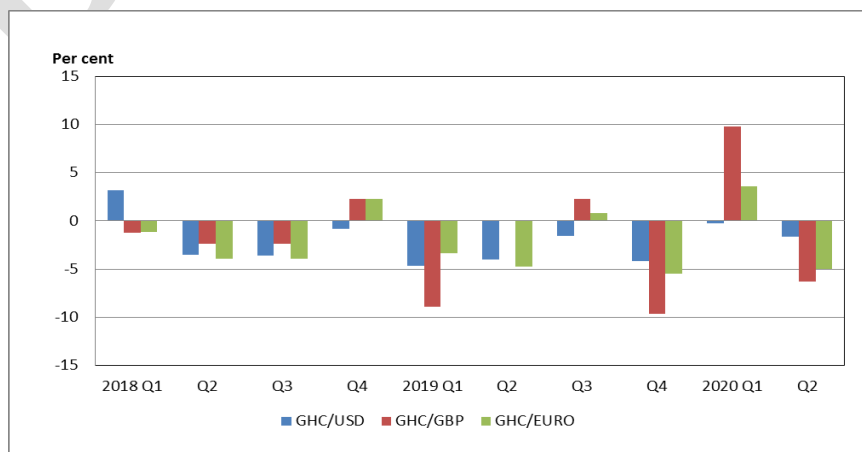


Table 4.6: Forex Bureau Exchange Rate Movements

End Period	Quarterly c/US\$	Quarterly depreciation/ appreciation	Annual depreciation/ appreciation	Quarterly c/GBP	Quarterly depreciation/ appreciation	Annual depreciation/ appreciation	Quarterly c/Euro	Quarterly depreciation/ appreciation	Annual depreciation/ appreciation
2018									
Q1	4.4450	3.2		6.1812	-1.3		5.4711	-1.1	
Q2	4.7561	-6.5		6.2189	-0.6		5.4644	0.1	
Q3	4.9312	-3.6		6.3694	-2.4		5.6878	-3.9	
Q4	4.9728	-0.8	-7.7	6.2283	2.3	-2.0	5.5617	2.3	-2.7
2019									
Q1	5.2156	-4.7		6.8350	-8.9		5.7556	-3.4	
Q2	5.4309	-4.0		6.8268	0.1		6.0395	-4.7	
Q3	5.5182	-1.6		6.6736	2.3		5.9900	0.8	
Q4	5.7582	-4.2	-13.6	7.3873	-9.7	-15.7	6.3359	-5.5	-12.2
2020									
Q1	5.7709	-0.2		6.7300	9.8		6.1164	3.6	
Q2	5.8664	-1.6		7.1836	-6.3		6.4400	-5.0	

Depreciation (-)/ Appreciation (+)

Chart 4.15: Forex Bureau Exchange Rates Movements



Foreign Exchange Transaction Market

At the end of Q2:2020, the total volume of forex purchases recorded was US\$4.70 billion. Commercial banks purchased US\$3.65 billion, representing 77.6 percent of purchases. The Central Bank's support to the market contributed 21.9 percent (US\$1.0 billion) and purchases from forex bureaus contributed the remaining 0.5 percent.

Compared to Q1:2020, the volume of forex purchases contracted marginally by 0.3 percent although support from Bank of Ghana increased by 12.3 percent. Therefore, the quarter on quarter decline was because of a 2.5 percent and 62.6 percent decline in commercial bank purchases and forex bureau purchases, respectively. However, compared to the corresponding quarter of 2019, the volume of forex purchases increased by 2.3 percent. Commercial bank purchases increased by 8.2 percent while Bank of Ghana support and forex bureau purchases contracted by 6.0 percent and 82.1 percent, respectively.

With regards to sales, total volume of sales recorded for Q2:2020 was US\$4.68 billion. Commercial bank sales amounted to US\$4.65 billion, that is, 99.5 percent of the total amount. Forex bureaus contributed the remaining amount. The total volume of sales contracted by 0.1 percent on a quarterly basis. However, compared to Q2:2019, total sales increased by 7.3 percent.

Table 4.7: Foreign Exchange Transaction Market

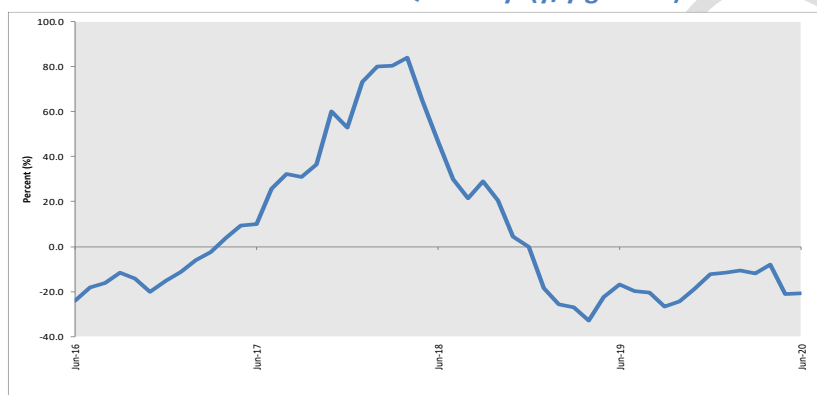
	Purchases (million \$)				Sales (million \$)		
	BOG Sales	Commercial Bank	Forex Bureau	Total Purchases	Commercial Bank	Forex Bureau	Total Sales
2019							
Jan	257.75	1,235.23	21.37	1,514.35	1,364.96	21.32	1,386.28
Feb	155.01	906.52	16.80	1,078.33	1,024.98	16.74	1,041.72
Mar	331.95	1,355.49	22.33	1,709.77	1,632.44	22.34	1,654.78
Q1	744.71	3,497.24	60.50	4,302.45	4,022.38	60.40	4,082.78
Apr	427.05	1,094.62	20.30	1,541.97	1,474.64	20.07	1,494.71
May	393.64	1,425.35	84.53	1,903.52	1,713.38	22.39	1,735.77
Jun	276.11	853.71	21.34	1,151.16	1,112.32	20.01	1,132.33
Q2	1,096.80	3,373.68	126.17	4,596.65	4,300.34	62.47	4,362.81
Jul	85.15	998.86	22.86	1,106.87	1,085.31	24.11	1,109.42
Aug	138.71	830.50	22.67	991.88	1,036.49	22.83	1,059.32
Sep	162.17	930.98	21.83	1,114.98	1,113.29	21.75	1,135.04
Q3	386.03	2,760.34	67.36	3,213.73	3,235.09	68.68	3,303.77
Oct	295.40	1,185.49	20.49	1,501.38	1,493.10	20.33	1,513.43
Nov	232.13	828.05	20.89	1,081.07	1,025.91	20.72	1,046.63
Dec	346.85	924.19	23.10	1,294.14	1,251.84	23.30	1,275.14
Q4	874.38	2,937.73	64.48	3,876.59	3,770.85	64.35	3,835.20
2020							
Jan	246.44	1,474.09	22.44	1,742.97	1,686.02	22.39	1,708.41
Feb	298.75	1,167.08	21.99	1,487.82	1,487.34	21.96	1,509.30
Mar	372.41	1,101.25	12.66	1,486.32	1,455.00	12.49	1,467.49
Q1	917.60	3,742.42	57.09	4,717.11	4,628.36	56.84	4,685.20
Apr	439.59	1,141.99	4.21	1,585.79	1,615.21	4.32	1,619.53
May	347.52	1,060.23	8.38	1,416.13	1,346.97	8.25	1,355.22
Jun	243.75	1,447.94	8.78	1,700.47	1,696.35	8.92	1,705.27
Q2	1,030.86	3,650.16	21.36	4,702.38	4,658.53	21.49	4,680.02

4.7 The Stock Market

The GSE-CI Index

The GSE-CI, a key indicator of performance of stocks on the local bourse, dipped by 12.0 percent in Q2:2020. The GSE-CI was adversely impacted by COVID-19 as investors sought safe-haven assets to minimize their risk exposures. Consequently, market capitalization decreased by 5.4 percent. The GSE-CI might recover marginally in the ensuing quarter as market risks and lockdown restrictions posed by COVID-19 might continue to ease in the ensuing quarter.

Chart 4.16: GSE-CI - Quarterly (y/y growth)



Sector Performance

The poor performance of the GSE-CI in Q2:2020 was mainly as a result significant loss in value of stocks in the Food & Brewery (-37.9%; -450.38 points), Agriculture (-12.3%; -70.00 points), Distribution (-8.0%; -183.59 points), Finance (-10.3%; -197.88 points) and IT (-13.2%; -3.26 points) sectors. However, the Manufacturing sector stocks gained 0.2 percent (3.30 points), as some investors envisaged a pick-up in production and consequently a marginal improvement in profits due to the easing of lockdown restrictions imposed by the Government to reduce the impact of COVID-19. The slip in the GSE-CI in Q2:2020 was also moderated by an impressive gain in value of GLD, an ETFund sector stock (12.0%; 31.05 points). GLD attracted investors as investors sought refuge in the “safe haven” asset. The Mining, Education and Advertisement & Production sectors recorded no changes during the review quarter.

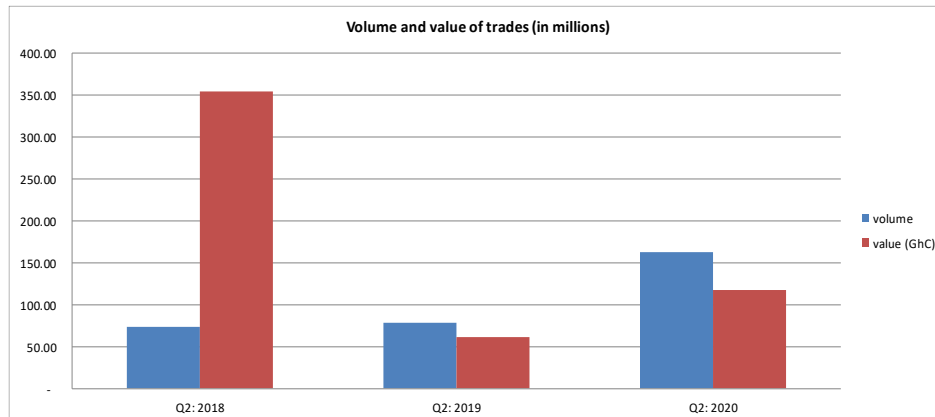
Table 4.8: Sector contribution to the Growth of GSE-CI

	SECTOR											
Month	F&B	MAN	FINANCE	DISTR	MINING	IT	AGRIC	OIL	ETFund	EDUC	AD. & PROD.	GSE-CI
Jun-19	1522.59	1718.19	2089.99	3091.80	134.53	26.47	700.00	38.52	171.97	100.00	100.00	2394.82
Mar-20	1188.35	1399.12	1922.92	2289.49	134.57	24.65	570.00	38.48	258.44	100.00	100.00	2159.61
Jun-20	737.97	1402.41	1725.04	2105.90	134.57	21.39	500.00	38.45	289.49	100.00	100.00	1899.90
QTR CHG												
ABS	-450.38	3.30	-197.88	-183.59	0.00	-3.26	-70.00	-0.03	31.05	0.00	0.00	-259.71
(%)	-37.90	0.24	-10.29	-8.02	0.00	-13.23	-12.28	-0.08	12.01	0.00	0.00	-12.03
Yoy												
ABS	-784.62	-315.77	-364.95	-985.90	0.03	-5.07	-200.00	-0.06	117.52	0.00	0.00	-494.92
(%)	-51.53	-18.38	-17.46	-31.89	0.03	-19.18	-28.57	-0.17	68.33	0.00	0.00	-20.67

