



# Bank of Ghana Monetary Policy Report

## Global Economic Development & Ghana's Balance of Payment

Vol. 1 No.4/2021

July 2021

### Highlights

- *Recent surveys signal recovery in global activity, but divergence between countries and sectors have emerged, which reflect varied pace of vaccinations amid resurgence in infections, especially in emerging market and developing economies.*
- *Headline inflation has picked up in many advanced economies driven mainly by energy prices and global supply constraints. Core inflation picked up but the still sizeable spare capacity and the associated labor market slack, would restrain wage growth, and prevent a significant and sustained pick-up in underlying inflation.*
- *Global financial conditions have tightened somewhat, supported by the rise in long-term bond yields in some advanced economies, but remains supportive of the global recovery.*
- *Stronger US dollar puts emerging market and developing economies' currencies under pressure.*

### Section I: Global Economic Developments

#### 1.0 Global Real GDP Growth Developments

The pace of growth in the global economy moderated on the back of resurgence in infections and the associated imposition of restrictions to contain the spread of the COVID-19 virus. The slowdown was widespread across both advanced and emerging market economies. A notable exception in the advanced economies was the United States (US), where the economy grew by 1.6 percent on a quarter-on-quarter basis in the first quarter of 2021 supported by accommodative monetary policy and the massive fiscal stimulus passed by the US Congress. Recent surveys signal a recovery in global economic activity, mainly on account of continued policy support and mass vaccinations, which has allowed advanced economies to reverse some of the existing COVID-19 restrictions, boosting private demand, especially in the services sector. These efforts have helped to improve prospects of a rebound in global economic activity with the IMF projecting global growth of 6.0 percent in 2021 (see Table 1).

Divergence in the recovery paths between countries and sectors has however emerged due to the differing pace of vaccinations and removal of restrictions. Also, the continued spread of the Delta variant in many parts of the world, amid stalled vaccination efforts across emerging market and developing economies, has created some uncertainty which could undermine the global recovery efforts.

The outlook for global growth remains uncertain and the pace of economic recovery remains uneven, with activity in the United States expected to pick up faster due to comparatively rapid vaccination programme and strong policy support. In contrast, the Euro area is expected to recover at a much slower pace due to the late start and pace of the vaccination programme. In addition, lack of vaccines and muted policy support in Emerging and Developing Economies are expected to slow the pace of recovery in the region.

**Table 1: Real GDP Growth in Advanced and Emerging Market Economies**

<b>Overview of the World Economic Outlook Projections</b>				
<i>(Percent change, unless noted otherwise)</i>				
	Year over Year			
	2019	2020	Projections	
			2021	2022
<b>World Output</b>	<b>2.8</b>	<b>-3.2</b>	<b>6.0</b>	<b>4.9</b>
<b>Advanced Economies</b>	<b>1.6</b>	<b>-4.6</b>	<b>5.6</b>	<b>4.4</b>
United States	2.2	-3.5	7.0	4.9
Euro Area	1.3	-6.5	4.6	4.3
Germany	0.6	-4.8	3.6	4.1
France	1.8	-8.0	5.8	4.2
Italy	0.3	-8.9	4.9	4.2
Spain	2.0	-10.8	6.2	5.8
Japan	0.0	-4.7	2.8	3.0
United Kingdom	1.4	-9.8	7.0	4.8
Canada	1.9	-5.3	6.3	4.5
Other Advanced Economies	1.9	-2.0	4.9	3.6
<b>Emerging Market and Developing Economies</b>	<b>3.7</b>	<b>-2.1</b>	<b>6.3</b>	<b>5.2</b>
China	6.0	2.3	8.1	5.7
India	4.0	-7.3	9.5	8.5
Russia	2.0	-3.0	4.4	3.1
Brazil	1.4	-4.1	5.3	1.9
Mexico	-0.2	-8.3	6.3	4.2
Sub-Saharan Africa	3.2	-1.8	3.4	4.1
Nigeria	2.2	-1.8	2.5	2.6
South Africa	0.2	-7.0	4.0	2.2

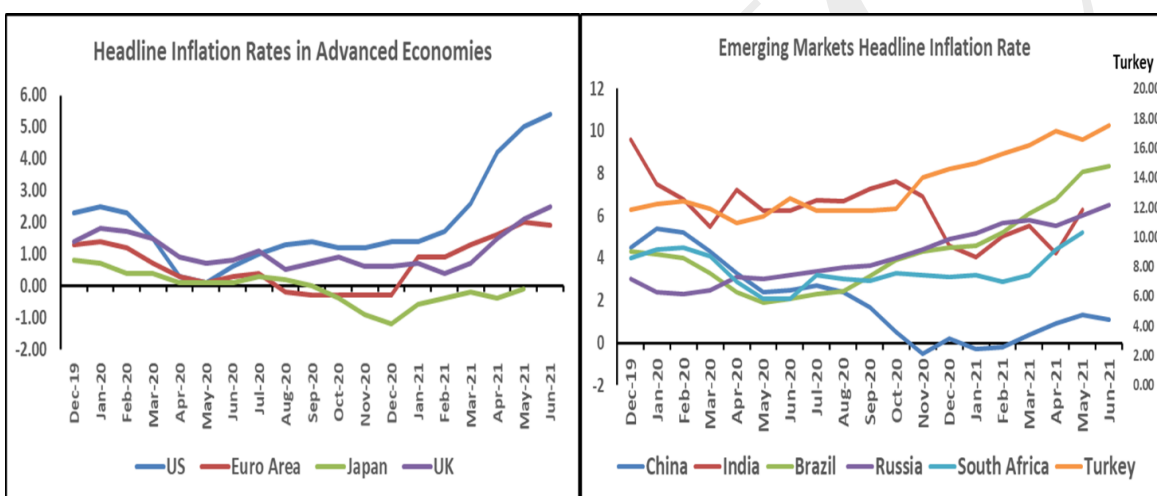
Source: World Economic Outlook, July 2021 Update

