



# Bank of Ghana Monetary Policy Report

## Real Sector Developments

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March 2021

### 1.0 Overview

*Domestic economic activity continued to show signs of a rebound from the adverse effects of the COVID-19 pandemic. The latest high frequency data recorded broad-based improvement in key real sector indicators compared to a year ago. In particular, Domestic VAT collections, retail sales, industrial consumption of electricity, cement sales, vehicle registration, and port activity all improved.*

### 2.0 Trends in Real Sector Indicators

#### **Consumer Spending**

Consumer spending, gauged by domestic VAT collections and retail sales, posted a strong performance in January 2021, compared with the same period in 2020. Domestic VAT collections increased by 24.5 percent on a year-on-year basis to GH¢527.67 million, but dipped by 20.1 percent on a month-on-month basis in January 2021 from GH¢660.76 million recorded in the preceding month.

Retail sales increased by 61.5 percent (year-on-year) to GH¢115.47 million in January 2021, up from the GH¢71.50 million recorded in the same period in 2020. Compared to December 2020, however, retail sales declined by 41.6 percent. 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), recorded mixed performance in January 2021. Total Direct Taxes collected decreased by 13.6 percent (year-on-year) to GH¢1,371.72 million in January 2021, relative to GH¢1,588.41 million recorded

in January 2020. On a month-on-month basis, total Direct Taxes collected for January 2021 declined by 66.0 percent from GH¢4,038.05 million collected in December 2020. In terms of contributions of the various sub-tax categories, Corporate tax accounted for 50.6 percent, Income tax (PAYE and self-employed) accounted for 38.3 percent, while “Other” Tax Sources contributed 11.1 percent.

Total private sector workers’ contribution to the SSNIT Pension Scheme (Tier-1) went up by 3.0 percent in year-on-year terms to GH¢192.90 million in January 2021, from GH¢187.23 million collected during the corresponding period in 2020.

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

Activity in the construction sub-sector, measured by the volume of cement sales, increased by 23.4 percent (year-on-year) in January 2021 to 334,700.22 tonnes, compared with 271,253.69 tonnes recorded a year ago. On a month-on-month basis, total cement sales went up by 2.7 percent in January 2021 compared with the 326,038.70 tonnes recorded in December 2020. 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 new vehicle registrations by the Driver and Vehicle Licensing Authority (DVLA), improved by 27.1 percent to 45,973 in January 2021, from 36,177 vehicles registered during the corresponding period of 2020. On a month-on-month basis, DVLA vehicles registrations surged by 562.5 percent in January 2021 from 6,939 recorded in the preceding month.

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

Activities within the productive sectors of the economy, measured by consumption of electricity by industries, went up by 6.0 percent during the period under review, compared the same period in 2020. Industries consumed 241.24 gigawatts of power in January 2021, as against 227.50 gigawatts recorded for the corresponding period in 2020. On a month-on-month basis, electricity consumed by industries in January 2021 decreased by 3.2 percent from 249.09 gigawatts utilised for December 2020. The improvement in power consumption by industries was mainly due to increased industrial activity by manufacturing companies during the review period.

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

The pace of economic activities 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 5.9 percent, year-on-year, to 61,500 in January 2021, from 58,069 for a similar period in 2020. On a month-on-month basis, total container traffic decreased by 10.1 percent when compared to 68,426 recorded in December 2020. 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 by 58.5 percent year-on-year in January 2021 to 36,838, and 15.6 percent on a month-on-month basis. The decline in tourist arrivals was due to the imposition of travel restrictions amid the COVID-19 pandemic.

### ***Labour Market Conditions***

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 marginally in February 2021 relative to what was observed in the corresponding period a year ago. In total, 2,999 job adverts were recorded as compared to 2,937 for the same period in 2020, indicating a growth of 2.1 percent (year-on-year). On a month-on-month basis, the number of job vacancies in February 2021 increased by 14.5 percent from the 2,619 jobs advertised in January 2021. The rise in the number of jobs advertised reflected businesses' gradual recovery from the adverse effects of the coronavirus pandemic.

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

Total number of private sector SSNIT contributors, which partially gauges employment conditions, declined to 723,554 (down by 17.2% year-on-year) in January 2021 compared to 873,615 for the same period in 2020. On a month-on-month basis, total number of private sector SSNIT contributors increased marginally by 1.8 percent from the 710,992 individuals recorded in December 2020.

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

The Bank's Composite Index of Economic Activity (CIEA) recorded an annual growth of 13.9 percent in January 2021, the highest since December 2019, compared to 3.4 percent in the corresponding period of 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.

