BANK OF GHANA

MONETARY POLICY REPORT

November 2021

This Monetary Policy Report broadly covers key economic factors deliberated on during the Monetary Policy Committee meetings, as well as risks to the inflation and growth outlook. The objective for publishing this report is to provide the public with background materials which served as inputs for the policy decision making process and economic assessments at each Monetary Policy Committee meeting. Through the publication of these documents, the Bank of Ghana aims to promote accountability of its decision making and improve understanding of the monetary policy formulation process among stakeholders.

EXECUTIVE SUMMARY

The Monetary Policy Committee (MPC) of the Bank of Ghana held its 103rd meeting in November 2021 and after assessing macroeconomic developments and the outlook decided to raise the Monetary Policy Rate (MPR) by 100 basis points to 14.5 percent. In arriving at the decision, the Committee considered global and domestic economic conditions.

On the global front, the Committee observed some moderation in global growth due to supply constraints, including slack in the labour markets and shortages in intermediate goods. Inflationary pressures across most advanced and emerging market economies were becoming embedded, with potential implications for the current supportive financing conditions driving the recovery. Concerns about the strength of the recovery and the stronger US dollar had exerted currency pressures in some emerging market and frontier economies. Thus, policy rates in some emerging market countries have been hiked to counter rising inflation. Sovereign spreads widened in October and November 2021 in some African economies, including Ghana, due largely to investor sentiments on the sustainability of the current fiscal stance. Overall, risks to the near-term global outlook were tilted to the downside following the resurgence in COVID-19 transmission rates in some advanced countries and premature monetary policy normalization due to persistent price pressures.

In the domestic economy, the Committee determined that real sector recovery was progressing at a steady pace. High frequency economic indicators reflected increased momentum in the pace of economic activity at a rate close to pre-pandemic levels. Consumer and business sentiments had turned around, driven by perceived improvements in economic prospects, although consumers expressed concerns about current household finances. Credit to the private sector was gradually picking up. The COVID-19 related macro-prudential measures, still in force, remained supportive of the recovery process, steadily driving up new advances over the period. The recovery in credit was expected to continue on the back of anticipated net ease in credit stance by banks and increased demand.

In the financial sector, the banking industry recorded sustained growth in total assets, investments and deposits. Profitability in the industry declined slightly and key financial soundness indicators such as liquidity and solvency, remained healthy. Despite the positive outlook, the sluggish credit growth remained a risk to real sector recovery. Results from the latest stress tests showed a banking sector that remains resilient to mild and moderate stress conditions. The potential effects of a prolonged pandemic on the banking sector, particularly on asset quality, however, needs to be monitored carefully to inform policy measures.

The country's sovereign bond spreads widened markedly over the period as investor sentiments shifted based on fiscal and debt sustainability concerns, prompting sell-offs by investors with spillovers on the domestic foreign exchange market. This triggered some currency pressures in the past two months as demand for the U.S. dollar increased. However, the adequate reserve levels provided some buffers and supported a much slower depreciation pace compared with pre-pandemic levels. In the outlook, the Committee was of the view that the strong reserve buffer level should provide some assurance to the market and help abate investor concerns, as the country's external payment position remained strong.

Headline inflation went up consistently from the low of 7.5 percent in May 2021 to 11.0 percent in October driven by both food and non-food price increases, and above the upper limit of the medium-term target band. In addition, all the Bank's core measures of inflation increased, indicating broad-based underlying inflation pressures, with the potential of de-anchoring inflation expectations. The Committee noted significant risks to the inflation outlook, such as rising global inflation, high energy prices, uncertainties surrounding food prices and investor behaviour. The Committee further noted that these elevated inflationary risks required prompt policy action to re-anchor inflation expectations and safeguard the central bank's price stability objective. Given these considerations, the Committee decided to raise the policy rate by 100 basis points to 14.5 percent.

