



Bank of Ghana Monetary Policy Report

Real Sector Developments

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July 2021

1.0 Overview

Domestic economic activity continued to reflect strong economic recovery from the adverse effects of the COVID-19 pandemic. The latest high frequency indicators recorded broad-based improvement in May 2021 compared to a year ago. Domestic VAT collections, industrial consumption of electricity, private sector contributions to social security, vehicle registration, port activity, cement sales and passenger arrivals at the airport all improved in the review period.

2.0 Economic Growth

The Ghana Statistical Service reported an estimated GDP (Gross Domestic Product) growth of 3.1 percent for the first quarter of 2021, indicating signs of strong recovery from the impact of the COVID-19 pandemic. The first quarter growth outturn was however lower than the pre-pandemic growth of 7.0 percent recorded for the first quarter of 2020. Non-oil GDP grew by 4.6 percent compared with 7.9 percent growth over the same comparative period. In terms of sectors, Agriculture, Industry and Services all recorded positive growth rates of 4.3 percent, 1.3 percent and 4.0 percent respectively.

3.0 Trends in Real Sector Indicators *(high frequency data)*

Consumer Spending

Domestic VAT collections and retail sales posted a positive performance in May 2021, compared with the same period in 2020. Domestic VAT (Value Added Tax) collections increased by 35.3 percent on a year-on-year basis to GH¢536.10 million. On a month-on-month basis, domestic VAT collections declined by 13.0 percent. Cumulatively, total domestic VAT for the first five months of 2021 went up by 31.7 percent to GH¢2,728.77 million, compared with GH¢2,072.12 million for the same period of last year.

Retail sales increased by 30.4 percent (year-on-year) to GH¢114.78 million in May 2021, up from the GH¢88.00 million recorded in the same period in 2020. In the first five months of 2021, retail sales grew by 39.0 percent to GH¢560.64 million, 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 May 2021. Total Direct Taxes collected increased by 26.8 percent (year-on-year) to GH¢1,466.34 million in May 2021, relative to GH¢1,156.19 million recorded in a similar period in 2020. Cumulatively, total Direct Taxes collected for the first five months of 2021 went up by 32.0 percent to GH¢8,993.23 million. In terms of contributions of the various sub-tax categories, Income tax (PAYE and self-employed) accounted for 56.3 percent, Corporate tax accounted for 31.7 percent, while "Other Tax Sources" contributed 12.0 percent.

Total private sector workers' contribution to the SSNIT Pension Scheme (Tier-1) increased by 3.9 percent in year-on-year terms to GH¢205.14 million in May 2021, from GH¢197.37 million collected during the corresponding period in 2020. In cumulative terms, the contribution for the first five months of 2021 improved by 3.6 percent to GH¢996.96 million.

Construction Sector Activities

Activity in the construction sub-sector, gauged by the volume of cement sales, improved by 7.6 percent (year-on-year) in May 2021 to 356,016.77 tonnes, up from 331,024.19 tonnes recorded a year ago. On a month-on-month basis, total cement sales increased marginally by 0.5 percent in May 2021. Cumulatively, cement sales for the first five months of 2021 went up by 30.1 percent to 1,773,091.21 tonnes, on the back of increased construction activities during the review period.

Vehicle Registration

Transport sector activities, gauged by vehicle registration by the Driver and Vehicle Licensing Authority (DVLA), improved by 33.6 percent to 21,389 in May 2021, from 16,007 vehicles registered during the corresponding period of 2020. Cumulatively, vehicles registered by DVLA within the first five months of 2021 rose by 43.1 percent to 140,082.

Industrial Consumption of Electricity

Consumption of electricity by industries went up by 49.0 percent on a year-on-year basis, during the period under review. Industries consumed 266.25 gigawatts of power in May 2021, as against 178.64 gigawatts recorded for the corresponding period in 2020. In cumulative terms, electricity consumption by industries for the first five months of 2021 increased by 14.0 percent to 1,276.70 gigawatts from 1,119.93 gigawatts for the corresponding period a year ago. The improvement in power consumption was mainly due to increased industrial activity by manufacturing companies during the review period.

Passenger Arrivals at the Airport

International passenger arrivals surged in May 2021 to 43,376 compared with 775 in May 2020, due to the Covid-19 lockdown measures which was in place at the time. On a month-on-month basis, passenger arrivals increased by 17.2 percent. The sharp year-on-year increase reflected some base-drift effects as well as the easing of travel restrictions over the review period. However, for the first five months of 2021, there were 179,345 passenger arrivals compared with 212,463 for the corresponding period in 2020, indicating a 15.6 percent decline.