#### **4.0 Consumer and Business Surveys**

The consumer and business confidence surveys conducted in February 2021 showed some softening of sentiments on the back of the surge in COVID-19 cases in the early months of the year.

The Consumer Confidence Index moderated from 102.8 in December 2020 to 97.1 in February 2021. The decline in the Index reflected heightened concerns about the potential re-imposition of restrictions following the upsurge in COVID-19 cases in the first two months of the year.

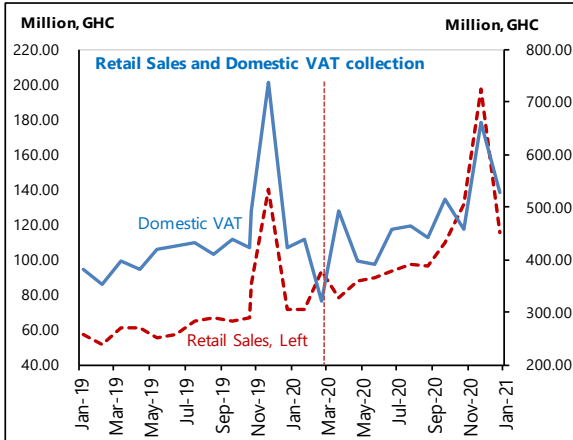
The Business Confidence Index also eased from 101.1 in December 2020 to 97.9 in February 2021. Business sentiments about the general economic situation deteriorated on concerns that a potential re-imposition of restrictions would have detrimental consequences on short-term company targets.

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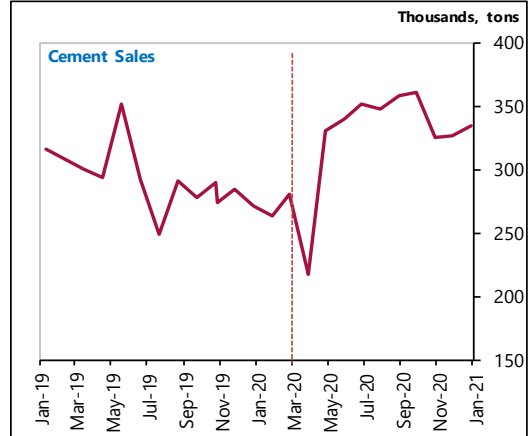
## Appendix

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

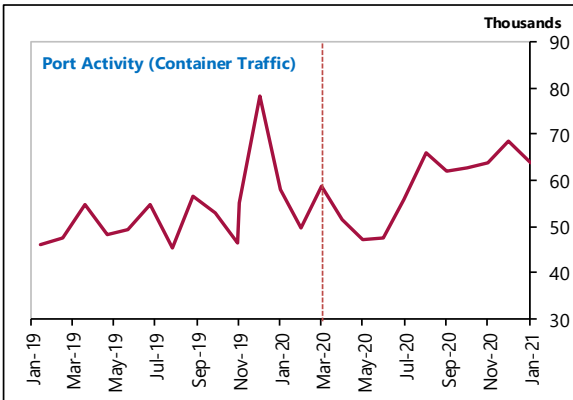
...Domestic consumption, proxied by Retail sales and domestic VAT collections, remained at pre-pandemic levels in January 2021...



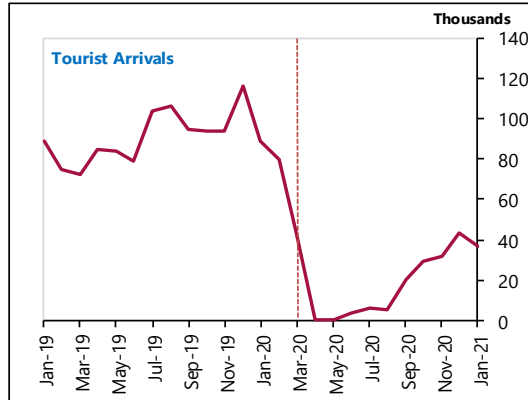
...Construction activities, proxied by cement sales, went up in January 2021...



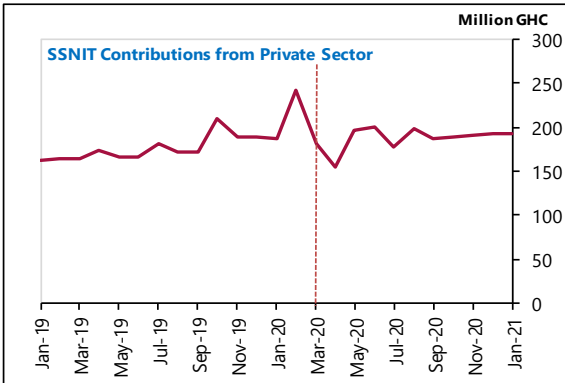
...Port activity moderated in January 2021...