Market Performance

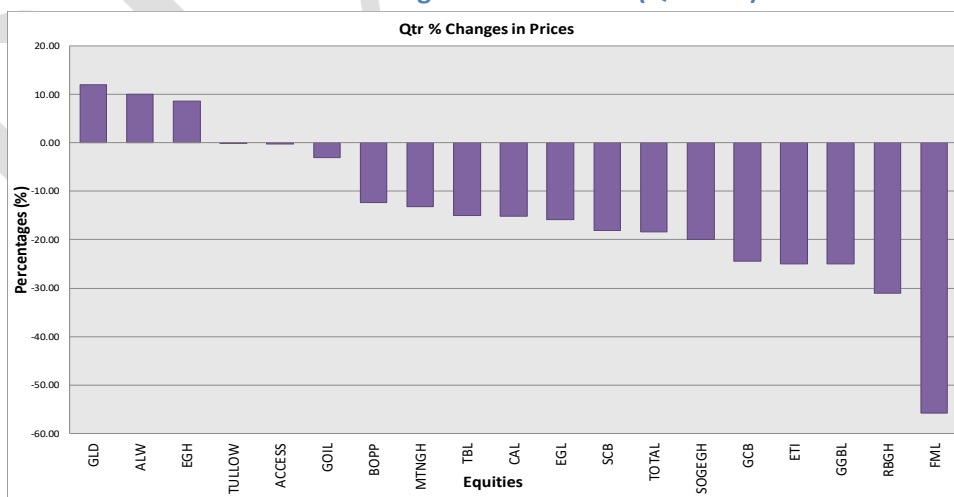
For the review quarter, total volume of trade on the GSE amounted to 162.74 million shares, valued at GH¢117.16 million, while in the corresponding period in 2019 a volume of 78.82 million shares valued at GH¢61.64 million was recorded. The increase in trade reflects an improvement in secondary market activity and therefore bodes well for the domestic financial system.

Chart 4.17: Market Activity-Volumes & Values of Trade (in million)



In Q2:2020, sixteen (16) stocks shed value while three (3) gained to moderate the decline in the GSE-CI. The rest remained unchanged at the end review period. GLD was the best performer and led the list of advancers with a share price appreciation of 12.0 percent. ALW and EGH also recorded gains of 10.0 percent and 8.7percent, respectively. However, the Food & Brewery and Finance sector stocks; FML, RBGH, GGBL, ETI and GCB shed 25.0 percent and 55.8, percent 31.0 percent, 25.0 percent, 25.0 percent and 24.4 percent respectively, to top the losers. Other major losers were SOGEGH and TOTAL which shed 20.0 percent and 18.4 percent, respectively.

Chart 4.18: Change in Share Prices (Q2-2020)



Market Capitalization

Total market capitalization as at the end of Q2:2020 stood at GH¢52,950.40 million representing a decrease of 5.4 percent (-GH¢3,035.15 million). Comparatively, market capitalization decreased by 1.7 percent (-GH¢1,020.37 million) in the same period in 2019.

As expected, the main sectors that accounted for the decrease in market capitalization in Q2:2020 were Food & Distribution (-37.9%; -GH¢386.83million), Distribution (-8.0%; -GH¢78.89 million), IT (-13.2%; -GH¢1,106.14 million), Finance (-11.8%; -GH¢1,443.64 million), and Agriculture (-12.3%; -GH¢12.18 million).

Only the ETFund and the Manufacturing sectors recorded increases in market capitalization during the review period as stocks in these sectors recorded appreciation in prices. The only listed ETFund, GLD, recorded a capital appreciation of 12.0 percent (GH¢3.90 million) during the period, while the Manufacturing sector stocks recorded a 0.2 percent (GH¢2.37 million) gain in market capitalization.

Table 4.9: Sectors' Contribution to the Growth of Market Capitalization

	SECTOR(GH¢' mill)											
Month	F&B	MAN	FINANCE	DISTR	MINING	IT	AGRIC	OIL	ETFund	EDUC	AD. & PROD.	MKT. CAP.
Jun-19	1307.74	1233.91	13625.60	1328.49	15691.89	8973.07	121.80	16404.24	21.60	10.57	10.70	58729.64
Mar-20	1020.66	1004.77	12210.90	983.75	15863.49	8358.54	99.18	16390.50	32.46	10.57	10.70	55985.55
Jun-20	633.83	1007.14	10767.26	904.87	15863.49	7252.40	87.00	16376.77	36.36	10.57	10.70	52950.40
QTR CHG												
ABS	-386.83	2.37	-1443.64	-78.89	0.00	-1106.14	-12.18	-13.74	3.90	0.00	0.00	-3035.15
(%)	-37.90	0.24	-11.82	-8.02	0.00	-13.23	-12.28	-0.08	12.01	0.00	0.00	-5.42
Yoy												
ABS	-673.91	-226.77	-2858.34	-423.62	171.60	-1720.67	-34.80	-27.48	14.76	0.00	0.00	-5779.24
(%)	-51.53	-18.38	-20.98	-31.89	1.09	-19.18	-28.57	-0.17	68.33	0.00	0.00	-9.84

The Bond Market

The total value of Government of Ghana Notes and Bonds listed on the GFIM as at the end of Q2:2020 stood at GH¢99,894.48 million. Comparatively, it was GH¢58,628.13 million in the corresponding period of 2019. Also listed on the GSE in the review period were US\$8,750.00 million in Eurobonds. The total value of corporate bonds stood at GH¢27,241.21 million at the end of June 2020 compared with GH¢8,016.33 million in the same period in 2019.

Outlook

The GSE-CI might recover marginally in the ensuing quarter as market risks and lockdown restrictions posed by the novel coronavirus might continue to ease in the ensuing quarter.

5. Fiscal Developments

Provisional data on fiscal developments for the second quarter of 2020 resulted in a deficit of GH¢10,389.2 million (2.7% of GDP). This was higher than the deficit of GH¢6,297.9 million (1.8% of GDP) recorded in the corresponding quarter in 2019, and the programmed target of GH¢4,586.4 million (1.2% of GDP) by 26.5 percent and 65.0 percent, respectively. The period under review also recorded a domestic primary deficit of GH¢3,864.8 million (1.0% of GDP) against the programmed surplus of GH¢1,876.7million (0.5% of GDP) and primary deficit of GH¢412.6 million (0.1% of GDP) recorded in the corresponding period of 2019.

Table 5.1: Fiscal Indicators (GH¢' million)

Million Ghana Cedis	2019		2020			DEVIATION	CHANGE
	PROV Q1	PROV Q2	PROV Q1	PROV Q2	PROG Q2	PROV/PROG 2020 Q2	YR-ON-YR GROWTH
Taxes on income and property	3,653.95	5,271.34	4,788.85	5,513.20	6,377.99	(13.56)	4.59
percent of GDP	1.05	1.51	1.24	1.43	1.65		
Taxes on goods and services	4,161.98	4,004.07	3,624.87	3,095.31	4,589.43	(32.56)	(22.70)
percent of GDP	1.19	1.15	0.94	0.80	1.19		
Taxes on international trade	1,442.11	1,328.20	829.71	1,167.53	1,437.88	(18.80)	(12.10)
percent of GDP	0.41	0.38	0.22	0.30	0.37		
Tax revenue including oil	8,711.25	10,071.90	8,786.84	9,209.25	11,868.27	(22.40)	(8.56)
percent of GDP	2.49	2.88	2.28	2.39	3.08		
Tax revenue excluding oil	8,470.31	9,361.31	8,093.85	8,629.08	10,651.17	(18.98)	(7.82)
percent of GDP	2.55	2.82	2.15	2.29	2.83		
Nontax revenue	1,362.49	1,759.18	1,365.22	1,128.46	2,791.31	(59.57)	(35.85)
percent of GDP	0.39	0.50	0.35	0.29	0.72		
Domestic revenue including oil	10,581.54	12,420.26	10,838.58	10,844.32	15,482.40	(29.96)	(12.69)
percent of GDP	3.03	3.55	2.81	2.81	4.02		
Domestic revenue excluding oil	10,340.61	11,709.66	10,145.59	10,264.15	14,265.30	(28.05)	(12.34)
percent of GDP	3.11	3.52	2.70	2.73	3.79		
Grants	112.45	236.85	118.09	205.99	328.10	(37.22)	(13.03)
percent of GDP	0.03	0.07	0.03	0.05	0.09		
Total revenue and grants	10,693.99	12,657.11	10,956.67	11,050.31	15,810.51	(30.11)	(12.69)
percent of GDP	3.06	3.62	2.84	2.87	4.10		
Compensation of Employees	5,383.76	5,568.42	6,499.81	7,718.83	6,641.29	16.22	38.62
percent of GDP	1.54	1.59	1.69	2.00	1.72		
Goods and services	1,177.19	1,924.43	1,628.58	2,361.77	1,482.30	59.33	22.73
percent of GDP	0.34	0.55	0.42	0.61	0.38		
Interest payments	3,767.88	5,039.82	6,409.14	5,230.19	5,322.05	(1.73)	3.78
percent of GDP	1.08	1.44	1.66	1.36	1.38		
Subsidies	41.41	41.41	48.67	92.77	45.44	104.17	124.02
percent of GDP	0.01	0.01	0.01	0.02	0.01		
Non-Financial Assets (Capital Exp)	1,154.05	2,073.57	2,899.58	1,912.91	2,210.65	(13.47)	(7.75)
percent of GDP	0.33	0.59	0.75	0.50	0.57		
Total expenditure & net lending	14,879.28	17,959.87	20,993.19	22,807.42	20,036.12	13.83	26.99
percent of GDP	4.26	5.14	5.45	5.92	5.20		
Overall Budget Balance	-3,648.26	-6,297.90	-13,956.22	-10,389.15	-4,586.42	126.52	64.96
percent of GDP	-1.04	-1.80	-3.62	-2.70	-1.19		
Domestic Expenditure	9,696.05	12,832.81	15,476.45	14,709.07	13,605.84	8.11	14.62
percent of GDP	2.77	3.67	4.02	3.82	3.53		
Domestic Primary Balance	885.49	-412.56	-4,637.88	-3,864.75	1,876.56		
percent of GDP	0.25	-0.12	-1.20	-1.00	0.49		
Primary Balance	119.62	-1,258.08	-7,547.08	-5,158.96	735.62		
percent of GDP	0.03	-0.36	-1.96	-1.34	0.19		
Nominal GDP (Including Oil)	349,480.41	349,480.41	385,378.03	385,378.03	385,378.03		
Nominal GDP (Excluding oil)	327,278.53	327,278.53	376,332.82	376,332.82	376,332.82		

Source: Bank of Ghana and Ministry of Finance

5.1 Government Revenue

Government receipts (including grants) for the review period totalled GH¢11,050.3 million (2.9% of GDP). This was lower than the target of GH¢15,810.5 million (4.1% of GDP) by GH¢4,760.2 million, and GH¢12,657.1 million (3.6% of GDP) recorded in the corresponding quarter in 2019.