Ports and Harbours Activity

The pace of economic 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 35.8 percent, year-on-year, to 64,085 in May 2021, up from 47,196 for a similar period in 2020. In cumulative terms, total container traffic for the first five months of 2021 rose by 19.7 percent to 317,609 compared with 265,370 for the corresponding period of last year. The relative improvement in port activities was attributed to an uptick in international trade activities as global COVID-restrictions eased over the review period.

Advertised Jobs

The number of advertised jobs in selected print¹ and online² media, which partially gauges labour demand in the economy, decreased in June 2021 relative to the corresponding period a year ago. In total, 2,730 job adverts were recorded as compared with 3,079 for the same period in 2020, indicating a decline of 11.3 percent (year-on-year). On a month-on-month basis, the number of job vacancies in June 2021 however increased marginally by 0.6 percent. Cumulatively, 17,091 advertised jobs were recorded for the first two quarters of 2021, compared with 19,119 jobs advertised during the same period in 2020. The decline in the

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

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

number of jobs advertised reflected the difficulties faced by businesses as a result of the COVID-19 pandemic.

Private Sector Pension Contributors

Total number of private sector SSNIT contributors, which partially gauges employment conditions, improved to 804,849 (up by 15.4% year-on-year) in May 2021 compared with 697,690 for the same period in 2020. Cumulatively, for the first five months of 2021, the total number of private sector contributors increased by 3.8 percent to 4,087,134 from 3,937,022 recorded over the corresponding period in 2020.

4.0 Composite Index of Economic Activity (CIEA)

The Bank's updated Composite Index of Economic Activity (CIEA) registered a strong annual growth of 33.1 percent in May 2021, compared to a contraction of 10.2 percent recorded in the corresponding period of 2020.

5.0 Consumer and Business Surveys

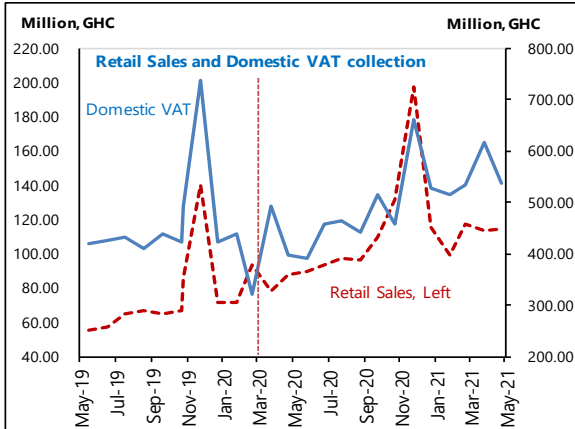
The consumer and business confidence surveys conducted in June 2021 reflected mixed sentiments. Consumer confidence softened while business confidence remained somewhat unchanged from the previous survey period.

The Consumer Confidence Index eased from 93.2 in April to 88.8 in June 2021 due to a variety of factors including the implementation of the recently announced revenue measures in the 2021 Budget. However, the Business Confidence Index only dipped marginally from 96.9 in April to 96.3 in June 2021. Business sentiments remained broadly unchanged due to expectations of improvement in company growth prospects.

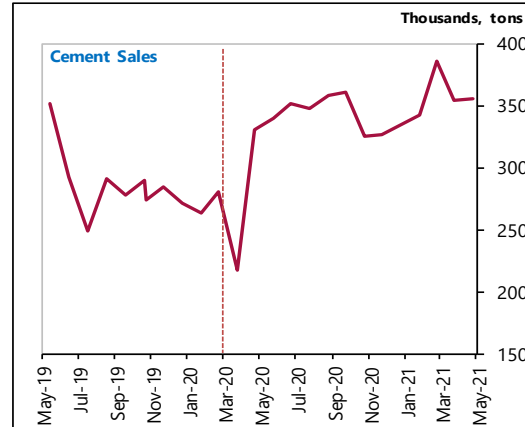
Appendix

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

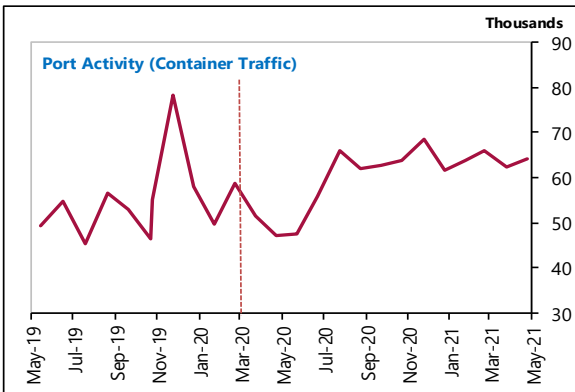
...Retail sales increased marginally while domestic VAT collections declined in May 2021...



