



# Bank of Ghana Monetary Policy Report

## Real Sector Developments

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### 1.0 Overview

*Domestic economic activity continues to show signs of recovery from the adverse effects of the COVID-19 pandemic. The November 2020 high frequency data indicated improvements in most real sector indicators compared to the same period a year ago. Retail sales, industrial consumption of electricity, cement sales, vehicle registration and port activity improved, while Domestic VAT collections and tourist arrivals, contracted over the review period.*

### 2.0 Economic Growth

Globally, the third quarter growth outturn across major economies reflected signs of a gradual recovery from the adverse effects of the COVID-19 pandemic. The United States, Euro area and the United Kingdom, all experienced significantly smaller contractions in economic activity. Similarly, major Sub-Saharan African countries such as South Africa and Nigeria moderately contracted in the third quarter, vis-à-vis the second quarter.

In the domestic economy, the strong growth of 4.9 percent recorded in the first quarter of 2020, was dampened in the second quarter by COVID-related factors. However, following the lifting of restrictions and strong policy support, signs of recovery began to emerge in the third quarter. The latest data released by the Ghana Statistical Service showed that real GDP growth provisionally contracted by 1.1 percent in the third quarter of 2020 compared to the 3.2 percent contraction recorded in the second quarter. Non-oil GDP recorded a contraction of 0.4 percent in the third quarter of 2020, compared to a contraction of 3.4 percent in the second quarter. In terms of sectors, Agriculture recorded the strongest growth of 8.3 percent, on the back of the crops sub-sector, while

Industry and Services contracted by 5.1 percent and 1.1 percent respective, reflecting the adverse effects of the pandemic on those sectors.

### **3.0 Trends in Real Sector Indicators**

#### ***Consumer Spending***

Consumer spending, as measured by domestic VAT collections and retail sales, recorded mixed performance in November 2020. Domestic VAT collections declined by 7.1 percent on a year-on-year basis to GH¢458.46 million. On a month-on-month basis, Domestic VAT dipped by 11.0 percent in November 2020 from GH¢515.14 million in the preceding month. Cumulatively for the first eleven months of 2020, however, total domestic VAT increased by 5.4 percent to GH¢4,800.96 million compared with GH¢4,555.63 million for the corresponding period of 2019.

Retail sales, on the other hand, increased by 52.6 percent (year-on-year) to GH¢131.41 million in November 2020, from the GH¢86.10 million recorded in the same period in 2019. Compared to October 2020, retail sales grew by 19.4 percent. Cumulatively, retail sales went up by 47.5 percent over the first eleven months of 2020 to GH¢1,021.63 million from GH¢692.68 million during the same period in 2019. The relative improvement in retail sales was due largely to increased household consumption during the review period.

#### ***Manufacturing Activities***

Activities in the manufacturing sub-sector, gauged by trends in the collection of direct taxes and private sector workers' contributions to the Social Security and National Insurance Trust (SSNIT) Pension Scheme (Tier-1), improved in November 2020. Total Direct Taxes collected increased by 49.3 percent (year-on-year) to GH¢1,900.43 million in November 2020, relative to GH¢1,272.91 million recorded in a similar period in 2019. Cumulatively, total Direct Taxes collected over the first eleven months of 2020 grew by 9.6 percent to GH¢17,804.15 million, from GH¢16,250.48 million for the same period in 2019. In terms of contributions of the various sub-tax categories, Corporate tax accounted for 60.0 percent, Income tax (PAYE and self-employed) accounted for 36.5 percent, while "Other" Tax Sources contributed 3.5 percent.

Total private sector workers' contribution to the SSNIT Pension Scheme (Tier-1) went up by 5.8 percent in year-on-year terms to GH¢200.10 million in November 2020, from GH¢189.19 million collected during the corresponding period in 2019. In comparison with October 2020, private sector workers' contribution increased by 5.4 percent. Cumulatively, for the first eleven months of 2020, the contribution grew by 10.0 percent to GH¢2,112.99 million, relative to GH¢1,921.01 million recorded in the same period in 2019.