Total Revenue was made up of Tax Revenue of GH¢9,209.3 million (83.3% of total receipt), Non-tax Revenue of GH¢1,128.5 million (10.2%), ESLA proceeds of GH¢506.6 million (4.6%) and Grants of GH¢206.0 million (1.9%).

Non-Tax receipts were lower than the budgeted target of GH¢2,791.3 million by 59.6 percent as well as GH¢1,759.2 million recorded for the corresponding quarter in 2019 by 35.9 percent. Grants disbursement of GH¢206.0 million were below the budgeted target of GH¢328.1 million by 37.2 percent.

Income and Property Tax

Taxes from income and property totalled GH¢5,513.2 million compared with budgeted target of GH¢6,378.0 million. Personal income taxes raked in GH¢1,939.7 million, while company taxes and company tax on oil and non-oil were GH¢2,341.9 million and GH¢199.8 million, respectively. Other taxes comprising royalties from oil and minerals amounted to GH¢635.8 million while revenue realised from Airport Tax and National Fiscal Stabilization Levy (NFSL) were GH¢0.7 million and GH¢123.9 million, respectively.

Domestic Goods and Services

Taxes on domestic goods and services amounted to GH¢3,095.3 million which was lower than the programmed target of GH¢4,589.4 million by 32.6 percent. This tax component was made up of Excise Duty and Petroleum Tax of GH¢390.8 million, VAT collections of GH¢1,825.4 million and National Health Insurance Levy of GH¢352.8 million. Get Fund Levy and Communication Service Tax amounted to GH¢354.8 million and GH¢171.4 million respectively to this category of tax. All these Tax components performed below their respective programmed targets except Communication Service Tax (CST) which performed above its target by 80.5 percent. The improved CST performance was occasioned by the increased use of data by households and institutions during the lockdown period and after.

Petroleum Taxes totalling GH¢301.0 million, constituted 77.0 percent of Excises for the review period, and was below its programmed target by 69.5 percent. VAT for the period under review missed its programmed target of GH¢2,437.1 million by 25.1 percent due to a slowdown in economic activity because of the COVID-19 pandemic. It was also lower than the corresponding period in 2019 by 13.0 percent.

International Trade Taxes

International Trade Taxes for the second quarter of 2020 was GH¢1,167.5 million, lower than both the budget target of GH¢1,437.9 million by 18.8 percent and the corresponding period in 2019 of GH¢1,328.2 million by 12.1 percent. The decline was attributed to the introduction of the new import benchmark policy which took off in April 2019.

Non-Tax Revenue

Non-Tax Revenue for the review quarter was GH¢1,128.5 million. This was lower than the programmed target of GH¢2,791.3 million by 59.6 percent and GH¢1,759.2 million recorded for a similar period of 2019

by 35.9 percent. Non-Tax Revenue was made up of Retention and Lodgement of GH¢428.6 million and GH¢699.9 million, respectively.

Table 5.2: Government Revenue (GH¢' million)

Million Ghana Cedis	2019		2020			DEVIATION	CHANGE
	PROV Q1	PROV Q2	PROV Q1	PROV Q2	PROG Q2	PROV/PROG 2020 Q2	YR-ON-YR GROWTH
TAX REVENUE	8,711.25	10,071.90	8,786.84	9,209.25	11,868.27	(22.40)	(8.56)
<i>(percent of GDP)</i>	<i>2.49</i>	<i>2.88</i>	<i>2.28</i>	<i>2.39</i>	<i>3.08</i>		
TAXES ON INCOME & PROPERTY	3,653.95	5,271.34	4,788.85	5,513.20	6,377.99	(13.56)	4.59
Personal	1,408.32	1,866.59	1,901.67	1,939.66	2,229.02	(12.98)	3.91
Self employed	85.42	114.69	77.66	82.16	102.79	(20.07)	(28.36)
Companies	1,584.33	2,081.78	1,718.46	2,341.86	2,266.21	3.34	12.49
Company taxes on oil	159.50	459.60	279.74	199.77	802.85	(75.12)	(56.53)
Others	416.38	748.68	811.32	949.75	977.12	(2.80)	26.86
Other direct taxes /1	261.85	559.05	648.77	825.17	770.84	7.05	47.60
o/w Royalties from Oil	81.44	250.99	413.25	380.40	414.25	(8.17)	51.56
o/w Mineral Royalties	128.49	251.01	189.06	255.44	267.97	(4.68)	1.76
NFSL	37.02	65.13	45.42	123.89	81.61	51.80	90.20
Airport tax	117.52	124.49	117.13	0.70	124.67	(99.44)	(99.44)
TAXES ON DOMESTIC GOODS AND SERVICES	4,161.98	4,004.07	3,624.87	3,095.31	4,589.43	(32.56)	(22.70)
Excises	932.34	948.95	1,017.95	390.83	1,103.01	(64.57)	(58.81)
Excise Duty	90.76	100.17	114.96	89.81	115.74	(22.41)	(10.34)
Petroleum tax	841.58	848.77	902.99	301.02	987.27	(69.51)	(64.53)
VAT	2,290.64	2,098.26	1,817.70	1,825.44	2,437.06	(25.10)	(13.00)
Domestic	1,103.67	1,210.81	1,210.47	1,249.79	1,421.24	(12.06)	3.22
External	1,186.97	887.45	607.23	575.65	1,015.82	(43.33)	(35.13)
National Health Insurance Levy (NHIL)	439.87	422.26	342.05	352.84	477.20	(26.06)	(16.44)
Customs Collection	197.23	168.34	109.61	104.53	197.11	(46.97)	(37.90)
Domestic Collection	242.64	253.92	232.44	248.31	280.09	(11.35)	(2.21)
GET Fund Levy	424.78	424.45	344.59	354.83	477.20	(25.64)	(16.40)
Customs Collection	182.15	170.53	111.88	106.53	197.11	(45.95)	(37.53)
Domestic Collection	242.64	253.92	232.71	248.31	280.09	(11.35)	(2.21)
Communication Service Tax	74.35	110.16	102.58	171.37	94.95	80.48	55.56
TAXES ON INTERNATIONAL TRADE	1,442.11	1,328.20	829.71	1,167.53	1,437.88	(18.80)	(12.10)
Imports	1,442.11	1,328.20	829.71	1,167.53	1,437.88	(18.80)	(12.10)
Tax Refunds	-546.80	-531.71	-456.58	-566.78	-537.03	5.54	6.60
SOCIAL CONTRIBUTIONS	18.30	85.04	45.72	0.00	143.23		
NON-TAX REVENUE	1,362.49	1,759.18	1,365.22	1,128.46	2,791.31	(59.57)	(35.85)
Retention	947.20	855.90	947.56	428.57	1,129.84	(62.07)	(49.93)
Lodgment	415.28	903.28	417.66	699.89	1,661.47	(57.88)	(22.52)
OTHER REVENUE	489.51	504.13	640.80	506.61	679.59	(25.45)	0.49
ESLA Proceeds	489.51	504.13	640.80	506.61	679.59	(25.45)	0.49
Energy Debt Recovery Levy	415.62	424.85	481.13	378.41	461.79	(18.06)	(10.93)
Public Lighting Levy	27.65	29.43	36.29	35.60	63.32	(43.77)	20.99
National Electrification Scheme Levy	17.42	21.56	25.19	24.25	40.89	(40.69)	12.47
Price Stabilisation & Recovery Levy	28.83	28.29	98.19	68.34	113.59	(39.84)	141.59
DOMESTIC REVENUE	10,581.54	12,420.26	10,838.58	10,844.32	15,482.40	(29.96)	(12.69)
GRANTS	112.45	236.85	118.09	205.99	328.10	(37.22)	(13.03)
Project grants	112.45	236.85	118.09	205.99	301.39	(31.65)	(13.03)
Programme grants	0.00	0.00	0.00	0.00	26.71		
TOTAL REVENUE & GRANTS	10,693.99	12,657.11	10,956.67	11,050.31	15,810.51	(30.11)	(12.69)

5.2 Government Expenditures

Government expenditure and net lending for the second quarter of 2020 amounted to GH¢22,807.4 million (5.9% of GDP), exceeding the programmed target of GH¢20,036.1 million (5.2% of GDP) by 15.8 percent. This was again, higher than the outturn of GH¢17,959.9 million in the corresponding period of 2019 by 27.0 percent. Interest payments, grants to other government units, and capital expenditure were below their respective targets by 1.7 percent, 24.6 percent and 13.5 percent.

Compensation of employees and Goods and Services exceeded their targets by about 16.2 percent and 59.3 percent, respectively. The front loading of expenditure on government flagship programmes contributed to the excesses in the payments of goods and services.

Table 5.3: Government Expenditure (GH¢' million)