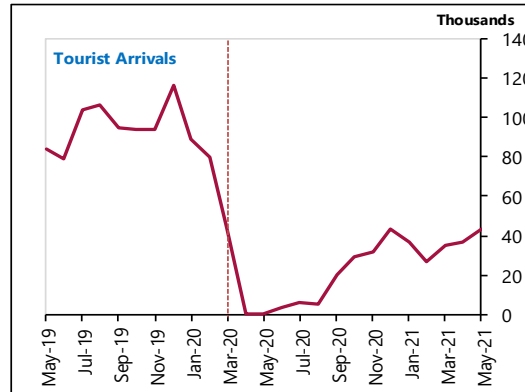
...Construction activities, proxied by cement sales, inched up in May 2021...



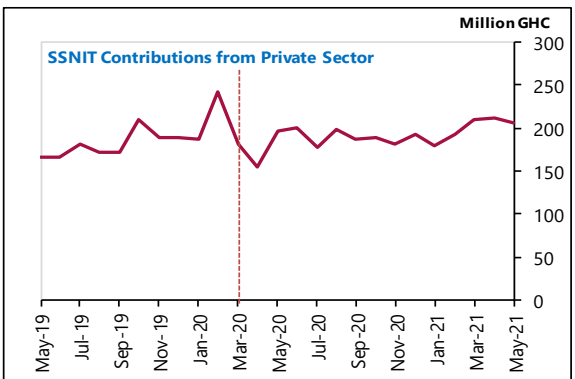
...Port activity increased in May 2021...



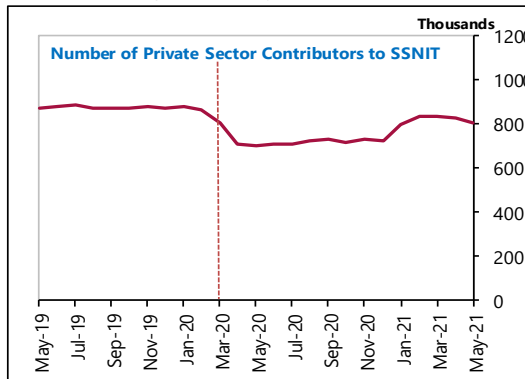
...Tourist arrivals went up in May 2021, but remains below pre-pandemic levels...



...Labour market conditions softened in May 2021...



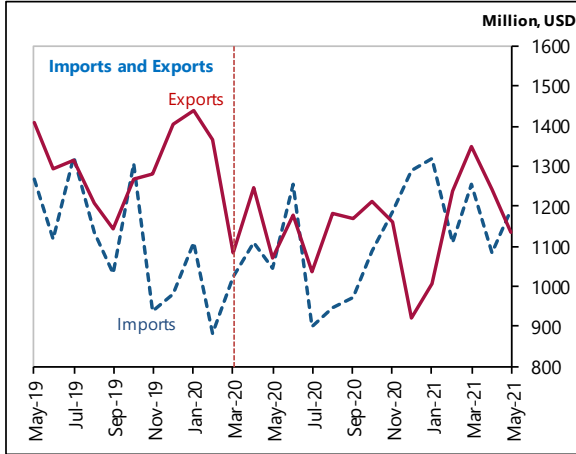
...Labour hiring conditions, proxied by the number of private sector workers contributing to SSNIT, are yet to pick up...



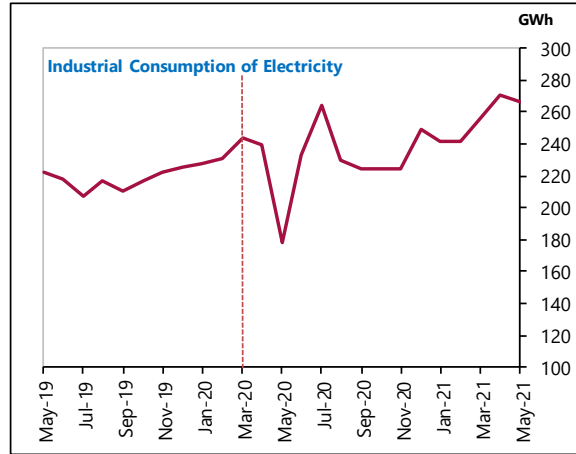
Sources: Bank of Ghana, Various Stakeholders