### ***Construction Sector Activities***

Activity in the construction sub-sector, measured by the volume of cement sales, increased by 18.7 percent (year-on-year) in November 2020 to 325,691.10 tonnes, compared with 274,301.30 tonnes recorded a year ago. On a month-on-month basis, total cement sales dipped by 9.7 percent in November 2020 compared with the 360,712.00 tonnes recorded in October 2020. For the first eleven months, however, cement sales went up by 6.2 percent to 3,445,906.75 tonnes, from 3,245,200.53 tonnes for the same period of 2019. The improvement in total cement sales was due to an uptick in construction activities during the review period.

### ***Vehicle Registration***

Transport sector activities, gauged by vehicle registration by the Driver and Vehicle Licensing Authority (DVLA) recorded a 45.8 percent annual growth to 12,803 in November 2020, from 8,780 vehicles registered during the corresponding period of 2019. Cumulatively, DVLA vehicles registrations within the first eleven months of 2020 rose by 21.9 percent to 197,150 from 161,786 recorded a year ago.

### ***Industrial Consumption of Electricity***

Industrial consumption of electricity went up marginally by 1.0 percent during the period under review, compared with the same period in 2019. Industries consumed 224.61 gigawatts of power in November 2020, as against 222.33 gigawatts recorded for the corresponding period in 2019. In cumulative terms, electricity consumed by industries within the first eleven months of 2020 increased by 3.8 percent to 2,520.49 gigawatts from 2,427.60 gigawatts for the corresponding period a year ago. The marginal improvement in power consumption was due to impact of the pandemic on manufacturing companies during the review period.

### ***Ports and Harbours Activity***

The pace of activity at the country's two main harbours (Tema and Takoradi), as measured by container traffic for imports and exports, improved during the period under review. Total container traffic grew by 16.2 percent, year-on-year to 63,861 in November 2020, from 54,964 for a similar period in 2019. In cumulative terms, total container traffic for the first eleven months of 2020 rose by 12.0 percent to 623,490 compared with 556,847 for the corresponding period of last year. The relative improvement in port activities was partly due to an uptick in international trade activities as global COVID-restrictions eased over the review period.

### ***International Tourist Arrivals***

International tourist arrivals declined in November 2020 by 65.8 percent to 32,136 tourists compared to same period in 2019. However, compared to October 2020, tourist arrivals increased by 9.5 percent. For

the first eleven months of 2020, tourist arrivals were cut by almost one-third to 310,274 compared with 976,533 arrivals for the corresponding period in 2019, representing a steep decline by 68.2 percent. The decline in tourist arrivals was due to the imposition of travel restrictions amid the COVID-19 pandemic.

### ***Labour Market***

The number of jobs advertised in selected print<sup>1</sup> and online<sup>2</sup> media, which partially gauges labour demand in the economy, increased in December 2020 relative to what was observed in the corresponding period a year ago. In total, 3,157 job adverts were recorded as compared with 3,021 for the same period in 2019, indicating a growth of 4.5 percent (year-on-year). On a month-on-month basis, the number of job vacancies in December 2020 increased by 25.2 percent from the 2,521 jobs advertised in November 2020. The rise in the number of jobs advertised reflected businesses' gradually recovering from the adverse effects of the coronavirus pandemic. However, cumulatively, the number of jobs advertised in 2020 declined by 18.1 percent to 34,066 from 41,613 recorded in 2019.

### ***Private Sector Pension Contributors***

Total number of private sectors' SSNIT contributors, which partially gauges employment conditions, declined to 700,680 (down by 20.1% year-on-year) in November 2020 compared with 877,084 in same period of 2019. On a month-on-month basis, total number of private sectors' SSNIT contributors declined marginally by 3.2 percent from the 724,117 individuals recorded in October 2020. Cumulatively, for the first eleven months of 2020, the total number of private sector contributors declined to 8,384,830 from 9,578,934 recorded over the corresponding period in 2019.

## **4.0 Composite Index of Economic Activity (CIEA)**

The Bank's Composite Index of Economic Activity (CIEA) grew by 11.9 percent in November 2020, compared to a growth of 3.4 percent for the corresponding period of 2019.

## **5.0 Consumer and Business Surveys**

The consumer and business confidence surveys conducted in December 2020 showed an improvement in sentiments. Consumer confidence remained firm at pre-lockdown levels while business confidence reached pre-lockdown levels for the first time since March 2020.

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<sup>1</sup> The Daily Graphic newspaper was used to represent print media because it is the most widely circulated daily in Ghana.