Million Ghana Cedis	2019		2020			DEVIATION	CHANGE
	PROV Q1	PROV Q2	PROV Q1	PROV Q2	PROG Q2	PROV/PROG 2020 Q2	YR-ON-YR GROWTH
Compensation of Employees	5,383.76	5,568.42	6,499.81	7,718.83	6,641.29	16.22	38.62
Wages & Salaries	4,715.97	4,883.83	5,721.21	6,210.72	5,729.39	8.40	27.17
Social Contributions	667.79	684.59	778.59	1,508.11	911.90	65.38	120.29
Pensions	250.37	276.41	306.75	298.92	275.94	8.33	8.14
Gratuities	68.90	50.36	53.59	62.08	114.59	(45.82)	23.27
Social Security	348.52	357.82	418.26	1,147.10	521.37	120.02	220.58
Use of Goods and Services	1,177.19	1,924.43	1,628.58	2,361.77	1,482.30	59.33	22.73
Interest Payments	3,767.88	5,039.82	6,409.14	5,230.19	5,322.05	(1.73)	3.78
Domestic	3,105.51	3,962.55	5,259.55	3,867.12	3,806.76	1.59	(2.41)
External (Due)	662.37	1,077.26	1,149.59	1,363.07	1,515.29	(10.05)	26.53
Subsidies	41.41	41.41	48.67	92.77	45.44	104.17	124.02
Subsidies on Petroleum products	41.41	41.41	48.67	92.77	45.44	104.17	124.02
Grants to Other Government Units	2,865.47	2,808.09	2,829.25	2,760.69	3,662.74	(24.63)	(1.69)
National Health Fund (NHF)	315.60	332.00	208.78	409.00	529.81	(22.80)	23.19
Education Trust Fund	86.69	164.85	236.78	430.47	295.95	45.45	161.12
Road Fund	302.82	180.00	300.00	180.00	244.43	(26.36)	(0.00)
Petroleum Related Fund	2.68	5.65	4.74	9.69	6.11	58.55	71.38
Dist. Ass. Common Fund	614.98	467.28	646.38	724.64	533.52	35.82	55.08
Retention of Internally-generated funds (IGFs)	947.20	855.90	947.56	428.57	1,129.84	(62.07)	(49.93)
Transfer to GNPC from Oil Revenue	84.72	275.37	95.50	122.82	403.22	(69.54)	(55.40)
Other Earmarked Funds	510.78	527.03	389.49	455.50	519.86	(12.38)	(13.57)
Youth Employment Agency	73.89	39.07	65.34	67.95	51.44	32.11	73.92
Student's Loan Trust	0.36	0.00	0.00	0.85	0.64	32.11	
Ghana EXIM Bank Ltd	74.60	65.15	0.00	63.52	65.31	(2.74)	(2.50)
Ghana Airport Authority	117.52	124.49	117.13	0.70	124.67	(99.44)	(99.44)
Mineral Development Fund	25.70	50.20	0.00	71.21	31.00	129.73	41.84
GRA Retention	218.72	248.12	207.02	251.27	246.07	2.12	1.27
Plastic Waste Recycling Fund	0.00	0.00	0.00	0.00	0.74		
Social Benefits	0.00	0.00	37.37	112.71	37.52		
Lifeline Consumers of Electricity	0.00	0.00	37.37	112.71	37.52		
Other Expenditure	489.51	504.13	640.80	2,617.55	634.15	312.76	419.22
ESLA Transfers	489.51	504.13	640.80	506.61	634.15	(20.11)	0.49
Acquisition of Non-Financial Assets	1,154.05	2,073.57	2,899.58	1,912.91	2,210.65	(13.47)	(7.75)
Domestic financed	500.68	1,173.62	667.88	956.86	1,102.42	(13.20)	(18.47)
Assets	27.79	136.63	0.00	0.00	0.00		
Foreign financed	653.38	899.95	2,231.70	956.05	1,108.23	(13.73)	6.23
TOTAL EXP. & NET LENDING	14,879.28	17,959.87	20,993.19	22,807.42	20,036.12	13.83	26.99

Compensation of Employees

Compensation of Employees comprising wages and salaries, and social security contributions for the second quarter of 2020 amounted to GH¢7,718.8 million. This was 16.2 percent higher than the programmed target of GH¢6,641.3 million and still higher than the payment of GH¢5,568.4 million recorded in the corresponding period of 2019 by 38.6 percent.

Interest Payments

Interest payments totalled GH¢5,230.2 million and was 1.7 percent below the programmed target of GH¢5,322.1 million. Domestic Interest Payments accounted for 73.9 percent of the total Interest payment, while External Interest payments accounted for the remaining 26.1 percent. The total Interest payments for the period absorbed 48.2 percent of the total Domestic Revenue mobilised compared to 40.6 percent in the corresponding period of 2019.

Grants to Other Government Units

Grants to Other Government Units of GH¢2,760.7 million fell short of the budgeted target of GH¢3,662.7 million by 24.6 percent. Government transferred GH¢409.0 million, GH¢430.5 million and GH¢180.0 million to National Health Fund, Ghana Education Trust Fund and Road Fund, respectively. Payments made to Petroleum Related Fund and District Assemblies Common Fund were GH¢9.7 million and GH¢724.6 million, respectively. Retention of Internally Generated Funds and Transfer to GNPC from Oil Revenue were also GH¢428.6 million and GH¢122.8 million, respectively.

Other Earmarked Funds and Energy Sector Levy Account (ESLA) transfers totalled GH¢962.1 million. Transfers of GH¢506.6 million into ESLA fell short of budgeted target of GH¢634.2 million by 20.1 percent while total Earmarked Fund of GH¢455.5 million fell short of the target of GH¢519.9 million by 12.4 percent.

Capital Expenditure

Outlay on Government Acquisition of Non-Financial Assets during the second quarter of 2020 was GH¢1,912.9 million. This was below the budgeted target of GH¢2,210.7 million by 13.5 percent. Total Domestic Financed Capital Expenditure for the period was GH¢956.9 million while Foreign Financed Capital Expenditure was GH¢956.1 million, compared to GH¢1,173.6 million and GH¢900.0 million respectively in Q2:2019.

5.3 Financing

The overall budget balance on cash basis, including divestiture and discrepancy resulted in a deficit of GH¢10,389.2 million (2.7% of GDP) in the review period. The deficit was financed from both domestic and foreign sources.

Out of net domestic financing of GH¢12,903.8 million, Government drew down on its cash balances with Bank of Ghana by GH¢8,834.5 million, while borrowing GH¢3,238.9 million and GH¢830.4 million from DMBs (Banks) and Non-Bank public respectively. Government also drew down on the excess over the cap from Ghana Stabilisation Fund to the tune of GH¢925.5 million to support the budget. (Table 5.4)

Table 5.4: Government Financing (GH¢' million)

Million Ghana Cedis	2019		2020			DEVIATION	CHANGE
	PROV	PROV	PROV	PROV	PROG	PROV/PROG	YR-ON-YR
	Q1	Q2	Q1	Q2	Q2	2020 Q2	GROWTH
Overall balance (commitment)	-4,185.28	-5,302.76	-10,036.52	-11,757.11	-4,225.62	178.23	121.72
(percent of GDP)	-1.20	-1.52	-2.60	-3.05	-1.10		
Road Arrears (net change)	-224.96	-182.43	-795.59	-544.15	-360.81	50.81	198.28
Clearance of outstanding commitments	-224.96	-182.43	0.00	0.00	0.00		
Overall balance (cash)	-4,410.24	-5,485.19	-10,832.12	-12,301.26	-4,586.42	168.21	124.26
(percent of GDP)	-1.26	-1.57	-2.81	-3.19	-1.19		
Discrepancy	761.97	-812.71	-3,124.10	1,912.11	0.00		
Overall balance (incl. Divestiture and Discrepancy)	-3,648.26	-6,297.90	-13,956.22	-10,389.15	-4,586.42	126.52	64.96
(percent of GDP)	-1.04	-1.80	-3.62	-2.70	-1.19	126.52	49.60
Financing	3,648.26	6,297.90	13,956.22	10,389.15	4,586.42	126.52	64.96
Foreign (net)	12,051.68	-2,483.05	4,790.88	-2,231.08	-1,077.23	107.11	(10.15)
Borrowing	14,187.48	663.10	9,770.05	750.06	2,009.34	(62.67)	13.11
Project loans	540.92	663.10	2,113.61	750.06	806.84	(7.04)	13.11
Programme loans	0.00	0.00	0.00	0.00	1,202.50		
Sovereign Bond	13,646.56	0.00	7,656.44	0.00	0.00		
Amortisation (due)	-2,135.80	-3,146.15	-4,979.17	-2,981.14	-3,086.57	(3.42)	(5.24)
Domestic (net)	-8,290.50	9,168.20	9,435.57	12,903.75	6,197.71	108.20	40.74
Banking	-11,938.22	7,359.50	3,982.12	12,073.32	302.38		64.05
Bank of Ghana	-14,775.10	5,982.08	4,410.91	8,834.47	0.00		47.68
Comm. Banks	2,836.88	1,377.42	-428.79	3,238.85	302.38	971.14	135.14
Non-banks	3,647.72	1,808.70	3,177.99	830.43	5,523.31	(84.97)	(54.09)
o/w Non-residents	263.22	-1,154.99	828.60	-2,352.86	0.00		103.71
Other Domestic	0.00	0.00	2,275.46	0.00	372.03		
Other Financing	-2.47	-47.87	-16.03	-5.35	-2.58	107.32	(88.82)
Other domestic financing	-2.47	-47.87	-16.03	-5.35	-2.58	107.32	(88.82)
Ghana Petroleum Funds	-110.44	-339.38	234.71	925.54	-159.44	(680.49)	(372.72)
Transfer to Ghana Petroleum Funds	-110.44	-339.38	-254.20	-278.17	-531.47	(47.66)	(18.03)
o/w Stabilisation Fund	-77.31	-237.56	-177.94	-194.72	-372.03		
o/w Heritage Fund	-33.13	-101.81	-76.26	-83.45	-159.44		
Transfer from Stabilisation Fund	0.00	0.00	488.91	1,203.72	372.03		
Sinking Fund	0.00	0.00	-488.91	-1,203.72	-372.03		
Nominal GDP (Including Oil)	349,480.41	349,480.41	385,378.03	385,378.03	385,378.03		
Nominal GDP (Excluding oil)	332,228.56	332,228.56	376,332.82	376,332.82	376,332.82		

Source: Bank of Ghana and Ministry of Finance

5.4 Domestic Debt

Composition of Domestic Debt

The stock of domestic debt increased by GH¢16,583.4 million to GH¢121,966.8 million (31.6% of GDP) in the second quarter of 2020 from GH¢105,383.4 million (30.2% of GDP) at the end of 2019. The increase in the debt stock for the period was mainly due to increases of GH¢318.7 million, GH¢10,798.3 million, and GH¢5,466.3 million in the short, medium, and long-term securities, respectively.

The growth in the short-term component of the domestic debt was mainly because of increases of GH¢1,606.8 million in the 91-day and GH¢92.6 million in the 182-day treasury bills securities. The 364-day Treasury bill however, recorded a decrease of GH¢1,380.7 million for the period.

The growth in the medium-term component of the domestic debt stock resulted from marginal increases in the 3-Year USD Domestic Bond, 6-Year GOG Bond, 7-Year GOG Bond, and 10-Year GOG Bond of GH¢49.7 million, GH¢506.1 million, GH¢739.1 million and GH¢552.8 million respectively.

However, there were significant increases of GH¢2,796.3 million in the 3-Year Fixed Treasury note and GH¢7,670.3 million in the 5-Year GOG Bond. These were however, moderated by declines in the 2-Year Fixed Treasury note and 3-Year Stocks (SSNIT) of GH¢1,365.4 million and GH¢150.4 million, respectively.

The increase in the Long-Term Securities was due to a significant increase of GH¢9,070.7 million in the 15-year GOG Bond. This was however, offset by a reduction of GH¢3,547.1 million in the Long-Term Government stocks and a marginal decline of GH¢57.2 million in the TOR bonds.

Holdings of Domestic Debt

Bank of Ghana's holding of domestic debt at the end of the second quarter of 2020 totalled GH¢20,970.7 million, representing 17.2 percent of the total. The Deposit Money Banks (DMBs) held GH¢37,807.5 million (31.0%), SSNIT held GH¢612.1 million (0.5%), and Insurance companies GH¢678.3 million (0.6%) whilst "Other holders" made up of Rural Banks, Firms and Institutions, and Individuals held GH¢37,130.1 million (30.4%). Non-Resident Investors held GH¢24,768.0 million (20.3%) at the end of the period under review. At the end of the fourth Quarter of 2019 Bank of Ghana held 15.0 percent of Comparative holdings, while Deposit Money Banks held 29.5 percent, SSNIT 0.3 percent, and Insurance Companies 0.6 percent. Other holders and Non-Resident investors held 29.8 percent and 25.0 percent, respectively. See Table 5.7.