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

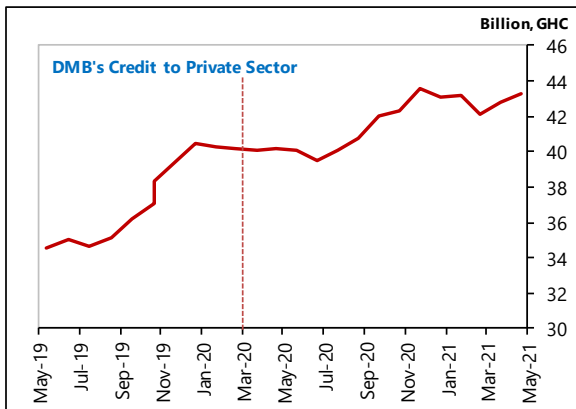
...Unlike exports, imports picked up in May 2021...



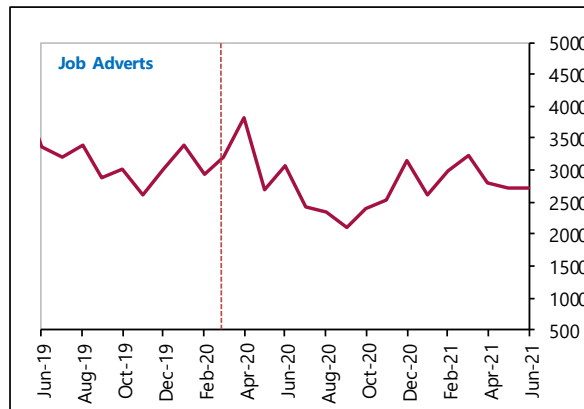
...Industrial activity, proxied by industrial consumption of electricity, dipped...



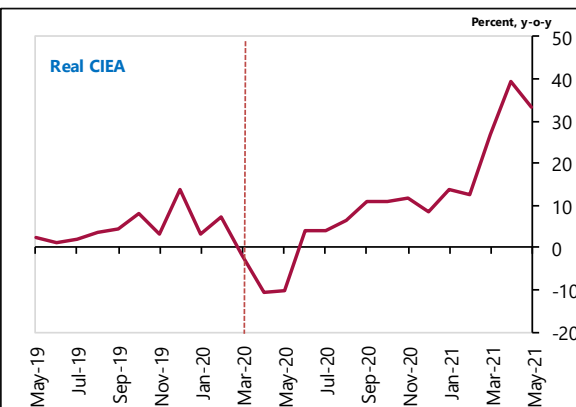
...Commercial banks' credit to the private sector improved in May 2021...



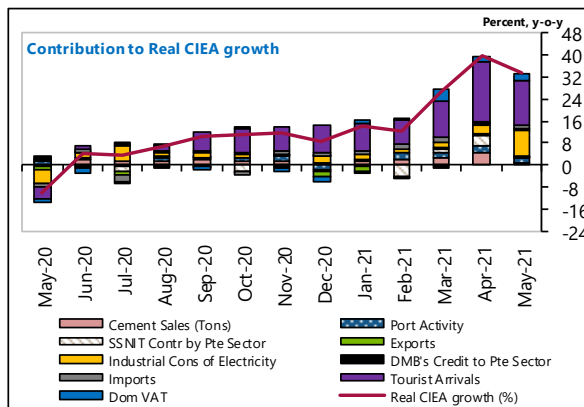
...Demand for labour, proxied by the number of job adverts (in print and online media), remained flat in June 2021...



...On a year-on-year basis, the real CIEA grew by 33.1 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...



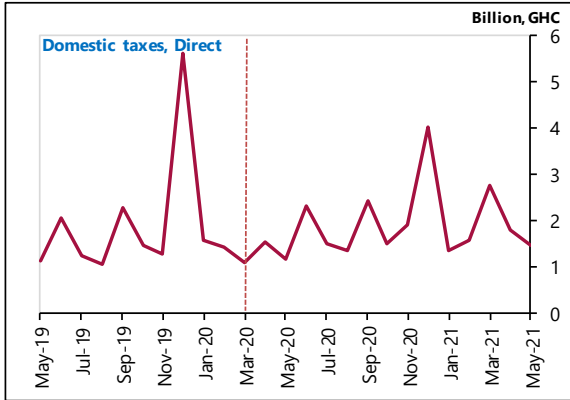
...The growth in the real CIEA was mainly driven by a pick-up in Tourist Arrivals, Industrial Consumption of Electricity, Domestic VAT, Imports, Port Activity, Cement Sales, Exports and DMB's Credit to the Private Sector...