<sup>2</sup> These are job adverts posted on the websites of the 10 main online job advertising/employment companies in Ghana.

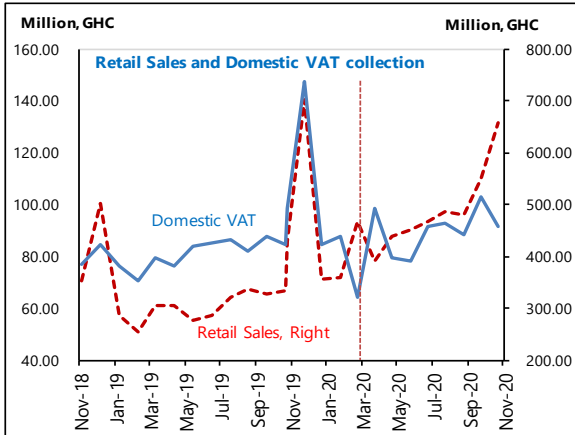
Consumer confidence improved from 101.9 in October to 102.8 in December 2020. The improvement in confidence was driven largely by consumers' optimism about current economic conditions following the gradual lifting of the COVID-related restrictions.

Business confidence increased from 94.4 in October to 101.1 in December 2020. Confidence improved significantly as businesses met their short-term company targets and expressed positive sentiments about growth prospects for the economy.

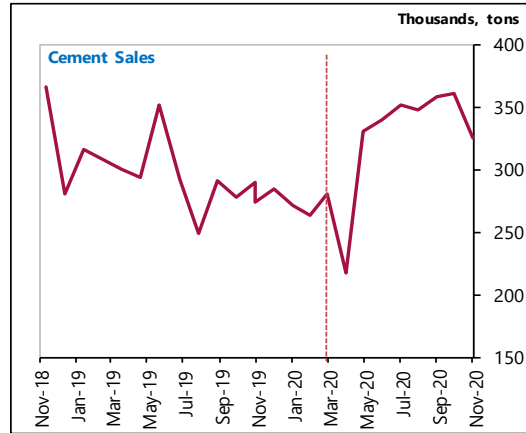
## Appendix

### Panel 1: Ghana Leading Indicators of Economic Activity Impact of COVID-19 on Real Sector Indicators

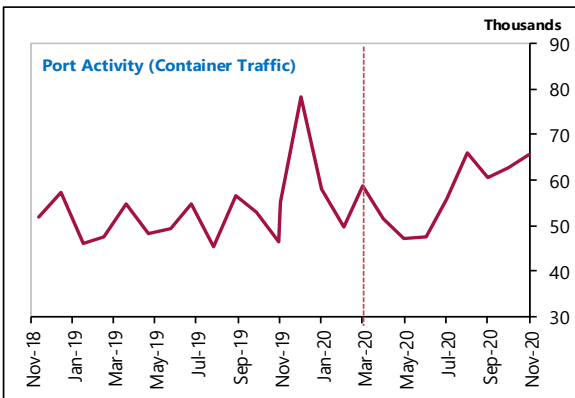
...Retail sales went up significantly in November 2020, but domestic VAT collections declined during the period...



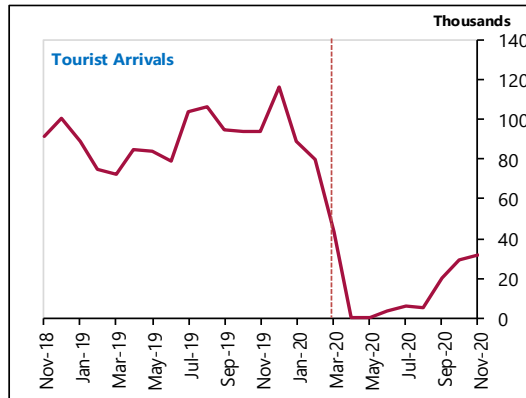
...Construction activities, proxied by cement sales, dipped in November 2020...