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

MILLIONS OF GHANA CEDIS	2019			2020		CHANGE (Q2 2020)-(Q4 2019)
	Q2	Q3	Q4	Q1	Q2	
A. SHORT TERM						
91-Day Treasury Bill	6,990.6	6,516.5	7,153.4	7,665.4	8,760.2	1,606.8
182-Day Treasury Bill	3,540.3	3,387.5	2,842.7	2,833.3	2,935.3	92.6
364-Day Treasury Bill	3,793.7	5,402.9	6,344.9	6,086.6	4,964.2	(1,380.7)
1-Year Treasury Note	1,388.7	898.4	0.0	0.0	0.0	0.0
SUB-TOTAL (A)	15,713.2	16,205.3	16,341.0	16,585.3	16,659.7	318.7
B. MEDIUM-TERM						
2-Year Fixed Treasury Note	12,610.7	12,939.1	13,526.1	11,998.0	12,160.7	(1,365.4)
3-Year Fixed Treasury Note	11,405.6	11,444.4	12,929.6	14,766.4	15,725.9	2,796.3
3-year USD Domestic Bond	1,164.9	1,975.4	2,056.3	2,022.3	2,105.9	49.7
3-Year Stock(SSNIT)	313.4	199.1	199.1	123.9	48.7	(150.4)
5-Year GOG Bond	13,522.7	14,909.3	15,808.0	20,509.1	23,478.2	7,670.3
6-Year GOG Bond	1,248.7	1,780.7	1,780.7	1,835.5	2,286.8	506.1
7-Year GOG Bond	3,258.1	4,143.4	4,580.8	5,319.9	5,319.9	739.1
10-Year GOG Bond	8,365.1	8,665.1	8,665.1	8,815.1	9,217.9	552.8
SUB-TOTAL (B)	51,889.3	56,056.6	59,545.6	65,390.1	70,343.9	10,798.3
C. LONG-TERM						
15-Year GOG Bond	4,793.8	5,314.7	5,812.7	14,483.3	14,883.3	9,070.7
20-Year GOG Bond	0.0	162.1	162.1	162.1	162.1	0.0
Long Term Govt. Stocks	22,841.8	22,685.5	22,685.5	13,748.4	19,138.4	(3,547.1)
GOG Petroleum Finance Bonds	80.0	80.0	80.0	80.0	80.0	0.0
TOR Bonds	343.2	286.0	286.0	228.8	228.8	(57.2)
Telekom Malaysia Stocks	109.5	109.5	109.5	109.5	109.5	0.0
Revaluation Stock	361.1	361.1	361.1	361.1	361.1	0.0
SUB-TOTAL (C)	28,529.3	28,998.8	29,496.8	29,173.2	34,963.2	5,466.3
TOTAL (A+B+C)	96,131.9	101,260.7	105,383.4	111,148.6	121,966.8	16,583.4

Source: Bank of Ghana and Ministry of Finance

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

MILLIONS OF GHANA CEDIS	2019			2020	
	Q2	Q3	Q4	Q1	Q2
A. Banking system	41,960.3	45,849.4	46,815.7	49,142.5	58,778.2
Bank of Ghana	15,920.0	15,662.6	15,782.7	13,490.4	20,970.7
Deposit Money Banks	26,040.3	30,186.8	31,033.0	35,652.1	37,807.5
B. Nonbank sector	28,987.1	29,751.2	32,275.4	34,885.2	38,420.5
SSNIT	467.3	403.4	340.5	199.1	612.1
Insurance Companies	510.8	538.6	581.9	624.1	678.3
Others Holders	28,009.1	28,809.1	31,353.1	34,062.0	37,130.1
Rural Banks	488.8	482.2	697.5	817.3	924.8
Firms & Institutions	19,941.8	20,184.3	21,976.6	23,707.3	25,550.9
Individuals	7,578.4	8,142.6	8,679.0	9,537.4	10,654.5
C. Foreign sector(Non-Residents)	25,184.4	25,660.2	26,292.3	27,120.9	24,768.0
TOTAL(A+B+C)	96,131.9	101,260.7	105,383.4	111,148.6	121,966.8

Source: Bank of Ghana and Ministry of Finance

Table 5.7: Holdings of Total Domestic Debt (Percentages)

MILLIONS OF GHANA CEDIS	2019			2020	
	Q2	Q3	Q4	Q1	Q2
A. Banking system	43.6	45.3	44.4	44.2	48.2
Bank of Ghana	16.6	15.5	15.0	12.1	17.2
Deposit Money Banks	27.1	29.8	29.4	32.1	31.0
B. Nonbank sector	30.2	29.4	30.6	31.4	31.5
SSNIT	0.5	0.4	0.3	0.2	0.5
Insurance Companies	0.5	0.5	0.6	0.6	0.6
Others Holders	29.1	28.5	29.8	30.6	30.4
Rural Banks	0.5	0.5	0.7	0.7	0.8
Firms & Institutions	20.7	19.9	20.9	21.3	20.9
Individuals	7.9	8.0	8.2	8.6	8.7
C. Foreign sector(Non-Residents)	26.2	25.3	24.9	24.4	20.3
TOTAL(A+B+C)	100.0	100.0	100.0	100.0	100.0

Source: Bank of Ghana and Ministry of Finance

6. Balance of Payments Developments

6.1 International Trade and Finance

Preliminary estimates of Ghana's Balance of Payments for the second quarter of 2020 indicate a deficit of US\$1,476.5 million, compared to a deficit of US\$1,674.0 million for the second quarter of 2019.

Table 6.1: Balance of Payments, Q2:2018 – Q2:2020 (US\$' million)

	2018	2019+	2020*	Q2'2019/20	
	Q2	Q2	Q2	Absolute	% Change
CURRENT ACCOUNT	-636.2	-839.1	-663.0	176.2	-21.0
Merchandise Exports (f.o.b.)	3,797.0	4,029.9	3,480.5	-549.4	-13.6
Cocoa beans and products	460.9	521.3	545.7	24.3	4.7
Gold	1,482.3	1,541.2	1,708.8	167.6	10.9
Timber products	61.5	40.1	29.2	-10.9	-27.2
Oil	1,079.0	1,235.6	631.3	-604.3	-48.9
Others (including non-traditionals)	713.3	691.7	565.6	-126.1	-18.2
Merchandise Imports (f.o.b.)	-3,265.6	-3,317.5	-3,366.1	-48.6	1.5
Non-oil	-2,616.9	-2,719.0	-2,991.1	-272.1	10.0
Oil	-648.7	-598.5	-375.0	223.5	-37.3
Trade Balance	531.3	712.4	114.5	-598.0	-83.9
Services (net)	-890.1	-1,297.4	-1,053.9	243.5	-18.8
Receipts	2,000.1	2,439.6	1,862.1	-577.5	-23.7
Payments	-2,890.2	-3,737.0	-2,915.9	821.0	-22.0
Income (net)	-1,015.4	-1,138.7	-679.9	458.8	-40.3
Receipts	136.9	88.6	291.8	203.1	229.2
Payments	-1,152.3	-1,227.3	-971.7	255.7	-20.8
Current Transfers (net)	738.0	884.5	956.3	71.8	8.1
Official	18.7	0.0	0.0		
Private	719.3	884.5	956.3	71.8	8.1
Services, Income and Current Transfers (net)	-1,167.5	-1,551.6	-777.4	774.1	-49.9
CAPITAL & FINANCIAL ACCOUNT	945.5	-735.1	-996.6	-261.6	35.6
Capital Account(net)	75.2	67.6	0.0	-67.6	-100.0
Capital transfers	75.2	67.6	0.0	-67.6	-100.0
Financial Account(net)	870.3	-802.7	-996.6	-193.9	24.2
Direct Investments	986.1	956.8	331.1	-625.7	-65.4
Portfolio Investments	1,056.2	-261.6	-488.5	-226.9	86.7
Other Investments	-1,171.9	-1,497.9	-839.2	658.7	-44.0
Of Which					
Official Capital (net)	-164.5	28.1	867.5	839.4	2,990.3
Sovereign bond					
Other Private Capital (net)	-664.8	-949.6	-976.1	-26.5	2.8
Short-term capital (net)	-238.4	-652.5	-902.4	-249.9	38.3
Government Oil Investments (net)	-104.3	76.1	171.8	95.7	125.8
ERRORS AND OMISSIONS	-67.4	-99.8	183.1	282.9	-283.5
OVERALL BALANCE	241.9	-1,674.0	-1,476.5	197.5	-11.8
FINANCING	-241.9	1,674.0	1,476.5	-197.5	-11.8
Changes in international reserves	-241.9	1,674.0	1,476.5	-197.5	-11.8

+ Revised * Provisional

6.2 The Current Account

The current account deficit improved by 21 percent from US\$839.14 million in the second quarter of 2019 to US\$662.97 million in Q2:2020. The decrease in the current account deficit was influenced largely by a reduction in the payments of investment income, reflecting a reduction in profits and dividend payments. In addition, there was some moderate increase in net unilateral transfers (remittances).

6.2.1 Merchandise Trade

The provisional trade balance for Q2:2020 showed a surplus of US\$114.47 million compared to a surplus of US\$712.44 million recorded for the same period in 2019. The reduction in the gains made in the trade balance was because of a larger decline in exports (13.6% y/y) relative to imports (1.5% y/y).

Merchandise Exports

The estimated value of merchandise exports for the second quarter of 2020 was US\$3,481.52 million, indicating a decrease of US\$548.42 million or 13.6 percent compared with US\$4,029.94 million recorded in the same period in 2019. The decrease was attributable to declining receipts from the exports of crude oil, although other exports (other minerals and non-traditional exports) and some commodities recorded lower export receipts.

Gold Exports

Gold exports in Q2:2020 amounted to US\$1,708.79 million compared to US\$1,554.98 million recorded during the corresponding quarter in 2019. The increase in export receipts was mainly as due to price effects. The average realized price increased by 10.9 percent to settle at US\$1,708.79 per fine ounce whilst the volume of gold exported decreased by 15.3 percent to 1,000,397 fine ounces.

Crude Oil Exports

The value of crude oil exported in the review quarter totaled US\$631.32 million compared to US\$1,235.64 million recorded in the same period in 2019. The decrease in value was due to a fall in price by 50 percent to settle at US\$34.07 per barrel, compared to US\$68.14 per barrel recorded for the same period a year ago. There was, however, an increase in volume by 2.2 percent to 18,528,077 barrels compared to 18,134,495 barrels in Q2:2019.

Cocoa Beans and Products Exports

Earnings from cocoa beans and products exports amounted to US\$545.68 million compared to US\$521.33 million for Q2:2019, an increase of 4.7 percent. Earnings from cocoa beans amounted to US\$275.61 million, a decrease of 10 percent over the level recorded in 2019. The price of cocoa beans decreased by 0.4 percent to settle at US\$2,428.62 per tonne, and the volume exported decreased by 9.6 percent to 113,485 tonnes. Earnings from the export of cocoa products,

increased by 25.6 percent to US\$270.07 million on account of a 22 percent jump in volume to 85,991 metric tonnes and a 2.9 percent increase in price to US\$3,140.71 per tonne.