## 2.0 Global Price Developments

Headline inflation has picked up in many economies driven mainly by energy price pressures reflecting both demand and supply factors (see Figure 1). On the demand side, oil prices were supported by the gradual firming in global oil demand due to the easing of restrictions and broad pickup in activity especially in the advanced economies and China. On the supply side, continued production cuts by OPEC+ members played a role in the recovery in oil prices. For instance, OPEC+ currently has spare production capacity of up to 5.8 million barrels per day. In terms of the outlook, the World Bank projects oil prices to average US\$62/bbl. in 2021 and 2022.

Developments in headline inflation was also influenced by supply constraints, recovery in consumer demand as economies re-opened, and some temporary factors. These factors pushed up underlying inflation in recent months, while improved prospects for global recovery have led to rising expectations of future inflation. However, the still sizeable spare capacity in many countries and the associated labour market slack, would restrain wage growth, and prevent a sustained pick-up in underlying inflation. Headline Inflation is expected to return to target over the medium-term as the spare capacity is eroded. In emerging market and frontier economies, currency movements and COVID-related supply-side constraints are expected to drive price movements.

**Figure 1: Headline Inflation in Advanced and Emerging Market Economies**



Source: BOG/Trading Economics

Looking ahead, headline inflation will continue to rise driven by the recovery of oil prices, a surge in demand as economies re-open, supply constraints and one-off factors such as tax changes. However, the slack in labour markets across the world would dampen any sustained increase in underlying inflation in the near-term. Inflation in advanced economies is projected to return to target over the medium-term as the spare capacity is eroded. In Emerging-Market and Developing Economies (EMDEs), the pick-up in oil prices and domestic currency depreciation is likely to put pressure on inflation in the near-term.

### 3.0 Global Financial Market Developments

Global financing conditions have picked up somewhat but remain broadly supportive of the recovery process. The prospects of future growth and expectation of higher inflation pushed up borrowing costs in advanced economies. However, the re-affirmation of accommodative monetary policy stance by major central banks (see Table 2) has helped to keep sovereign and corporate spreads relatively compressed.

Also, optimism about global growth prospects and continued monetary policy support helped to strengthen equity prices in advanced and emerging market economies. However, the resurgence in infections, especially in emerging market and developing economies, is expected to weigh on equity prices in the near term. Portfolio flows to EMDEs stood at \$28.1 billion in June, up from \$10.9 billion in May 2021.

In the outlook, financial conditions are expected to remain accommodative in the near-term supported by central bank policy, based on the Fed's assumption that the recent price pressures are transitory and will revert to target when the supply constraints ease. However, new transmissible variants of the COVID-19 virus continue to spread across the world and may delay the recovery process.