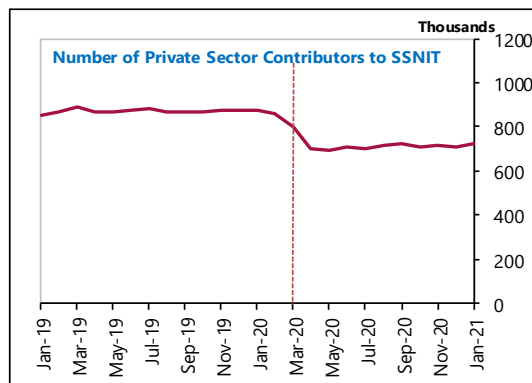
...Tourist arrivals dipped in January 2021, remaining below pre-pandemic levels...



...Labour market conditions remained tight in January 2021...



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



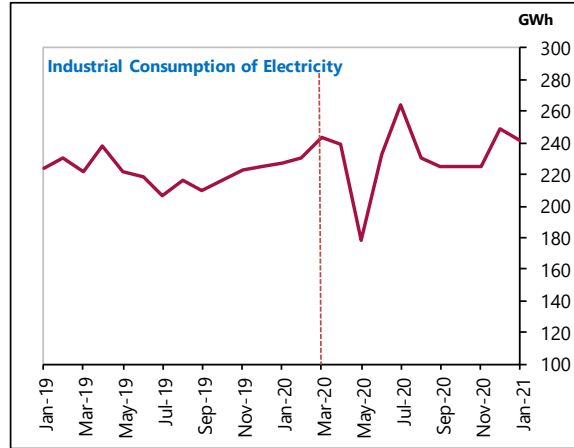
Sources: Bank of Ghana, Various Stakeholders

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

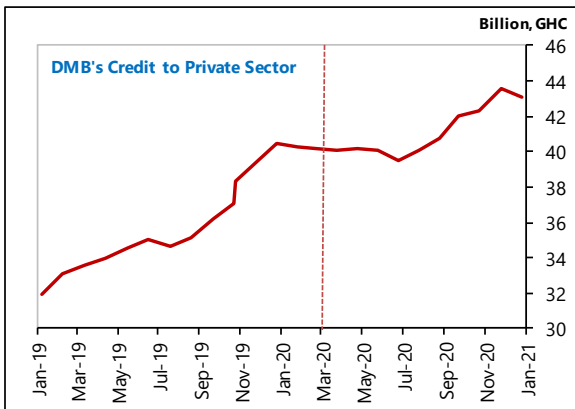
...Exports and imports improved in January 2021...



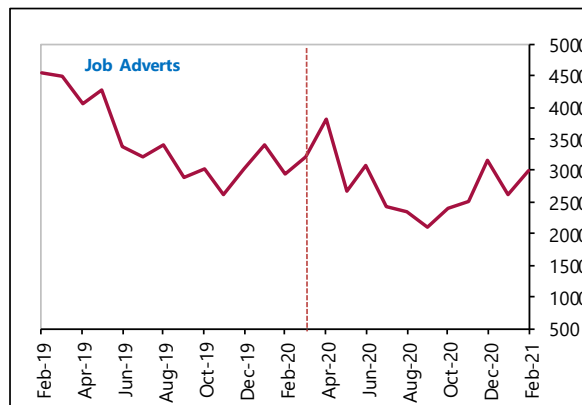
...Industrial activity, proxied by industrial consumption of electricity, dipped...



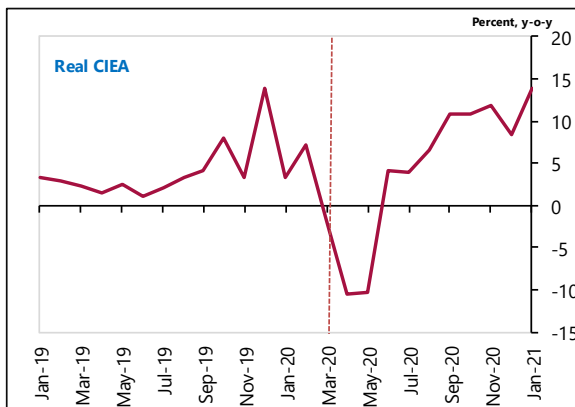
...Commercial banks' credit to the private sector declined slightly in January 2021...