1. Global Economic Developments

Highlights

- *Global economic recovery is continuing, but incoming data points to softening momentum in the third quarter of 2021 largely due to supply bottlenecks.*

- *Global price pressures remain strong in both Advanced and Emerging Markets and Developing Economies (EMDEs), reflecting rising energy prices, strong global demand and supply constraints.*

- *Global financial conditions remain accommodative in advanced economies, but have picked up somewhat in EMDEs.*

- *Deepening concerns about the strength of the global recovery and inflationary pressures in the U.S. strengthened the Dollar, putting pressure on some EMDE currencies.*

1.0 Global Growth Developments

At the beginning of the 2021, there was significant optimism that global growth would pick up by the second half of 2021, supported by the discovery of effective vaccines against the COVID-19 virus. The deployment of vaccines indeed allowed advanced economies to roll back some COVID-19 related restrictions and strengthened private demand amid supportive monetary and fiscal policies. However, although global economic recovery is continuing, supported by progress with COVID-19 vaccinations and policy measures, incoming data suggests that the momentum slowed down in the third quarter of 2021 largely due to supply bottlenecks associated with the COVID-19 pandemic. Lingering mobility restrictions due to localized COVID-19 related lockdowns affected the transportation sector, especially haulage and port services, delaying the delivery of essential inputs to production. Additionally, labour shortages in some sectors affected production and supply of goods in the global market. It is not clear when the effects of the supply bottlenecks will fade. However, the localized lockdowns in parts of Asia that triggered port closures and supply delivery delays have eased somewhat as the pandemic has been brought under control in these areas (for now). Also, as the services sector recovers, economists expect consumers to move some of their consumption spending away from durable goods to services, and thereby reduce the demand for scarce intermediate inputs.

The IMF projects global growth of 5.9 percent in 2021, down by 0.1 percentage points from its July projections. However, the projection for 2022 remains 4.9 percent. The downward revision partly reflects supply disruptions in advanced economies and worsening pandemic dynamics in low-income developing economies. This was partly offset by stronger near-term prospects for growth in some commodity exporting EMDEs (see Table 1). These projections are predicated on continued progress with vaccinations, supportive policy measures, and accommodative financial conditions.

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

		Projections		Difference from July 2021 WEO *Update*[1]	
	2020	2021	2022	2021	2022
World Output	**–3.1**	**5.9**	**4.9**	**–0.1**	**0.0**
Advanced Economies	**–4.5**	**5.2**	**4.5**	**–0.4**	**0.1**
United States	–3.4	6.0	5.2	–1.0	0.3
Euro Area	–6.3	5.0	4.3	0.4	0.0
Germany	–4.6	3.1	4.6	–0.5	0.5
France	–8.0	6.3	3.9	0.5	–0.3
Italy	–8.9	5.8	4.2	0.9	0.0
Spain	–10.8	5.7	6.4	–0.5	0.6
Japan	–4.6	2.4	3.2	–0.4	0.2
United Kingdom	–9.8	6.8	5.0	–0.2	0.2
Canada	–5.3	5.7	4.9	–0.6	0.4
Other Advanced Economies[2]	–1.9	4.6	3.7	–0.3	0.1
Emerging Market and Developing Economies	**–2.1**	**6.4**	**5.1**	**0.1**	**–0.1**
Emerging and Developing Asia	–0.8	7.2	6.3	–0.3	–0.1
China	2.3	8.0	5.6	–0.1	–0.1
India[3]	–7.3	9.5	8.5	0.0	0.0
ASEAN-5[4]	–3.4	2.9	5.8	–1.4	–0.5
Emerging and Developing Europe	–2.0	6.0	3.6	1.1	0.0
Russia	–3.0	4.7	2.9	0.3	–0.2
Latin America and the Caribbean	–7.0	6.3	3.0	0.5	–0.2
Brazil	–4.1	5.2	1.5	–0.1	–0.4
Mexico	–8.3	6.2	4.0	–0.1	–0.2
Middle East and Central Asia	–2.8	4.1	4.1	0.1	0.4
Saudi Arabia	–4.1	2.8	4.8	0.4	0.0
Sub-Saharan Africa	–1.7	3.7	3.8	0.3	–0.3
Nigeria	–1.8	2.6	2.7	0.1	0.1
South Africa	–6.4	5.0	2.2	1.0	0.0