**Table 2: Monetary Policy Stance of Selected Central Banks**

	Key Rate	Previous (%)	Current (%)	Forecast	Inflation Rate (June 2021)	Real rate	Inflation Target	Fiscal Deficit (2020, % of GDP)	GDP Growth (Dec.2020)	GrossDebt/ GDP(2020, %)	Fiscal Deficit (% GDP, 2019)	GDP Growth (Dec.2019)	GrossDebt /GDP(%, 2019)
U.S	Federal Funds Rate	0.25	0.25	0.25	5.4	-5.15	2%	-15.8	-3.5	127.1	-5.8	2.3	109
Euro Area	Refinancing Rate	0	0	0	1.9	-1.9	2%	-7.6	-6.6	96.9	-0.7	1.2	84.1
UK	Bank Rate	0.1	0.1	0.1	2.5	-2.4	2%	-13.4	-9.9	103.7	-2.1	1.4	85.4
Japan	short term policy rate	-0.1	-0.1	-0.1	-0.1	0	2%	-12.6	-4.8	256.2	-2.8	0.7	237.4
Russia	Benchmark rate	5	5.5	5.5	6.5	-1	4%	-4.1	-3.1	19.3	1.9	1.3	14
India	Benchmark Rate	4	4	4	6.3	-2.3	4±2%	-12.3	-8.0	89.6	-7.4	4.2	71.9
Brazil	Selic rate	3.5	4.25	4.25	8.35	-4.1	4.5±1.5%	-13.4	-4.1	98.9	-6	1.1	89.5
Turkey	One week repo rate	19	19	19	17.53	1.47	5±2%	-5.4	1.8	36.8	-5.3	0.9	33.1
Malaysia	Policy Rate	1.75	1.75	1.75	4.4	-2.65	3% - 4%	-5.1	-5.6	67.5	-3.2	4.3	57.2
Indonesia	Policy Rate	3.5	3.5	3.5	1.33	2.17	3.5% ± 1%	-5.9	-2.1	36.6	-2.2	5	30.4
Chile	Benchmark Interest Rate	0.5	0.75	0.75	3.8	-3.05	3±1%	-7.1	-5.8	32.5	-2.6	1.1	27.9
Ghana	Monetary Policy Rate	14.5	13.5		7.8	5.7	8±2%	-16	0.9	78.0	-7.4	6.1	63.2
South Africa	Repo Rate	3.5	3.5	3.5	5.2	-1.7	3%-6%	-12.2	-7.0	77.1	-6.3	0.2	62.2
Nigeria	Monetary Policy Rate	11.5	11.5	11.5	17.75	-6.25	6% - 9%	-5.8	-1.8	35.1	-5.0	2.2	29.4
Kenya	Policy Rate	7	7	7	6.32	0.68	2.5-7.5%	-8.4	-0.1	68.7	-7.8	5.6	60.8
Zambia	Policy Rate	8.5	8.5	8.5	24.6	-16.1	9%	-13.9	-3.5	117.8	-7.6	1.5	85.7
Morocco	Policy Rate	1.5	1.5	1.5	1.9	-0.4		-7.6	-7.0	76.1	-4.1	2.2	65.8

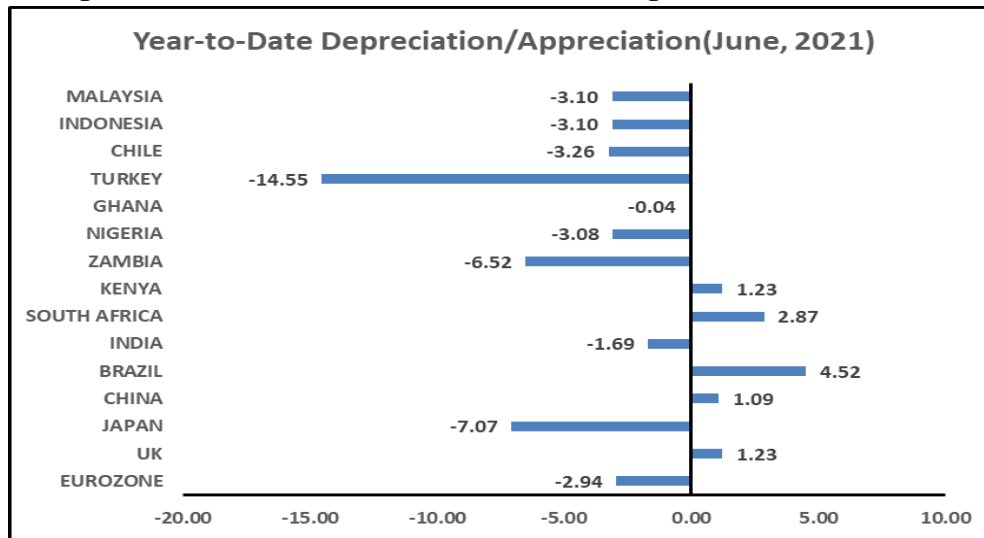
Source: BoG/Trading Economics/IMF/(Deficit/GDP, Debt/GDP & Growth); June inflation in red.

Note: The real rate is the policy rate minus the ex post inflation rate.

#### 4.0 Currency Markets

On the international currency market, the US dollar strengthened against other major currencies as improved growth prospects in the US led investors to expect a faster policy normalization than earlier anticipated. Also, investors looked for safety amid rising cases of the delta variant across the globe. The strengthening dollar put pressure on emerging markets and developing economies currencies, particularly in economies with country specific vulnerabilities such as Turkey and Zambia (see Figure 2).

**Figure 2: Performance of Selected Currencies against the US Dollar (%)**



Source: Bank of Ghana/Bloomberg

In the domestic currency market, the cedi came under some pressure as economic activity picked up amid fears of a third wave of COVID-19 in emerging market and developing economies. In the interbank market, the cedi depreciated by 0.04 percent and 1.07 percent against the dollar and pound but appreciated by 3.38 percent against the euro on a year-to-date basis. This is against an appreciation of 4.46 percent against the pound and a depreciation of 2.36 percent against the euro and the dollar respectively, during the same period in 2020 (see Table 3).