Timber Products

Earnings from the export of timber products in the review quarter amounted to US\$29.17 million representing a decline from exports of US\$40.08 million in 2019.

Other Exports

The value of “other” exports, which is made up of non-traditional exports, electricity and other minerals (bauxite, diamond, aluminium and manganese), was estimated at US\$566.56 million; which is 16.2 percent lower than the outturn in the second quarter of 2019.

Top Ten Exported Non-Traditional Items

The value of the top-ten non-traditional commodities exported during the period under review amounted to US\$273.44 million compared to US\$309.36 million recorded for the same period in 2019. Among the ten top non-traditional items exported were cashew nuts, prepared or preserved tuna, palm oil and its fractions, aluminium, etc.

Imports

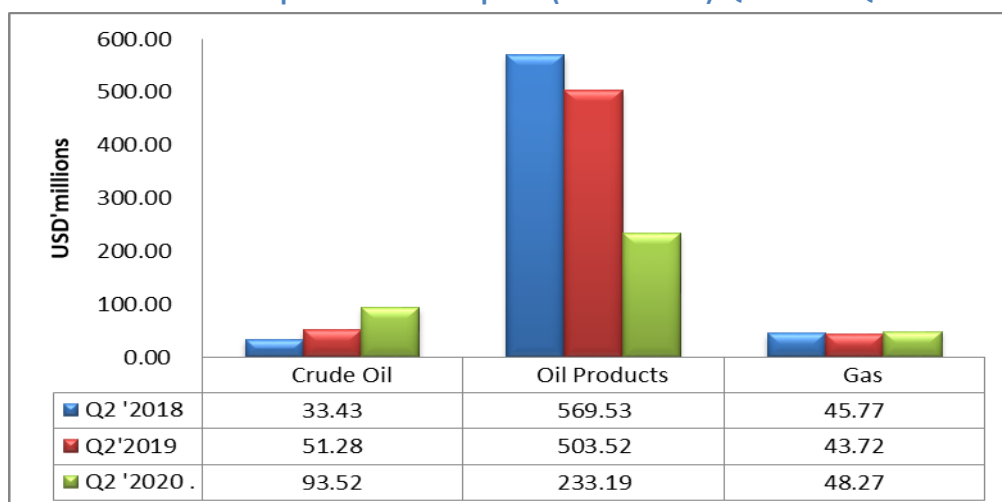
Total value of merchandise imports for the second quarter of 2020 amounted to US\$3,366.08 million, up by 1.5 percent compared to US\$3,317.49 million recorded in 2019. The increase was driven by non-oil imports.

Oil and Gas Imports

During the review quarter, oil imports (made up of crude, gas, and refined products) decreased by 37.3 percent to US\$374.98 million from US\$598.52 million in 2019. Crude oil imports totalled 3,274,653 barrels valued at US\$93.52 million at an average realized price of US\$28.56 per barrel, compared with imports of 783,523 barrels valued at US\$51.28 million at an average realized price of US\$65.45 per barrel as recorded in 2019.

In addition, the VRA imported 6,576,557 MMBTu of gas worth US\$48.27 million from the West African Gas Company (WAGP) at an average price of US\$7.3 per MMBTu (Million Metric British Thermal units) for its operations. For the same period last year 6,056,912 MMBTu of gas worth US\$43.72 million at an average price of US\$7.2 was imported. The value of finished oil products imported in the second quarter of 2020 amounted to US\$233.19 million compared to US\$503.52 million in the same period in 2019.

Chart 6.1: Developments in Oil Imports (US\$ 'million) Q2:2018 – Q2:2020

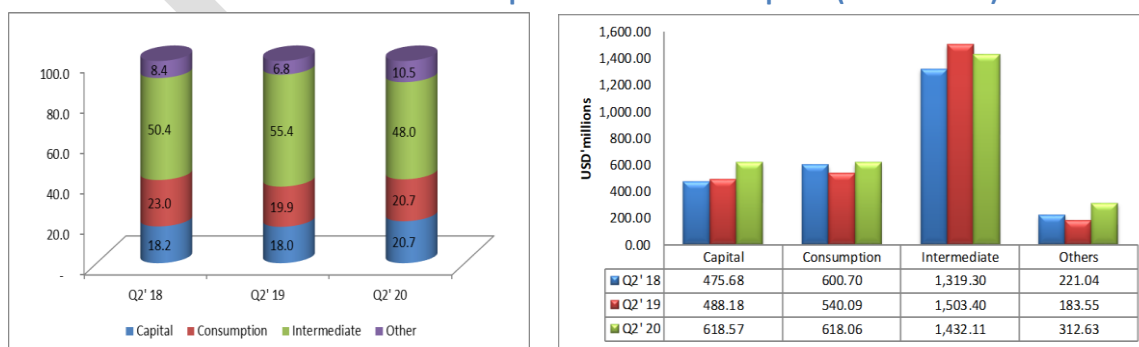


Merchandised Non–Oil Imports

The total merchandise non-oil imports for the second quarter of 2020 was estimated at US\$2,991.10 million (including electricity imports) compared to an outturn of US\$2,718.97 million recorded for the same period in 2019, up by 10 percent. This was the result of decreases in all the major categories except **Intermediate goods**.

The value of **capital goods** imported during the quarter amounted to US\$618.57 million, down by 26.71 percent from the US\$488.18 million recorded for the same quarter in 2019. This was due to a 34.1 percent and 96.6 percent increase in capital goods (except transport) and industrial transport goods respectively. Demand for **Consumption goods** increased by 14.4 percent to US\$618.06 million from US\$540.09 million in Q2:2019. This was explained by a high demand for goods in all sub-categories, except for primary foods and beverages mainly for household consumption. The value of **intermediate goods** imported decreased by 4.7 percent to US\$1,432.11 million largely on account of a fall in the demand for goods in all sub-categories except processed industrial supplies, which recorded an increase of 6.4 percent.

Chart 6.2: Developments in Non-oil Imports (US\$ 'million)



The value of **'other goods'** imports totalled US\$312.63 million, a 70.3 percent increase from the US\$183.55 million imported during Q2:2019 mainly due to an increase in demand for passenger cars. The share of capital and intermediate goods in non-oil imports during the period declined from 73.3 percent to 68.8 percent.

During the period, 16,460,592 kWh of electricity valued at US\$1.98 million was imported by VRA compared to 31,227,200 kWh worth US\$3.75 million, imported during the same period in 2019.

Top Ten Major Non-Oil Imports

The total value of the top ten non-oil merchandise imports for the second quarter of 2020 amounted to US\$868.25 million, compared to US\$621.62 million recorded a year ago. Key items included motor vehicles for the transport of persons and goods, self-propelled bulldozers, herbicides, insecticides and fungicides, rice, fertilizers, cereal grains, polyethylene etc.

Table 6.2: Top Ten Non-Oil Imports

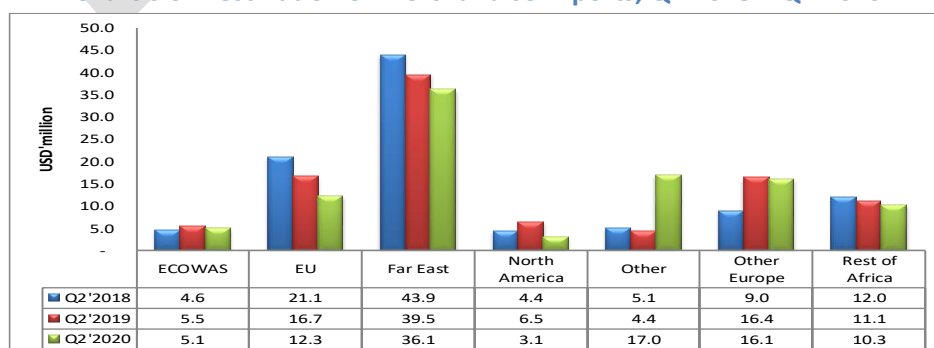
April - June 2019			April - June 2020		
Description	US\$M	%Distr.	Description	US\$M	%Distr.
Capital	59.05	9.5	Capital	247.03	28.45
Motor vehicles for the transport of goods,	59.05	9.5	Motor vehicles for the transport of goods,	137.39	15.82
Consumption	59.14	9.5	Self-propelled bulldozers	58.72	6.76
Frozen fish	59.14	9.5	Motor vehicles for the transport of ten or m	50.92	5.86
Intermediate	357.16	57.5	Consumption	203.43	23.43
Oil-seeds and oleaginous fruits, n.e.s.	65.20	10.5	Herbicides, Insecticides and Fungicides	89.23	10.28
Fixed vegetable fats and oils, crude, refined	58.73	9.4	Rice	72.06	8.30
Cement clinkers	54.14	8.7	Cereal grains	42.14	4.85
Palm oil and its fractions	53.04	8.5	Intermediate	145.37	16.74
Herbicides, Insecticides and Fungicides	43.09	6.9	Fertilizers	54.73	6.30
Polyethylene having a specific gravity	41.74	6.7	Polyethylene	49.46	5.70
Wheat and Meslin	41.23	6.6	Refined oil and its fractions	41.18	4.74
Other	146.27	23.5	Other	272.42	31.38
Motor vehicles for the transport of persons,	146.27	23.5	Motor vehicles for the transport of	272.42	31.38
Total	621.62	100.00	Total	868.25	100.00

6.2.2 Direction of Trade

Destination of Exports

During the review period, the Far East received the largest share of 36.1 percent of Ghana's total exports. The other recipients were the Other Economies (17%), Other European countries (16.1%), European Union (12.3%), the Rest of Africa (10.3%), ECOWAS (5.1%) and North America (3.1%).

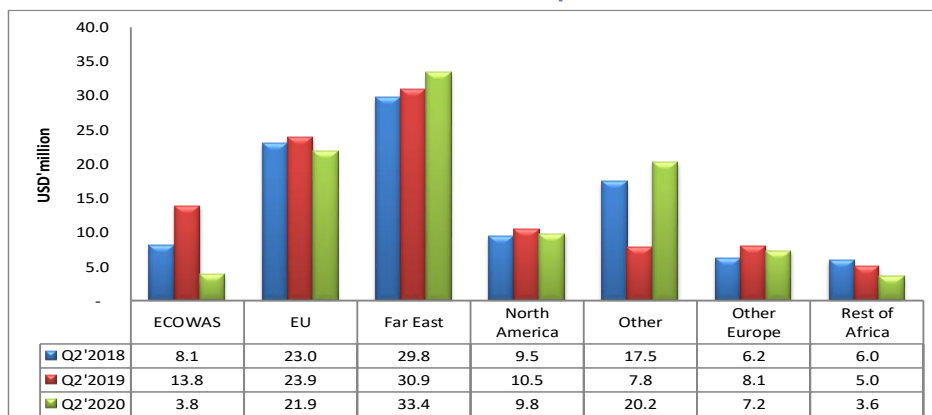
Chart 6.3: Destination of Merchandise Exports, Q2:2018 – Q2:2020



Sources of Merchandise Imports

In terms of geographical distribution, the Far East emerged as the leading source of imports accounting for 33.4 percent of the total imports. The European Union followed with a share of 21.9 percent, Other Economies (20.2%), North America (9.8%), Other Europe (7.2%), ECOWAS (3.8%), and the Rest of Africa (3.6%).