Source: IMF WEO, October 2021 update

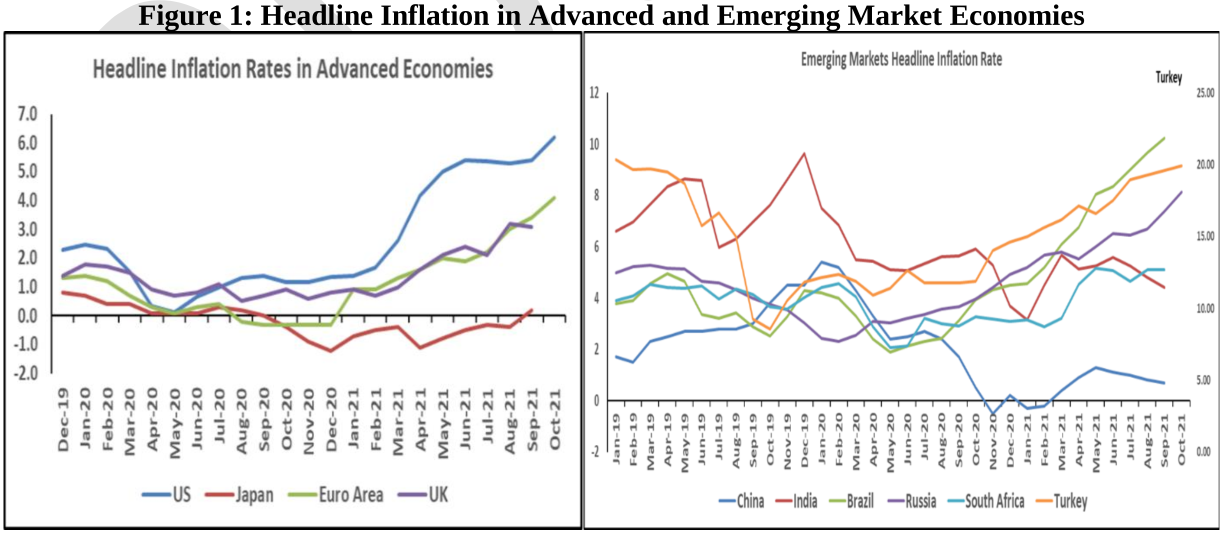
1.1 Global Price Developments

Headline inflation has continued to run above target in several advanced and emerging market economies, reflecting rising commodity prices, supply constraints, recovery in consumer demand as economies re-open, and past exchange rate depreciation, more especially for EMDEs. Oil prices continued to rise on the backs of both demand and supply factors. On the demand side, the recovery in the global economy strengthened demand for oil and pushed up oil prices. On the supply side, the OPEC+ production restraint and the sluggish production levels in the U.S. shale region supported oil prices. Also, the FAO food price index rose by 3.9 points from September 2021 to October 2021, driven mainly by the continued strength in world prices of vegetables and cereals. Excluding these volatile components, it is clear that underlying inflation has also picked up in both advanced and emerging market and developing economies, reflecting supply constraints, recovery in global demand as economies re-open, and the lagged effects of exchange rate depreciation.

The assessment carried out by central banks in major advanced economies during the first half of 2021 suggested that the ongoing price pressures were judged to be transitory and should have begun to decline by end 2021. However, as at the beginning of the fourth quarter, price pressures continued to build in both advanced economies and emerging market and developing economies. This raised anxiety among policymakers, investors, and the public, and raised an important question: "Is the continued sharp rise in headline inflation still driven by factors that can be judged to be transitory?" A persistent rise in headline inflation would normally be associated with de-anchoring of long-term inflation expectations, rising wages, and stronger demand. The evidence published by the IMF (reference - Chapter 2 of October 2021 WEO update) and central banks in major advanced economies so far suggest that long-term inflation expectations remain anchored. In addition, although wages in some sectors have increased, the economy-wide average has remained relatively stable. Finally, the strong demand in the global economy is expected to wane by mid-2022 as the effects of policy measures and pent-up demand begins to fade.

However, the IMF WEO report argues that the outlook is still uncertain because supply chain disruptions and shortages of materials and labour may prove more persistent than anticipated if demand for goods stays elevated, potentially leading to de-anchoring of inflation expectations and stronger wage growth. Also, price pressures in EMDEs are mainly from commodity prices, food prices, and weaker nominal exchange rates. The pass-through of these pressures to overall headline inflation comes with a lag. Thus, price pressures may stay elevated into 2022 in some EMDEs. Likely reflecting this fact, some EMDEs have hiked policy rates, while others have left the door open for similar near-term actions.

Figure 1: Headline Inflation in Advanced and Emerging Market Economies



Source: BOG/Trading Economics

1.2 Global Financial Market Developments

Overall, financial conditions remain supportive of the growth process in advanced economies, reflecting the expectations that central banks will maintain an accommodative policy stance in the foreseeable future. As shown in Table 2, central banks in major advanced economies indeed kept their policy rates unchanged during their November 2021 meetings and re-affirmed their commitments to maintaining the policy rates at their current level for the foreseeable future. However, the build-up of inflationary pressures forced them to move their tapering programmes forward. Meanwhile, equity prices have broadly increased despite recent market volatility, supported by monetary policy, while spreads have broadly remained compressed.