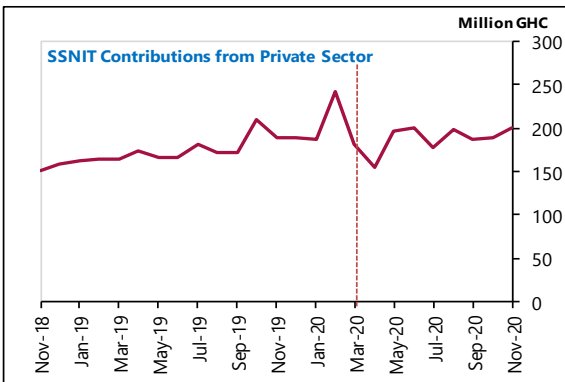
...Port activity increased in November 2020...



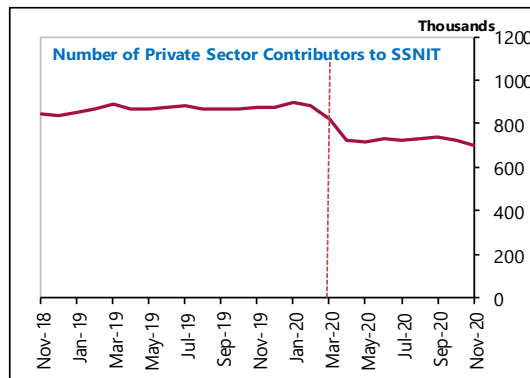
...Tourist arrivals picked up in November 2020, but remains below pre-pandemic levels...



...Labour market conditions improved in November 2020...



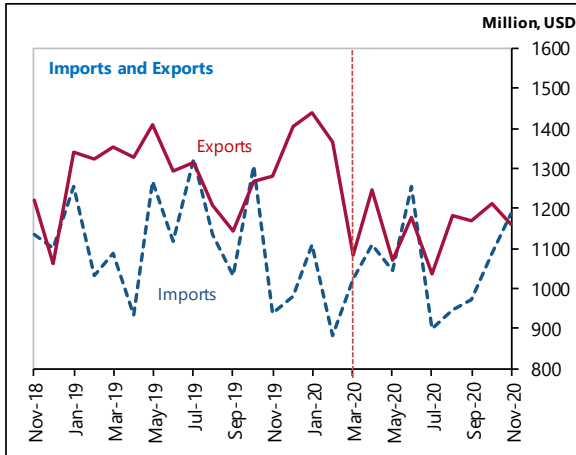
...Labour hiring conditions, proxied by the number of private sector workers contributing to SSNIT, are yet to pick up...



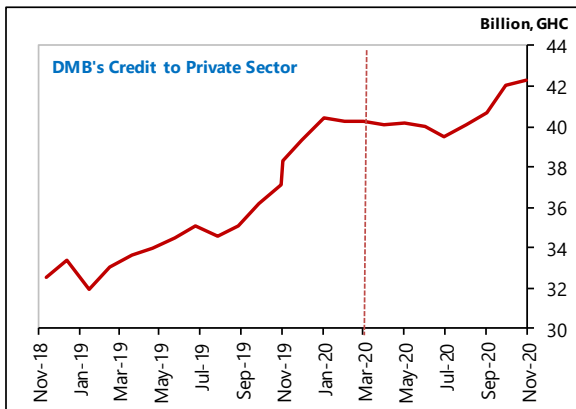
Sources: Bank of Ghana, Various Stakeholders

**Panel 2:  
Ghana Leading Indicators of Economic Activity  
Impact of COVID-19 on Real Sector Indicators**

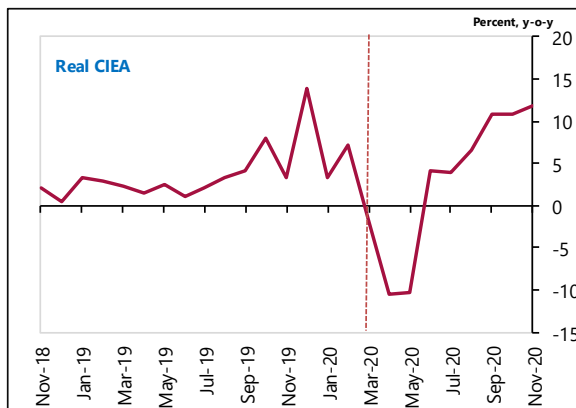
...Unlike exports, imports went up significantly...