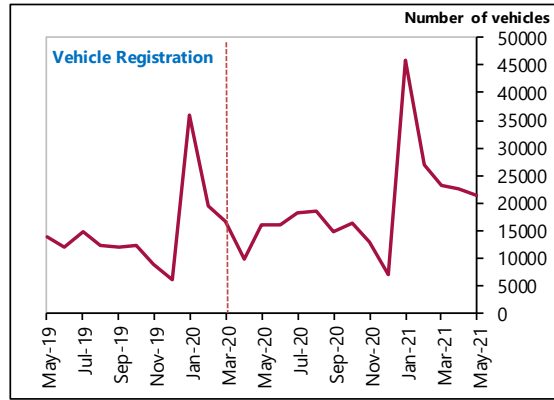
Source: Bank of Ghana, Various Stakeholders

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

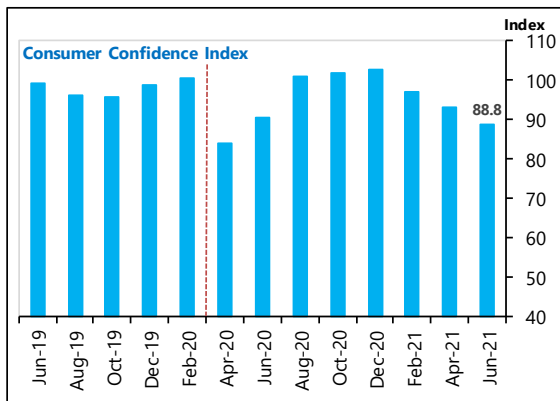
...Domestic tax collection declined in May 2021...



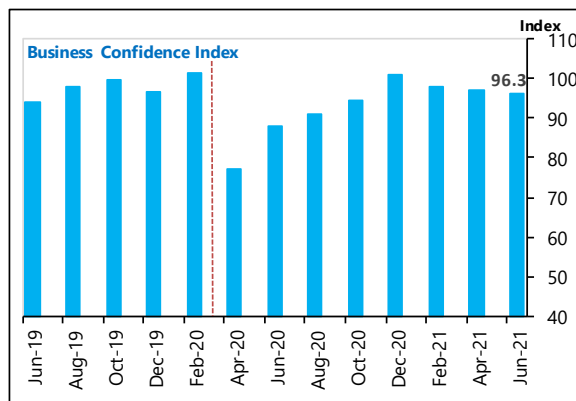
...Vehicle registration dipped in May 2021...



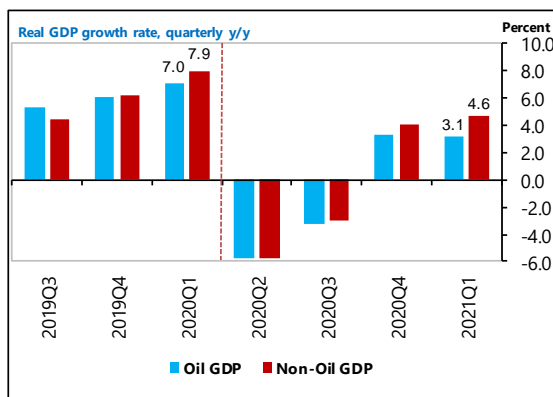
...Consumer confidence softened on the back of a variety of factors including the implementation of the recently announced revenue measures contained in the 2021 Budget...



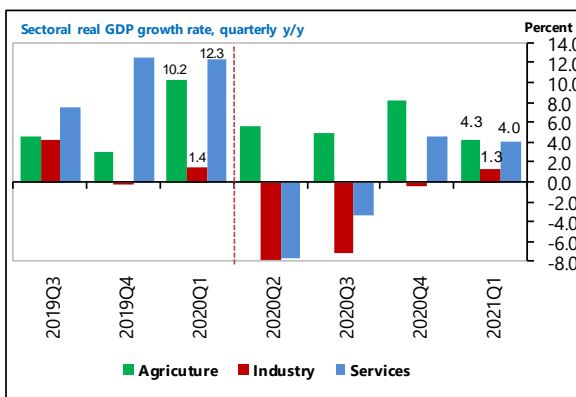
...Business confidence remained somewhat broadly unchanged due to expectations of improvement in company growth prospects...



...Real Oil and Non-Oil GDP grew by 3.1 percent and 4.6 percent respectively in 2021Q1, compared with the pre-pandemic growth rates of 7.0 percent and 7.9 percent respectively in the corresponding period of 2020...



...The Agriculture and Services sectors drove growth in 2021Q1, with growth rates of 4.3 percent and 4.0 percent respectively...



Source: Bank of Ghana, Various Stakeholders