Financial conditions in emerging market and developing economies have tightened somewhat due to a combination of factors, including policy rate hikes in some EMDEs (Russia, Brazil, Chile etc.), the strengthening U.S. Dollar in recent months, rising long term bond yields in advanced economies and increased spreads in some countries amid growing concerns about inflationary pressures. Portfolio flows to EMDEs stood at US$24.9 billion in October, down from US$31.8 billion in September 2021, reflecting concerns about higher inflation and potential interest rate hikes. However, emerging market local yields are on the rise, as inflationary pressures force central banks to tighten policy, with EM bonds benefiting from the interest rate differentials.

Table 2: Monetary Policy Stance of Selected Central Banks

	Key Rate	Previous (%)	Current (%)	Forecast	Inflation Rate (October, 2021)	Real rate	Infl Target	overall Fiscal Deficit (2020,% of GDP)	GDP Growth (Dec.2020)	GrossDebt/GDP(2020, %)	Interbank Rates	Bank Lending Rates
U.S	Federal Funds Rate	0.25	0.25	0.25	6.2	-5.95	2%	-14.9	-3.5	133.9	0.14	3.25
Euro Area	Refinancing Rate	0	0	0	4.1	-4.1	< 2%	-7.7	-6.7	97.5	-0.57	1.71
UK	Bank Rate	0.1	0.1	0.1	3.1	-3	2%	-12.5	-9.8	104.5	0.1	1.1
Japan	short term policy rate	-0.1	-0.1	-0.1	0.2	-0.3	2%	-10.3	-5.8	254.1	-0.08	1
Russia	Benchmark rate	6.75	7.5	7.25	8.13	-0.63	4%	-4	-3	19.3	7.79	7.96
India	Benchmark rate	4	4	4	4.35	-0.35	4±2%	-12.8	-8.0	89.6	3.56	8.8
Brazil	Selic rate	6.25	7.75	7.75	10.25	-2.5	4.5±1.5%	-13.4	-4.1	98.9	3.24	41.34
Turkey	One week repo rate	18	16	16	19.89	-3.89	5±2%	-5.3	1.8	39.8	16.3	19.5
Malaysia	Policy Rate	1.75	1.75	1.75	2.2	-0.45	3% - 4%	-5.1	-5.6	67.4	1.94	3.45
Indonesia	Policy Rate	3.5	3.5	3.5	1.66	1.84	3.5% ± 1%	-5.9	-2.1	36.6	3.75	4.25
Chile	Benchmark Interest Rate	1.5	2.75	2.25	6	-3.25	3±1%	-7.1	-5.8	32.5	3.86	5.98
Ghana	Monetary Policy Rate	13.5	13.5		11	2.5	8±2%	-15.7	0.4	78.9	12.66	20.35
South Africa	Repo Rate	3.5	3.5	3.5	5	-1.5	3% -6%	-10.8	-7.0	69.4	3.68	7
Nigeria	Monetary Policy Rate	11.5	11.5	11.5	16.63	-5.13	6% -9%	-5.8	-1.8	35	8.54	11.62
Kenya	Policy Rate	7	7	7	6.45	0.55	2.5-7.5%	-8.1	-0.3	67.6	3.1	12.12
Zambia	Policy Rate	8.5	8.5	8.5	21.1	-12.6	9%	-12.9	-3	128.7	7.64	9.5
Morocco	Policy Rate	1.5	1.5	1.5	1.2	0.3		-7.6	-7.1	75.4		
Source: Growth rate(World Bank); Debt/GDP (IMF); Policy Rates (Trading Economics), October inflation in red												

Note: *The blue colour indicates unchanged monetary policy rate; the real rate is the policy rate minus the ex post inflation rate.*