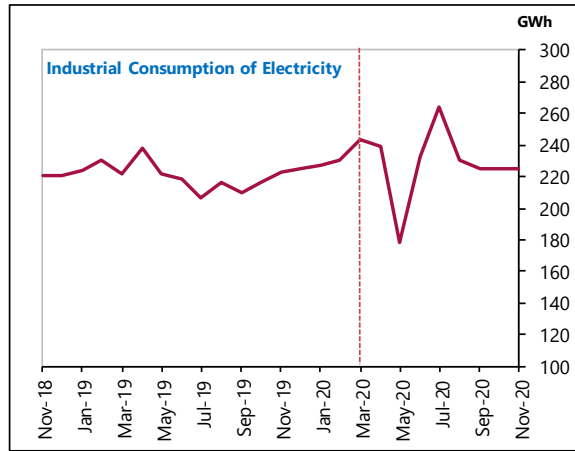
...Commercial banks' credit to the private sector continued to improve in November 2020...



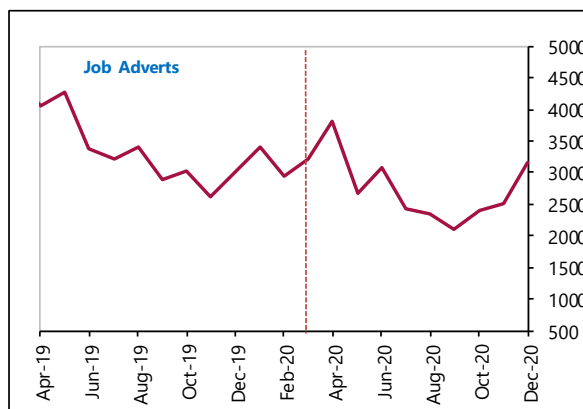
...On a year-on-year basis, the real CIEA grew by 11.9 percent, showing signs of a sustained recovery from the impact of COVID-19 pandemic. Economic activity contracted by 1.9 percent, 10.5 percent and 10.2 percent in March, April and May 2020, respectively before beginning to rebound in June 2020...



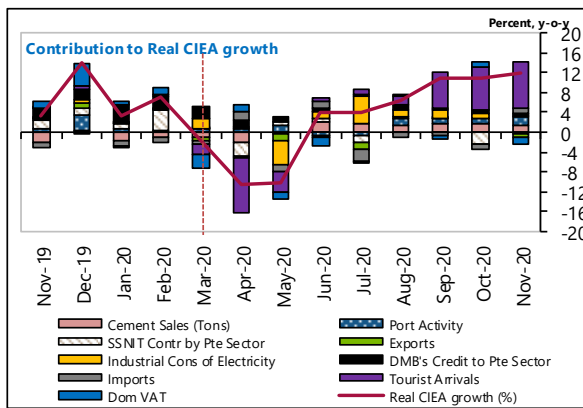
...Industrial activity, proxied by industrial consumption of electricity remained unchanged...



...Demand for labour, proxied by the number of job adverts (in print and online media), increased in December 2020...



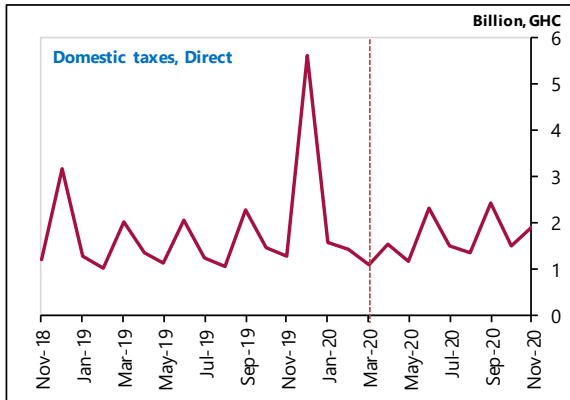
...The growth in the real CIEA was mainly driven by a pick up in Tourist Arrivals, Port Activity, Cement Sales, Imports, Industrial Consumption of Electricity, and DMB's Credit to the Private Sector...