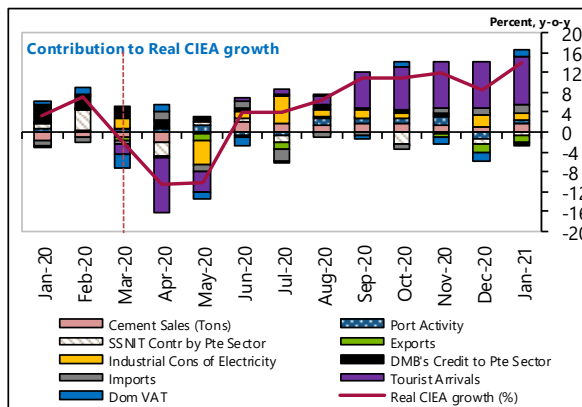
...Demand for labour, proxied by the number of job adverts (in print and online media), increased in February 2021...



...On a year-on-year basis, the real CIEA grew by 13.9 percent, showing signs of a sustained recovery from the impact of the 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...



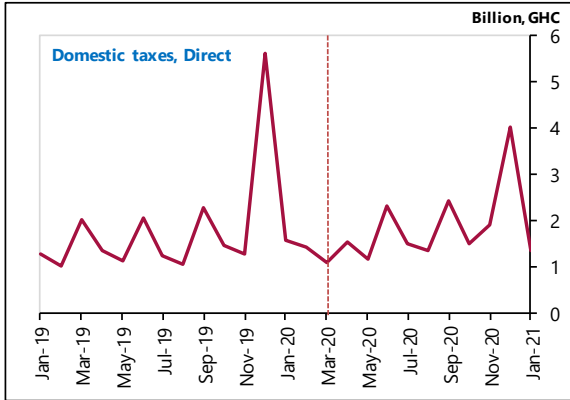
...The growth in the real CIEA was mainly driven by a pick-up in Tourist Arrivals, Cement Sales, Imports, Industrial Consumption of Electricity, Domestic VAT and Port Activity...



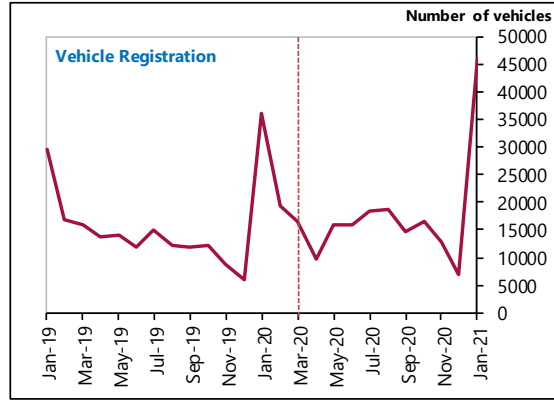
Source: Bank of Ghana, Various Stakeholders

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

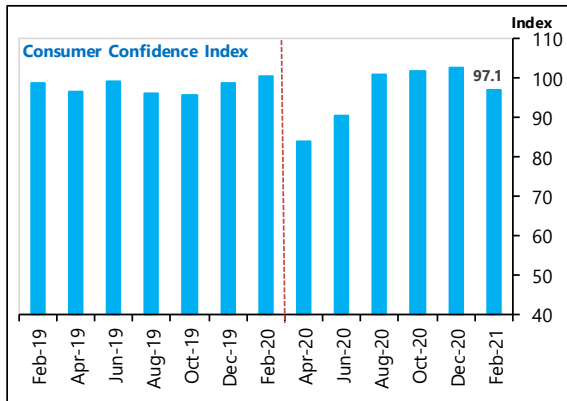
...Domestic tax collection declined in January 2021...



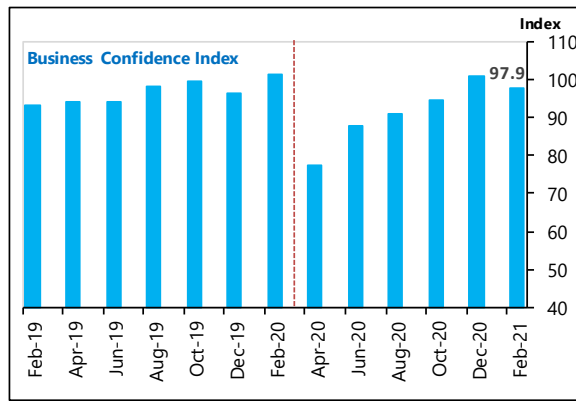
...Vehicle registration increased significantly in January 2021...



...Consumer confidence softened reflecting heightened concerns about the potential re-imposition of restrictions following the upsurge in COVID-19 cases...



...Business sentiments about the general economic situation deteriorated on concerns that re-imposition of restrictions would have detrimental consequences on the attainment of short-term goals...



Source: Bank of Ghana, Various Stakeholders