**Table 3: Interbank Exchange Rates**

Exchange Rate Movements									
	US\$/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation	GBP/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation	Euro/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation
<b>2019</b>									
Jan	4.9506	-2.6	-2.64	6.5121	-5.2	-5.24	5.6824	-3.0	-2.98
Feb	5.1752	-4.3	-6.86	6.8703	-5.2	-10.18	5.8799	-3.4	-6.24
Mar	5.0834	1.8	-5.18	6.6166	3.8	-6.73	5.7084	3.0	-3.42
Apr	5.0881	-0.1	-5.27	6.6318	-0.2	-6.95	5.7001	0.1	-3.28
May	5.2011	-2.2	-7.33	6.5640	1.0	-5.99	5.7973	-1.7	-4.90
June	5.2590	-1.1	-8.35	6.6787	-1.7	-7.60	5.9831	-3.1	-7.86
July	5.2570	0.0	-8.31	6.4267	3.9	-3.98	5.8528	2.2	-5.80
Aug	5.2814	-0.5	-8.74	6.4296	0.0	-4.02	5.8094	0.7	-5.10
Sep	5.3161	-0.7	-9.33	6.5412	-1.7	-5.66	5.7956	0.2	-4.87
Oct	5.3372	-0.4	-9.69	6.9010	-5.2	-10.58	5.9445	-2.5	-7.26
Nov	5.5254	-3.4	-12.77	7.1322	-3.2	-13.48	6.0785	-2.2	-9.30
Dec	5.5337	-0.1	-12.90	7.3164	-2.5	-15.66	6.2114	-2.1	-11.24
<b>2020</b>									
Jan	5.5274	0.1	0.11	7.1924	1.7	1.72	6.0476	2.7	2.71
Feb	5.2949	4.4	4.51	6.7881	6.0	7.78	5.8048	4.2	7.00
Mar	5.4423	-2.7	1.68	6.7583	0.4	8.26	5.9752	-2.9	3.95
Apr	5.6010	-2.8	-1.20	7.0584	-4.3	3.66	6.1276	-2.5	1.37
May	5.6203	-0.3	-1.54	6.9186	2.0	5.75	6.2406	-1.8	-0.47
June	5.6674	-0.8	-2.36	7.0038	-1.2	4.46	6.3613	-1.9	-2.36
July	5.6762	-0.2	-2.54	7.4050	-5.4	-1.20	6.6944	-5.0	-7.21
Aug	5.6848	-0.1	-2.66	7.5997	-2.6	-3.73	6.7916	-1.4	-8.54
Sep	5.7027	-0.3	-2.96	7.3585	3.3	-0.57	6.6786	1.7	-7.00
Oct	5.7100	-0.1	-3.09	7.3913	-0.4	-1.01	6.6703	0.1	-6.88
Nov	5.7139	-0.1	-3.15	7.6426	-3.3	-4.27	6.8559	-2.7	-9.40
Dec	5.7602	-0.8	-3.93	7.8742	-2.9	-7.08	7.0643	-3.0	-12.07
<b>2021</b>									
Jan	5.7604	0.0	0.00	7.8996	-0.3	-0.32	6.9929	1.0	1.02
Feb	5.7374	0.4	0.40	7.9945	-1.2	-1.50	6.9545	0.6	1.58
Mar	5.7288	0.2	0.55	7.8717	1.6	0.03	6.7122	3.6	5.25
Apr	5.7322	-0.1	0.49	7.9222	-0.6	-0.61	6.8958	-2.7	2.44
May	5.7473	-0.3	0.22	8.1672	-3.0	-3.59	7.0288	-1.9	0.53
June	5.7626	-0.3	-0.04	7.9590	2.6	-1.07	6.8333	2.8	3.38

Source: Bank of Ghana Staff Calculations

**Table 4: Nominal Effective Exchange Rate**

	2018=100		Monthly CHG(%)		Year-to-Date (%)	
	FXTWI	TWI	FXTWI	TWI	FXTWI	TWI
<b>2020</b>						
Jan-20	27.66	31.90	0.20	1.0	0.20	0.98
Feb-20	28.90	33.54	4.31	4.90	4.51	5.83
Mar-20	28.14	32.71	-2.72	-2.54	1.91	3.43
Apr-20	27.35	31.93	-2.89	-2.46	-0.92	1.06
May-20	27.24	31.53	-0.41	-1.26	-1.34	-0.18
Jun-20	26.98	30.98	-0.94	-1.79	-2.28	-1.97
Jul-20	26.80	29.66	-0.67	-4.45	-2.97	-6.51
Aug-20	26.73	29.27	-0.26	-1.35	-3.24	-7.94
Sep-20	26.71	29.68	-0.10	1.39	-3.35	-6.44
Oct-20	26.68	29.78	-0.08	0.34	-3.43	-6.07
Nov-20	26.60	29.14	-0.31	-2.18	-3.75	-8.39
Dec-20	26.33	28.31	-1.05	-2.94	-4.84	-11.58
<b>2021</b>						
Jan-21	26.34	28.45	0.04	0.47	0.04	0.47
Feb-21	26.44	28.64	0.40	0.67	0.44	1.14
Mar-21	26.55	29.36	0.39	2.45	0.83	3.57
Apr-21	26.48	28.78	-0.25	-1.99	0.59	1.64
May-21	26.36	28.26	-0.46	-1.86	0.13	-0.19
Jun-21	26.37	28.93	0.03	2.33	0.16	2.15

Source: Bank of Ghana Staff Calculations

Note: TWI and FXTWI are index measures of the value, in nominal terms, of the cedi relative to Ghana's top three currencies: Euro, the Pound and the US dollar.