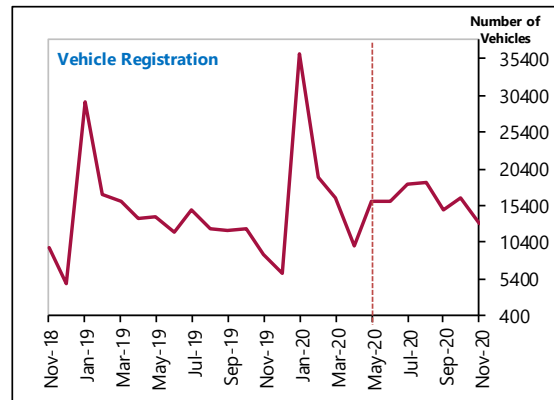
Source: Bank of Ghana, Various Stakeholders

**Panel 3:  
Ghana Leading Indicators of Economic Activity  
Impact of COVID-19 on Real Sector Indicators**

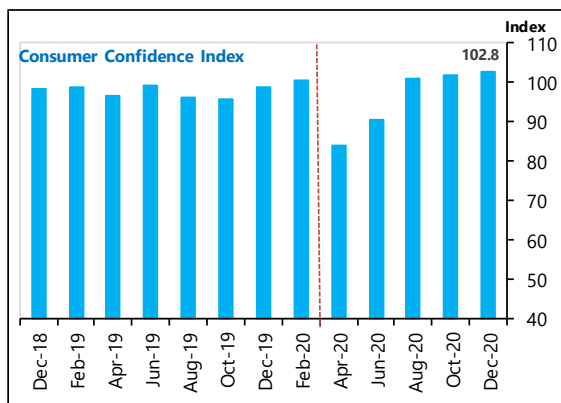
...Domestic tax collection improved in November 2020...



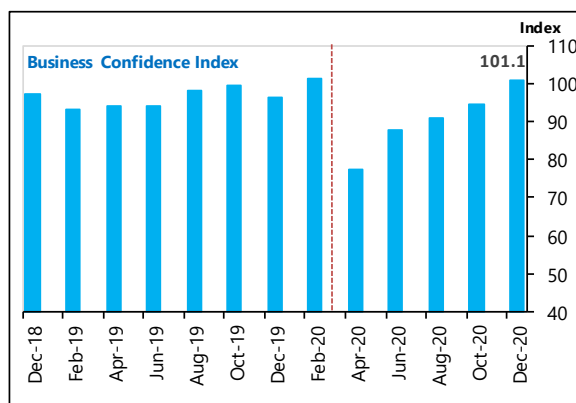
...Vehicle registration dipped in November 2020...



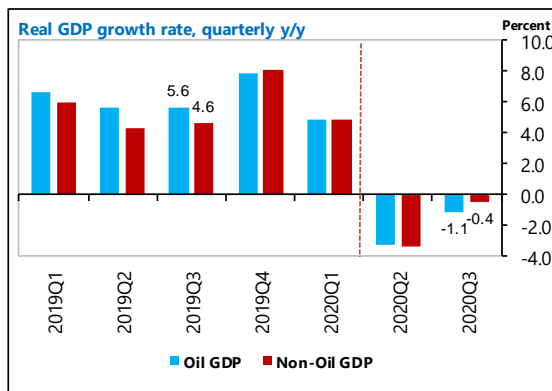
...Consumer confidence remained firmly at pre-pandemic levels, mainly driven by optimism about current economic conditions...



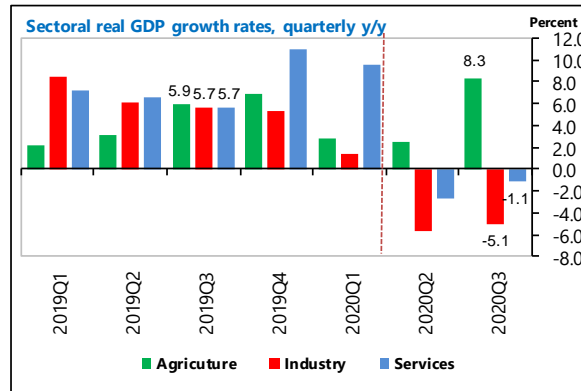
...Business confidence steadily rebounded to pre-pandemic levels in December 2020...



...Real Oil and Non-Oil GDP contracted by 1.1 percent and 0.4 percent, respectively in 2020Q3, compared with growth rates of 5.6 percent and 4.6 percent respectively in the corresponding period in 2019...



...Similar to 2020Q2, the Industry and Services sectors were significantly affected by the pandemic in 2020Q3, contracting by 5.1 percent and 1.1 percent, respectively...



Source: Bank of Ghana, Various Stakeholders