Chart 6.4: Sources of Merchandise Imports Q2:2018–Q2:2020



6.3 Services, Income and Transfers Account

During the period under review, the Services, Income and Unilateral transfers' account recorded a deficit of US\$777.4 million compared to a deficit of US\$1,551.6 million in 2019. This was because of reduced outflows in net services and more significantly net income in view of the slowdown in the economy due to COVID-19. Private transfers also recorded some modest gains. The balance on the Services account reduced from a deficit of US\$1,297.4 million to a deficit of US\$1,053.9 million due to a decline in services outflows. The income account recorded decreased outflows in respect of interest payments, dividend payments, and distribution of profits. The balance on the income account reduced significantly by 40.3 percent to US\$679.9 million, compared to US\$1,138.7 million during the same period in 2019. Current transfers, which are mostly private remittances, increased by 8.1 percent from US\$884.5 million in Q2:2019 to US\$956.3 million in Q2:2020.

Table 6.3: Services, Income, and Unilateral Transfers (net) in US\$ millions

	Q2'2018	Q2'2019	Q2'2020	Q2'2019/20	
			prov.	Abs.	% change
<i>Amounts in millions of U.S. dollars</i>					
Services (net)	-890.1	-1,297.4	-1,053.9	243.5	-18.8
Freight and Insurance	-160.0	-162.4	-194.7	-32.3	19.9
Other Services	-730.1	-1,135.0	-859.2	275.8	-24.3
Income (net)	-1,015.4	-1,138.7	-679.9	458.8	-40.3
Current Transfers (net)	738.0	884.5	956.3	71.8	8.1
Official	18.7	0.0	0.0	0.0	0.0
Private	719.3	884.5	956.3	71.8	8.1
Services, Income and Current Transfers (net)	-1,167.5	-1,551.6	-777.4	774.1	-49.9

6.4 Capital and Financial Account

Capital and Financial Account

The capital and financial account recorded increased net outflows from US\$735.08 million in Q2:2019 to US\$996.63 million in the second quarter of 2020.

Capital Account

The capital account received transfers totalling US\$21.55 million during the review period, compared to US\$37.35 million received in the same period in 2019.

Financial Account

Transactions in the financial account worsened from a net outflow of US\$802.73 million to a net outflow of US\$996.63 million. This development was the result of lower inflows of foreign direct investment coupled with higher outflows in portfolio investments. These outflows were moderated by Official disbursements (Rapid Credit Facility) received in the Other Investment account.

During the second quarter of 2020, **foreign direct investments** into Ghana by non-residents totalled US\$331.13 million compared to US\$956.81 million recorded for Q2:2019. **Portfolio investment** outflows during the review period was US\$488.52 million as against US\$261.60 million in Q2:2019.

Table 6.4: Capital and Financial Account (US\$' million)

Capital and Financial Account (US\$' million), Q2'2018 – Q2' 2020					
	Q2'2018	Q2'2019	Q2'2020	Q1 '2019/20	
			(prov.)	Absolute	% change
Amounts in millions of U.S. dollars					
Capital and Financial Accounts	945.54	-735.08	-996.63	-261.6	35.6
Capital transfers	75.24	67.65	0	-67.6	-100
Financial Account	870.3	-802.73	-996.63	-193.9	24.2
Foreign Direct Investments	986.07	956.81	331.13	-625.7	-65.4
Portfolio Investments	1,056.15	-261.6	-488.52	-226.9	86.7
Other Investments	-1,171.92	-1,497.94	-839.25	658.7	-44
Official	-164.46	28.07	867.52	839.4	2,990.30
Disbursements	114.05	301.63	1,145.42	843.8	279.7
Amortisation	-278.51	-273.56	-277.9	-4.3	1.6
Private	-664.8	-949.6	-976.14	-26.5	2.8
Disbursements	4,658.25	2,386.62	1,577.01	-809.6	-33.9
Amortisation	-5,323.05	-3,336.22	-2,553.16	783.1	-23.5
Short-term	-238.36	-652.48	-902.4	-249.9	38.3
Non-Monetary	-604.16	-622.96	-446.75	176.2	-28.3
Monetary	365.8	-29.52	-455.65	-426.1	1,443.70
Government Oil Investments	-104.31	76.07	171.78	95.7	125.8
Inflow	77.68	155.53	218.95	63.4	0
Outflow	-181.99	-79.47	-47.17	32.3	-40.6

'Other investments' recorded a net outflow position of US\$839.25 million in Q2:2020, which is 44.0 percent less than US\$1,497.94 million in Q2:2019 mainly on the back of increased

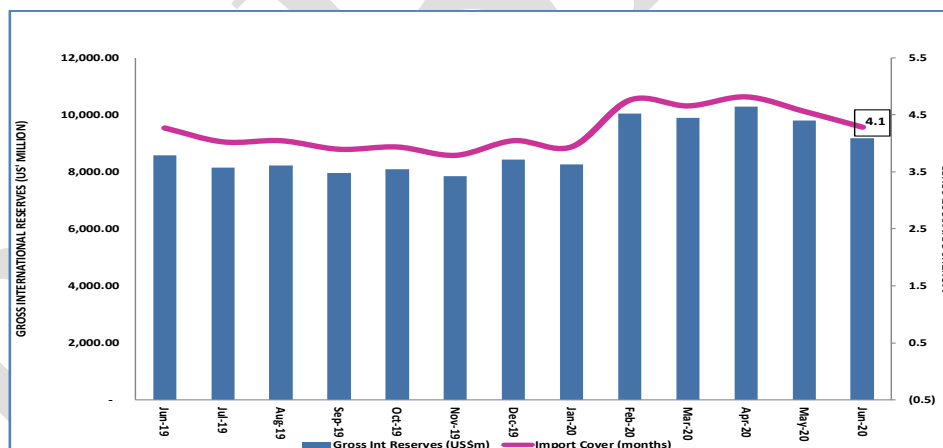
disbursements in the official capital account. Net receipts in the **Official capital** amounted to US\$867.52 million, compared to US\$28.07 million recorded for Q2:2019. During the period, there was a disbursement of a US\$1.0 billion Rapid Credit Facility by the IMF. **Net Private Capital** outflow increased from US\$949.60 million to US\$976.14 million because of decreased disbursements of private debt. **Short-term capital** outflows (net) also, increased from US\$652.48 million in Q2:2019 to US\$902.40 million in Q2:2020, influenced by net outflows of monetary capital during the review period. **Government Oil Investments** inflows during the period improved to US\$171.78 million from US\$76.07 million in Q2:2019 reflecting some withdrawal from the Stabilization fund to fund the Covid-19 Alleviation Programme (CAP).

6.5 International Reserves

The stock of net international reserves (NIR) at the end of June 2020 totalled US\$5,191.91 million, indicating a drawdown of US\$0.04 million from a stock position of US\$5,191.95 million at the end of December 2019.

The country's gross international reserves stood at US\$9,171.36 million at the end of June 2020 from a stock position of US\$8,418.08 million as at the end of December 2019. The level of gross reserves was sufficient to provide cover for 4.3 months of imports compared to 4.3 and 4.0 months of imports cover as of June 2019 and December 2019, respectively.

Chart 6.5: Gross International Reserves



7. External Debt

7.1 Debt Stock

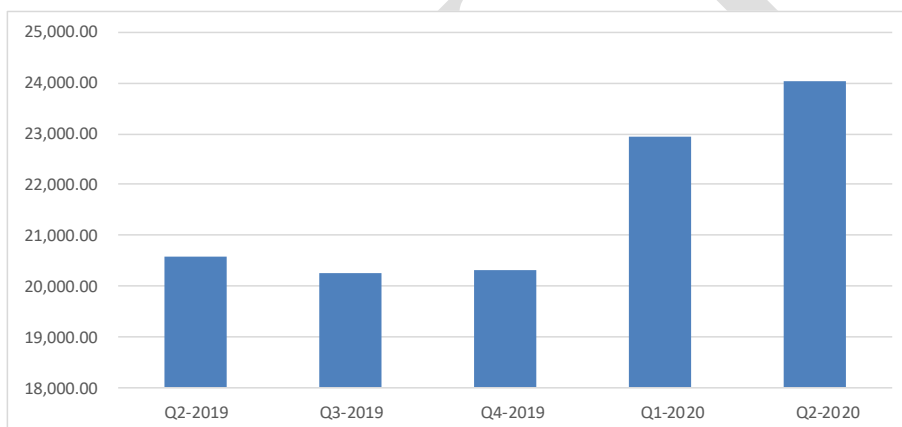
The provisional stock of government and government guaranteed external debt at the end of Q2:2020 stood at US\$24,035.89 million.

This was US\$1,096.29 million (4.8%) higher than the stock position of US\$22,939.60 million registered at the end of Q1:2020 and US\$3,453.48 million (16.8%) more than the level of US\$20,582.41 million recorded in Q2:2019.

This rise in the stock of external debt is attributed to net transactions (disbursements and amortizations) during the review quarter and the Eurobond issued in February 2020 as well as the IMF US\$1 billion under the Rapid Credit Facility.

The external debt stock at the end of the second quarter of 2020 represented 35.5 percent of total GDP at current prices compared with 31.0 percent recorded for the same period in 2019.

Chart 7.1: External Debt Stock by Creditor Category (in millions of US\$)



Debt Stock by Creditor Group

The analysis of external debt by creditor category for the review period indicated that debt liabilities to multilateral creditors increased by US\$1,183.65 million (17.9%), from US\$6,629.80 million recorded at the end of Q1:2020. Compared to the corresponding period of 2019, multilateral debts rose by 20.1 percent (US\$1,309.94 million). Multilateral debt accounted for 32.5 percent of the total debt stock at the end of Q2:2020, up from 31.6 percent in Q2:2019.

The Bilateral component of external debt stock for Q2:2020 was US\$1,204.32, representing a share of 5.0 percent of the total external debt stock compared with 5.8 percent for the same period in 2019. Bilateral debts totalled US\$3.59 million (0.3%) greater than the stock position of US\$1,200.73 million recorded at the end of Q1:2020 and US\$13.85 (1.2%) above the level of US\$1,190.47 million registered in the same period of 2019.