**Table 5: Real Bilateral Exchange Rate**

	RER Index (Jan.18=100)			Monthly Change (Index)			Year-to-Date (%)		
	EUR	GBP	USD	EUR	GBP	USD	EUR	GBP	USD
<b>2020</b>									
Jan-20	99.7	94.7	88.0	3.6	2.2	1.4	3.6	2.2	1.4
Feb-20	105.0	101.9	92.2	5.0	7.1	4.5	8.4	9.1	5.9
Mar-20	102.3	103.3	90.8	-2.6	1.3	-1.5	6.1	10.3	4.5
Apr-20	103.1	102.2	91.8	0.7	-1.1	1.1	6.8	9.3	5.5
May-20	103.2	105.6	93.1	0.1	3.3	1.4	6.8	12.3	6.8
Jun-20	101.8	105.3	93.4	-1.3	-0.3	0.4	5.6	12.0	7.2
Jul-20	97.8	99.7	92.5	-4.1	-5.6	-1.0	1.7	7.1	6.2
Aug-20	96.4	97.4	91.7	-1.5	-2.3	-0.9	0.3	4.9	5.4
Sep-20	97.6	99.9	91.1	1.2	2.4	-0.7	1.5	7.3	4.8
Oct-20	98.6	99.8	91.1	1.0	0.0	0.1	2.5	7.2	4.8
Nov-20	96.4	97.3	91.1	-2.3	-2.6	0.0	0.3	4.8	4.8
Dec-20	93.9	94.8	90.9	-2.7	-2.7	-0.2	-2.4	2.3	4.6
<b>2021</b>									
Jan-21	95.3	95.6	91.6	1.4	0.9	0.8	1.4	0.9	0.8
Feb-21	96.7	95.0	92.3	1.4	-0.6	0.8	2.9	0.3	1.6
Mar-21	99.6	96.8	92.7	2.9	1.8	0.4	5.7	2.1	2.0
Apr-21	98.04	97.35	93.3	-1.6	0.6	0.7	5.7	2.1	2.0
May-21	96.6	94.5	93.2	-1.5	-3.0	-0.1	4.2	2.6	2.6
Jun-21	100.4	97.6	93.3	3.7	3.2	0.1	2.8	-0.3	2.5

Source: Bank of Ghana Staff Calculations

In nominal effective terms, (i.e. taking movements in major trading partner currencies into account), the cedi appreciated by 2.15 percent in nominal trade weighted terms(TWI) and 0.16 percent in nominal Forex transactions weighted terms(FXTWI), on a year-to-date basis, (see Table 4). This is against the depreciation of 1.97 percent in nominal trade weighted terms and a depreciation of 2.28 percent in nominal foreign exchange transaction weighted terms respectively over the same period in 2020.

In real bilateral terms, the cedi appreciated by 2.5, and 2.8 percent respectively against the dollar, and the Euro, but depreciated by 0.3 percent against the pound sterling on a year-to-date basis. Comparatively, for the corresponding period in 2020, the cedi's real exchange rate appreciated by 7.2 percent, 12 percent, and 5.6 percent against the dollar, the pound sterling, and the euro respectively (see Table 5).

Table 6 shows the real effective exchange rate movements of the cedi against the three major currencies (i.e. US dollar, the Euro and Pound). On a year-to-date basis, the cedi appreciated by 5.6 percent in real trade weighted terms and by 2.3 percent in real forex transaction weighted terms in June 2021. These compare with an appreciation of 6.4 percent and 7.2 percent respectively in trade weighted terms and FX transaction weighted terms in June 2020.

**Table 6: Real Effective Exchange Rate for Major Trade Partners**

Month	INDEX (2018=100)		RTWI and FXRTWI			
	RFXTWI	RTWI	MONTHLY CHG		Year-to-Date (%)	
	RFXTWI	RTWI	RFXTWI	RTWI	RFXTWI	RTWI
<b>2020</b>						
Jan-20	88.96	97.60	1.6	3.2	1.6	3.2
Feb-20	93.29	102.89	4.6	5.1	6.2	8.2
Mar-20	91.87	100.78	-1.6	-2.1	4.7	6.2
Apr-20	92.81	101.43	1.0	0.6	5.7	6.8
May-20	94.07	101.97	1.3	0.5	6.9	7.3
Jun-20	94.29	100.93	0.2	-1.0	7.2	6.4
Jul-20	93.05	97.23	-1.3	-3.8	5.9	2.8
Aug-20	92.15	95.84	-1.0	-1.5	5.0	1.4
Sep-20	91.72	96.90	-0.5	1.1	4.6	2.5
Oct-20	91.85	97.70	0.1	0.8	4.7	3.3
Nov-20	91.64	95.74	-0.2	-2.0	4.5	1.3
Dec-20	91.20	93.56	-0.5	-2.3	4.0	-1.0