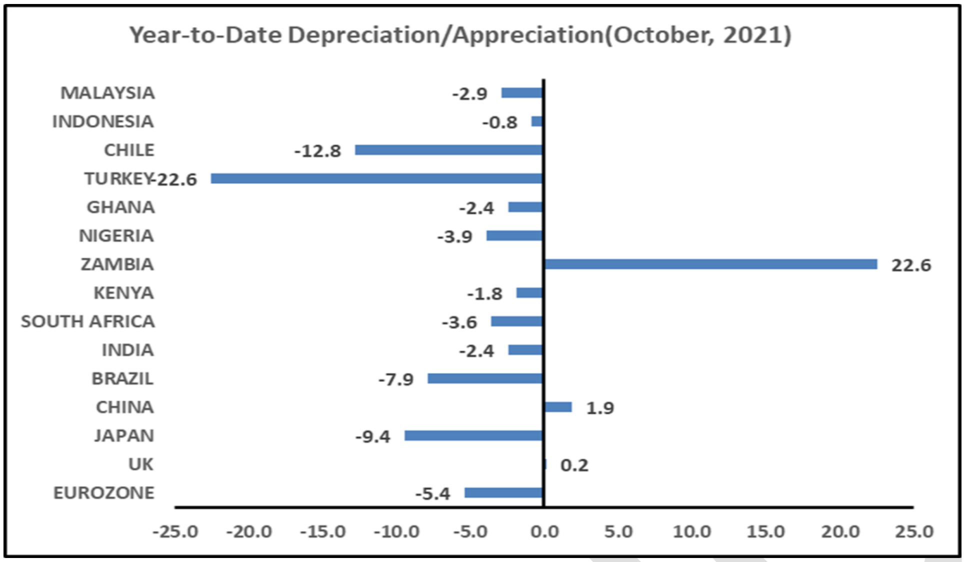
The outlook depends on the growth-inflation scenario that plays out. The consensus among central banks and market analyst is that growth will accelerate, and inflation will moderate in the near -term by the middle of 2022. Thus, inflation expectations will be anchored, and the stronger global growth recovery will boost stock prices as well as inflows to emerging market and developing economies with strong fundamentals. Under such conditions, the financial environment will remain supportive of the growth process in advanced and emerging market economies over the medium term.

However, risks to the near-term outlook are tilted to the downside, as the recent emergence of new COVID-19 variants can prolong the pandemic and weigh negatively on economic activity. Such a scenario will also prolong the supply-demand mismatch, weigh on production and drive prices up, if the new variants lead to another round of lockdowns. Vaccine distribution continues to delay re-opening in most EMDEs, while vaccine hesitancy remains a major challenge in advanced economies. These challenges could heighten these risks. Also, as noted by the IMF, faster-than-anticipated monetary policy normalization due to persistent price pressures and supply-demand mismatches could persist longer than anticipated, leading to further price pressures and rising inflation expectations. Central banks in advanced economies may then be forced to respond, leading to sudden tightening of global financial conditions. Vulnerable EMDEs with large foreign currency debt and financing needs would be particularly exposed. Difficulties in rolling over their external obligations could force abrupt adjustments in their economies, leading to adverse growth outcomes.

1.3 Currency Markets

On the international currency market, the U.S Dollar index strengthened sharply in recent months, amid fears that the sharp rise in inflation will push the Federal Reserve to move their policy rate hike decision forward. Also, concerns about the strength of the global recovery helped to strengthen the Dollar as EM investors became more selective and risk sensitive. The stronger Dollar had varying degrees of impact on EMDE currencies depending on the country-specific vulnerabilities. The Kwacha remained the best performing currency supported by still buoyant copper prices and expectation of further improvement in FX inflows from SDR allocation and a formal ECF program with the IMF (see Figure 2). The Turkish Lira remained the worst performing currency amid concerns about fiscal dominance.

Figure 2: Performance of Selected Currencies against the US Dollar



Source: Bank of Ghana/Bloomberg

In the domestic currency market, the Ghana Cedi came under pressure during the reporting period on the back of a strong demand for forex from both the corporate sector and offshore investors concerned about the sustainability of Ghana's debt. Bank of Ghana support and some inflows from mining and remittances helped to ease the impact of these pressures on the Ghana Cedi. In the outlook, local corporate demand remains high. However, the FX forward auction is expected to ease their impact on the Ghana Cedi. Also, the government's budget statement provided some clarity in terms of how the government intends to address the debt situation to ease the concerns of offshore investors. The reaction of the Ghana Cedi so far suggests that investors are somewhat encouraged by what they heard. In the interbank market, the Cedi depreciated by 2.38 percent, and 2.57 percent, against the Dollar and Pound, respectively, but appreciated by 3.54 percent against the Euro on a year-to-date basis.

This is against a depreciation of 3.09 percent, 1.01 percent, and 6.88 percent, against the Dollar, the Pound, and the Euro, respectively, during the same period in 2020 (see Table 3). Historically, the Cedi performed better in October 2021 on a year-to-date basis compared to the same period from 2017-2020. Also, the Cedi was less volatile during the first 223 transaction days in 2021 compared to the same period from 2017-2020.