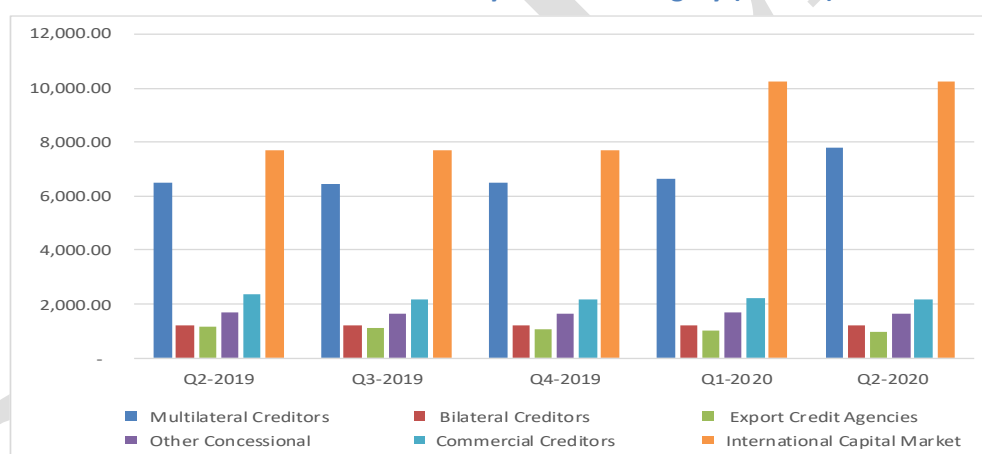
The total debt owed to commercial creditors at end of June 2020 amounted to US\$2,148.32 million and accounted for 8.9 percent of the total external debt stock. This was US\$45.87

million (2.1%) less than the level of US\$2,194.18 million recorded in Q1:2020, and a decrease of US\$222.25 million (9.4%) below the level of US\$2,370.57 million recorded at the end of Q2: 2019.

Debts owed to the International Capital Market stood at US\$10,231.08 million, constituting the highest percentage share of 42.6 percent of the total external debt stock at the end of Q2:2020 compared to 37.4 percent for the same period in 2019. This was US\$2,536.35 million above the level of US\$7,694.73 million registered in Q2:2019.

Other Concessional loans and debts from Export Credit Agencies decreased by US\$26.12 million (1.6%) and US\$158.28 million (13.9%) from a level of US\$1,680.71 million and US\$1,142.41 million respectively on year-on-year basis. Other Concessional loans and debts from Export Credit Agencies constitute 6.9 percent and 4.1 percent of the total external debt stock at the end of Q2:2020 compared to 8.2 percent and 5.6 percent for the same period in 2019, respectively.

Chart 7.2: External Debt by Creditor Category (US\$' m)



7.2 Debt Service Payments

The total amount of debt service made through Bank of Ghana on public and publicly-guaranteed external debt at the end Q2:2020 amounted to US\$547.65 million. This was US\$171.87 million (45.7%) more than the payment of US\$375.78 made in Q1:2019 and US\$97.50 million (21.7%) higher than the payment of US\$450.16 million made for Q2:2019. Payments in the review quarter were made up of principal repayment of US\$271.01 million and interest expense of US\$276.65 million.

Payments were made to the various creditor groups as follows: The multilateral group of creditors were paid US\$27.24 million in principal repayments, and interest payment of

US\$14.87 million, compared with principal repayments of US\$21.67 million, and interest payments of US\$13.95 million made in Q2:2019.

The bilateral group received US\$34.01 million in principal repayment and US\$7.63 million in interest payments, compared with US\$32.74 and US\$8.62 million paid as principal and interest respectively in Q2:2019.

Commercial creditors were paid US\$252.33 million, made up of principal repayments of US\$209.75 million and interest payments of US\$42.58 million. These compared with principal repayments of US\$190.94 million and interest payments of US\$50.98 million made in the same period in 2019.

In addition, a coupon payment of US\$211.58 million was also made on outstanding Eurobond debt in Q2:2020 compared with US\$131.26 million for the same period in 2019.

Chart 7.3: Payment of Government and Government-Guaranteed Debt to Creditors (US\$' m)

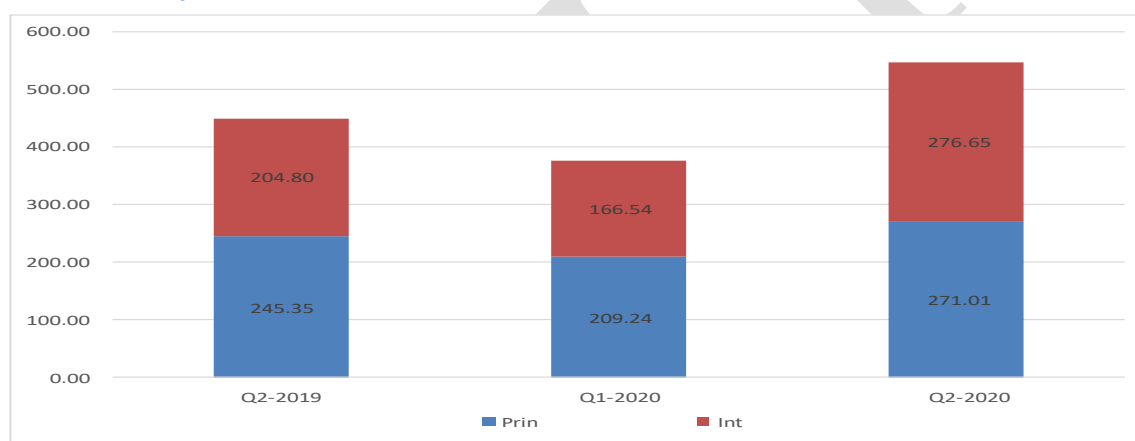


Table 7.1: Total External Debt Stock (US\$' million)

	Q2-2019	Q3-2019	Q4-2019	Q1-2020	Q2-2020
Total External Debt	20,582.41	20,257.71	20,306.36	22,939.60	24,035.89
Multilateral Creditors	6,503.52	6,434.70	6,512.46	6,629.80	7,813.45
Bilateral Creditors	1,190.47	1,212.93	1,227.90	1,200.73	1,204.32
Export Credit Agencies	1,142.41	1,089.07	1,048.99	1,009.89	984.13
Other Concessional	1,680.71	1,652.72	1,657.03	1,673.91	1,654.58
Commercial Creditors	2,370.57	2,173.55	2,165.25	2,194.18	2,148.32
International Capital Market	7,694.73	7,694.73	7,694.73	10,231.08	10,231.08

Table 7.2: Payment of Government and Government-Guaranteed Debt to Creditors (US\$' m)

Creditor Category	Q2-2019			Q1-2020			Q2-2020		
	Prin	Int	Total	Prin	Int	Total	Prin	Int	Total
Total	245.35	204.80	450.16	209.24	166.54	375.78	271.01	276.65	547.65
Multilateral Creditors	21.67	13.95	35.62	22.22	13.45	35.67	27.24	14.87	42.11
IDA	12.01	10.57	22.58	15.05	9.00	24.06	17.04	11.22	28.26
ADB/ ADF	2.10	1.95	4.04	3.14	3.35	6.50	2.08	2.18	4.25
Others	7.57	1.43	9.00	4.03	1.09	5.12	8.12	1.47	9.59
Bilateral Creditors	32.74	8.62	41.36	46.39	20.40	66.79	34.01	7.63	41.64
Paris Club	10.72	2.38	13.10	4.84	3.80	8.63	13.31	2.13	15.43
Non-Paris Club	22.02	6.24	28.26	41.55	16.60	58.15	20.71	5.50	26.20
Commercial Creditors	190.94	50.98	241.91	140.63	19.10	159.72	209.75	42.58	252.33
Sovereign Bond	0.00	131.26	131.26	0.00	113.60	113.60	0.00	211.58	211.58

8. The Rural Banking Sector

8.1 Performance of RCBs

Provisional data from the rural/community banks (RCBs) during the second quarter of 2020 indicate an improvement in performance compared to the second quarter of 2019.

Assets Total assets of RCBs recorded during the second quarter of 2020 was GH¢5,129.2 million, a growth of 5.4 percent from GH¢4,865.8 million recorded in the first quarter of 2020. On year-on-year basis, total assets grew by 18.5 percent at the end of the second quarter of 2020. Total assets of RCBs in the banking system constituted 3.5 percent at the end of the second quarter of 2020, broadly the same composition as at the end of the first quarter of 2020.

Deposits Provisional data indicate that deposit mobilisation by the RCBs improved further in the second quarter of 2020 compared with the second quarter of 2019. Total deposits of RCBs increased by 22.2 percent year-on-year to GH¢4,337.5 million at the end of the second quarter of 2020. The level of RCBs deposits at the end of the review quarter constituted 5.0 percent of total deposits of the banking system, compared with the share of 5.1 percent in the previous quarter and 4.8 percent at the end of the second quarter of 2019.

Loans and Advances Loans and advances made by RCBs stood at GH¢1,545.2 million in the second quarter of 2020, indicating a rise of 3.1 percent from GH¢1,499.2 million recorded at the end of first quarter of 2020.

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

	2019			2020		Variations (2019-2020)	
	Q2	Q3	Q4	Q1	Q2	Q-on-Q	Y-on-Y
Assets							
Cash Holdings & Balances with Banks	617.9	588.1	683.2	681.9	820.8	20.4	32.8
Bills and Bonds	1,581.4	1,539.5	1,829.6	1,956.3	2,026.6	3.6	28.2
Loans and Advances	1,444.0	1,488.2	1,499.2	1,499.2	1,545.2	3.1	7.0
Other Assets	684.4	671.2	676.3	728.4	736.7	1.1	7.6
Total Assets	4,327.7	4,287.0	4,688.3	4,865.8	5,129.2	5.4	18.5
Liabilities							
Total Deposits	3,549.7	3,504.3	3,909.0	4,075.0	4,337.5	6.4	22.2
Shareholders' Funds	465.1	445.3	431.0	444.5	410.6	-7.6	-11.7
Other Liabilities	312.9	337.4	348.3	346.2	381.1	10.1	21.8
Total Liabilities	4,327.7	4,287.0	4,688.3	4,865.8	5,129.2	5.4	18.5
No. of Reporting Banks	144	144	144	144	144		

*Provisional

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

	2019						2020			
	Q2		Q3		Q4		Q1		Q2	
	GH¢	% Share	GH¢	% Share	GH¢	% Share	GH¢	% Share	GH¢	% Share
Commercial Banks	113,492.2	96.3	118,912.9	96.5	129,697.9	96.5	134,836.5	96.5	140,189.4	96.5
Rural Banks	4,327.7	3.7	4,287.0	3.5	4,688.3	3.5	4,865.8	3.5	5,129.2	3.5
Total	117,819.9	100.0	123,199.9	100.0	134,386.2	100.0	139,702.3	100.0	145,318.6	100.0

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

	2019						2020			
	Q2		Q3		Q4		Q1		Q2	
	GH¢	% Share	GH¢	% Share	GH¢	% Share	GH¢	% Share	GH¢	% Share
Commercial Banks	69,983.1	95.2	71,786.1	95.3	75,930.0	95.1	76,343.9	94.9	81,032.3	95.0
Rural Banks	3,549.7	4.8	3,504.3	4.7	3,909.0	4.9	4,075.0	5.1	4,292.0	5.0
Total	73,532.7	100.0	75,290.4	100.0	79,839.0	100.0	80,418.8	100.0	85,324.3	100.0