Source: Bank of Ghana Staff Calculations

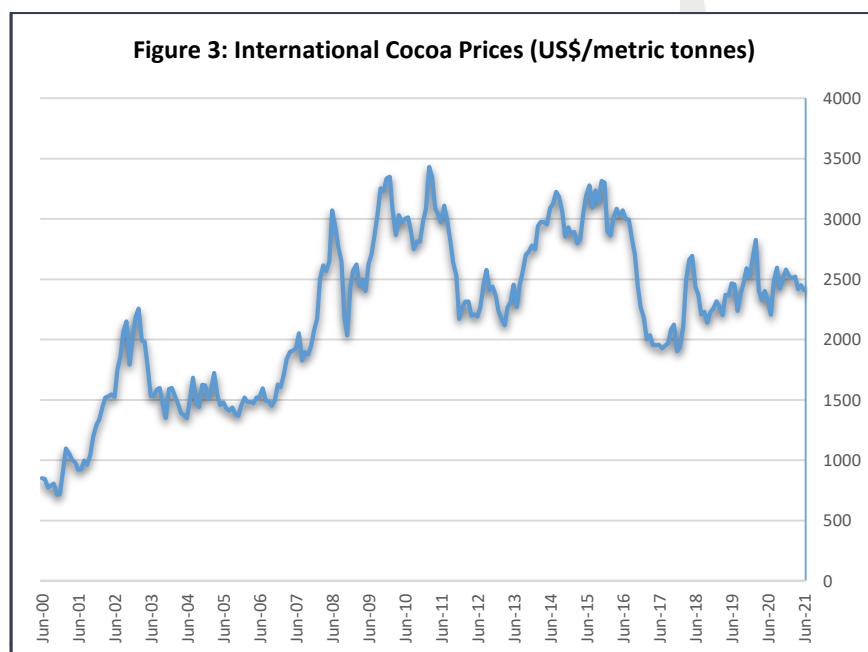
## 5.0 Global Economic Outlook and Risks

Global growth rebounded in 2021Q2 amid the resurgence in the delta variant. The widespread resurgence may drag the recovery efforts as countries re-introduce lockdown measures alongside inoculation hesitancy in some advanced economies. Headline inflation has picked up in many advanced economies supported by energy price increases and supply constraints due to COVID-19. But underlying inflation remains subdued reflecting the still sizeable spare capacity and labour market slack in advanced economies. Global financial conditions pick up somewhat but remained supportive of the recovery process.

## Section II: External Sector Developments

### **6.0 Commodity Price Trends**

Cocoa futures suffered some losses in June 2021, the bean closed the month at US\$2,407.5 per tonne compared to the US\$2,450.4 per tonne recorded in the month of May 2021, representing a monthly loss of 1.7 percent. Sluggish demand due to the spread of COVID-19 new variant against ample supply mainly from top growers Ghana and Ivory Coast weakened prices. Compared to the same period last year the commodity gained 3.6 percent of its price due to hopes of an increase in demand after the COVID-19 vaccine rollout.

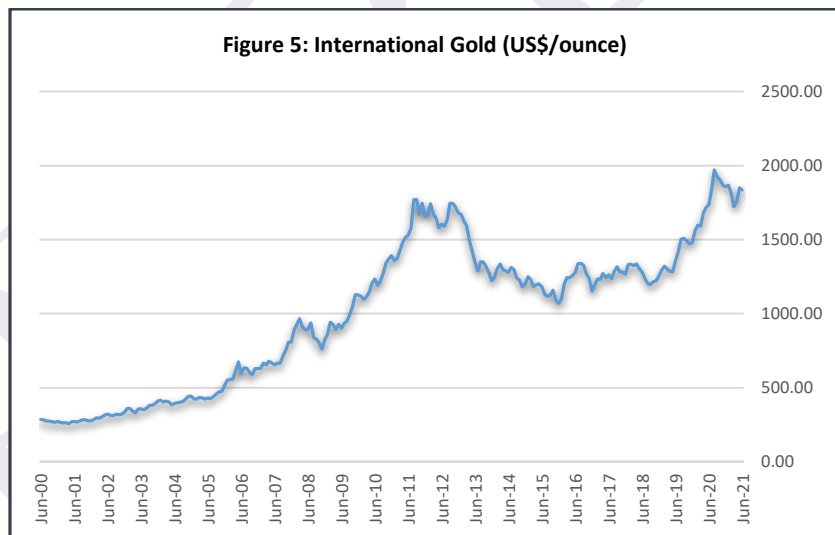
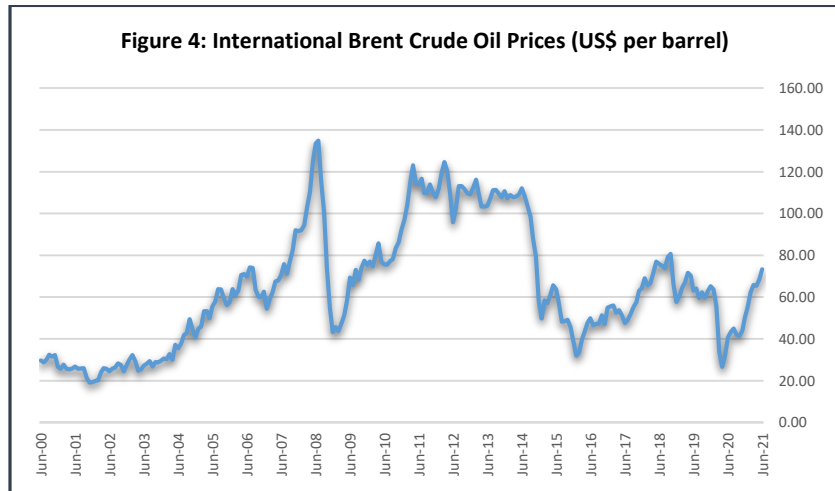


Brent Crude oil extended its gains for the second continuous month into June 2021. The commodity gained 7.3 percent to settle at an average price of US\$73.35 per barrel compared to US\$68.3 per barrel in the previous month. Crude oil improved on the back of lower U.S inventories and optimism for strong demand after new U.S. unemployment claims fell. Also, strong fuel demand in Europe further supported prices. Gains were however capped by lingering concerns about the pandemic and a stronger U.S. dollar, which made oil more expensive to holders of other currencies. Compared to June 2020, crude oil prices have gained 79.9 percent of its price owing to the rebound of economies after the easing of lock downs and restrictions on movement caused by the COVID-19 pandemic.

Spot gold prices made some losses in the month of June 2021. The price of the yellow metal declined marginally by 0.7 percent to end the month at US\$1,835.2 per fine ounce compared to US\$1,849.28



recorded in May 2021. Prices struggled as the dollar strengthened in the run-up to positive U.S. job data recorded during the month and a jump in the U.S treasury yields which made gold lose its safe heaven appeal. Also weak demand from China and India further pushed against the metal. Compared to the same period last year, gold prices have gained 5.8 percent mainly due to the economic disruptions caused by the pandemic making the commodity attractive to investors.



### 6.1 Balance of Payments

The international price developments of cocoa, gold and crude oil impacted on export performance for the first six months of 2021. Despite volume declines in gold and crude oil exports, total exports increased by 2.7 percent to US\$7,593.2 million mainly due to higher prices realized from the three major exports but this growth was 5.6 percent lower relative to the same period in 2019. Cocoa beans and products exports

for the period January to June 2021, amounted to US\$1,741.8 million, improving by 12.9 percent compared with US\$ 1,542.5 million recorded for the same time in 2020. Gold exports were valued at US\$2,666.7 million, down by 16.2 percent from earnings posted a year ago. Crude oil exports on the other hand rose by 23.3 percent to US\$1,757.07 million compared with US\$1,421.3 million in 2020. Earnings from non-traditional exports for the period was valued at US\$1,163.20 million, a 12.1 percent increase compared with US\$1,037.3 million in 2020. The share of non-traditional exports (NTEs) to total exports for the period also increased, from 14.4 percent of total exports in 2020 to 15.9 percent in 2021.

Imports grew by 5.7 percent year on year to US\$6,755.6 million on account of a 32.1 percent rise in oil and gas imports and a 1.3 percent increase in non-oil imports. Compared to pre-pandemic levels, imports only grew by 0.9 percent reflecting a pick-up in economic activity due to the easing of COVID-19 restrictions. Total imports for the first six months amounted to US\$6,755.6 million, an increase of 5.7 percent over the imports value of US\$6,390.5 million for the same period in 2020. Total non-oil merchandise imports for the period, amounted to US\$5,544.8 million while oil merchandise imports were valued at US\$1,210.8 million.

Consequently, total merchandise trade balance for the first half of 2021 was provisionally estimated at a surplus of US\$837.5 million (1.2% of GDP) compared with a surplus of US\$1,005.5 million (1.4% of GDP) same period in 2020.

In the first half of 2021, the current account deficit was estimated at US\$926.1 million (1.3% of GDP) compared with US\$548 million (0.8% of GDP) for the same period in 2020. This was on the back of the lower trade surplus and higher net investment income outflows. Private individual transfers have however remained resilient with net inflows of US\$1.6 billion in the first half of the year, despite the uncertain global environment.

The capital and financial accounts recorded an inflow of US\$3.3 billion compared with US\$1.6 billion for the same period in 2020, driven by higher portfolio and foreign direct investments inflows. As a result of these developments, the overall balance of payments recorded a surplus of US\$2.4 billion in the first half of 2021, against a surplus of US\$1.0 billion in the corresponding period of 2020.

### **6.1 International Reserves**

The improved balance of payments outturn supported the build-up in Gross International Reserves (GIR) to US\$11,026.9 million at the end of June 2021 from a stock position of US\$8,624.4 million at the end of

December 2020. This was sufficient to provide 5.0 months of imports cover compared with 4.0 months of import cover recorded at the end of December 2020.

## **6.2 Outlook for Three Major Export Commodities**

Analyst expected the current pressures on cocoa prices to continue as the ICCO forecast a global cocoa surplus of 165,000 tonnes for the 2020/21 crop season, up from a previous projection of 102,000 tonnes due to the larger than expected production from Ivory Coast and Ghana. Farmers anticipate that the uncertain weather patterns in West Africa may undermine production levels in the coming season. The expected decline in prices could however be moderated by a marginal improvement in global demand projected at 2.2 percent for the season. The stronger than anticipated second quarter Europe and North America grindings results will also underpin cocoa futures in the near term. August-September nearby futures are forecast to average US\$2,300-2,375 a tonne compared with US\$2,551 a tonne a year earlier.

For crude oil, the EIA expects world oil demand to expand by 5.3 million barrels per day in 2021 supported by a quick vaccine rollout and a massive economic stimulus package though global oil production, largely from OPEC+ is expected to increase by more than global oil consumption. The anticipated increased production will reduce the persistent draws in global oil inventory draws that have characterised the past year and kept prices averaging US\$72 per barrel during the second half of 2021. However, the new wave of the Delta variant infections across the globe poses a downside risk to demand recovery. EIA forecasts Brent prices to average \$68 per barrel in the third quarter of 2021.

In the outlook for Gold, US Fed officials have suggested the central bank should begin to taper its asset purchases this year. Meanwhile the highly contagious COVID-19 Delta variant has made countries in Asia and Europe walk back on reopening plans. However, if the global economy embarks on a very solid, smooth and strong recovery (aided by vaccines), then gold could be subject to headwinds. Market analysts forecast gold prices to trade between US\$1,770 and US\$1,798 per fine ounce in the near-term.

**Table 7: Trade Balance (US\$ million)**

	<b>2019 Jan - Jun</b>	<b>2020 Jan - Jun</b>	<b>2021 Jan - Jun</b>	<b>Abs Y/Y Chg</b>	<b>Rel Y/Y Chg</b>
Trade Bal (% GDP)	<b>2.0</b>	<b>1.4</b>	<b>1.2</b>	<b>-0.2</b>	<b>-15.4</b>
<b>Trade Balance</b>	<b>1,354.9</b>	<b>1,005.5</b>	<b>837.5</b>	<b>-167.9</b>	<b>-16.7</b>
<b>Total Exports</b>	<b>8,047.5</b>	<b>7,396.0</b>	<b>7,593.2</b>	<b>197.2</b>	<b>2.7</b>
<b>Gold ( \$'M)</b>	2,977.1	3,182.7	2,666.7	-516.0	-16.2
Volume (fine ounces)	2,283,995.0	1,934,442.2	1,474,521.6	-459,920.5	-23.8
Unit Price (\$/fine ounce)	1,303.4	1,645.3	1,808.5	163.2	9.9
<b>Cocoa Beans ( \$'M)</b>	934.2	1,036.0	1,224.2	188.2	18.2
Volume (tonnes)	400,546.0	419,000.5	473,871.9	54,871.4	13.1
Unit Price (\$/tonne)	2,332.3	2,472.6	2,583.5	110.8	4.5
<b>Cocoa Products ( \$'M)</b>	419.5	506.5	517.6	11.0	2.2
Volume (tonnes)	140,658.0	160,332.2	151,134.7	-9,197.5	-5.7
Unit Price (\$/tonne)	2,982.6	3,159.2	3,424.4	265.3	8.4
<b>Crude Oil ( \$'M)</b>	2,289.7	1,421.3	1,757.1	335.8	23.6
Volume (barrels)	34,551,532.0	33,809,074.0	26,943,997.0	-6,865,077.0	-20.3
Unit Price (\$/bbl)	66.3	42.0	65.2	23.2	55.1
<b>Other Exports</b>	1,426.9	1,249.5	1,427.6	178.2	14.3
ow: Non-Traditional Exports	980.8	1,037.3	1,163.2	125.9	12.1
<b>Total Imports</b>	<b>6,692.6</b>	<b>6,390.5</b>	<b>6,755.6</b>	<b>365.1</b>	<b>5.7</b>
Non-Oil	5,418.1	5,473.8	5,544.8	71.0	1.3
Oil and Gas	1,274.5	916.7	1,210.8	294.1	32.1
of which : products	1,044.7	690.0	1,112.6	422.6	61.2
<b>Crude ( \$'M)</b>	151.6	135.8	18.0	-117.8	-86.7
Volume (barrels)	2,300,071.6	3,585,791.2	280,162.2	-3,305,629.0	-92.2
Unit Price (\$/bbl)	65.9	37.9	64.3	26.5	69.9
<b>Gas ( \$'M)</b>	78.2	90.9	80.2	-10.7	-11.7
Volume (MMBtu)	10,800,920.7	12,394,084.9	10,869,736.5	-1,524,348.3	-12.3
Unit Price (\$ mmBtu)	7.2	7.3	7.4	0.0	0.6

Source: Bank of Ghana