If we consider our major trade partners' currency movements, the Ghana Cedi appreciated by 1.85 percent in nominal trade weighted terms (TWI) but depreciated by 2.02 percent in nominal Forex transactions weighted terms (FXTWI), on a year –to-date basis (see Table 4). This is against the depreciation of 6.07 percent in nominal trade weighted terms and a depreciation of 3.43 percent in nominal foreign exchange transaction weighted terms respectively over the same period in 2020.

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
2019									
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
2020									
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	5.6782	-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
2021									
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	7.0268	-1.9	0.53
June	5.7626	-0.3	-0.04	7.9590	2.6	-1.07	6.8333	2.8	3.38
July	5.8011	-0.7	-0.71	8.0633	-0.1	-2.35	6.8808	-0.7	2.67
Aug	5.8517	-0.9	-1.56	8.0482	0.2	-2.16	6.9068	-0.4	2.28
Sep	5.8863	-0.6	-2.14	7.9140	1.7	-0.50	6.7952	1.6	3.96
Oct	5.9009	-0.2	-2.38	8.0816	-2.1	-2.57	6.8231	-0.4	3.54

Table 4: Nominal Effective Exchange Rate

NOMINAL EFFECTIVE EXCHANGE RATE

Month	2018=100 FXTWI	TWI	Monthly CHG(%) FXTWI	TWI	Year-to-Date (%) FXTWI	TWI
2020						
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
2021						
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
Jul-21	26.19	28.71	-0.69	-0.78	-0.52	1.39
Aug-21	25.98	28.60	-0.81	-0.40	-1.34	1.00
Sep-21	25.87	28.92	-0.39	1.13	-1.74	2.12
Oct-21	25.80	28.84	-0.27	-0.28	-2.02	1.85

Source: Bank of Ghana

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.

In real bilateral terms, the Ghana Cedi appreciated by 1.9 percent, 8.4 percent, and 4.9 percent, respectively against the Dollar, the Euro, and the Pound Sterling on a year-to-date basis. Comparatively, for the corresponding period in 2020, the Ghana Cedi's real exchange rate appreciated by 4.8 percent, 1.5 percent, and 7.3 percent against the Dollar, the Euro, and the Pound Sterling, respectively (see Table 5).

Table 6 shows the real effective exchange rate movements of the Ghana Cedi against the three major currencies (i.e. US Dollar, Euro and Pound). On a year-to-date basis, the Ghana Cedi appreciated by 7.2 percent in real trade weighted terms and by 2.4 percent in real forex transaction weighted terms in September 2021. These compare with an appreciation of 2.5 percent, and 4.6 percent, respectively, in trade weighted terms and FX transaction weighted terms in September 2020.

Table 5: Real Bilateral Exchange Rate

Month	RER Index (Jan.18=100)			MONTHLY CHANGE (Index			Year-to-Date (%)		
	EUR	GBP	USD	EUR	GBP	USD	EUR	GBP	USD
2020									
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
2021									
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	4.2	2.6	2.6
May-21	96.6	94.5	93.2	-1.5	-3.0	-0.1	2.8	-0.3	2.5
Jun-21	100.4	97.6	93.3	3.7	3.2	0.1	6.5	2.9	2.6
Jul-21	101.33	98.06	93.75	1.0	0.5	0.5	7.3	3.4	3.1
Aug-21	100.86	97.82	92.94	-0.5	-0.2	-0.9	6.9	3.1	2.2
Sep-21	102.45	99.62	92.60	1.6	1.8	-0.4	8.4	4.9	1.9

Source: Bank of Ghana Staff Calculations

Table 6: Real Effective Exchange Rate for Major Trade Partners

RTWI and FXRTWI						
Month	INDEX (2018=100)		MONTHLY CHG		Year-to-Date (%)	
	RFXTWI	RTWI	RFXTWI	RTWI	RFXTWI	RTWI
2020						
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
2021						
Jan-21	91.97	94.79	0.8	1.3	0.8	1.3
Feb-21	92.70	95.92	0.8	1.2	1.6	2.5
Mar-21	93.30	98.38	0.6	2.5	2.3	4.9
Apr-21	93.78	97.34	0.5	-1.1	2.8	3.9
May-21	93.50	95.97	-0.3	-1.4	2.5	2.5
Jun-21	93.92	99.15	0.5	3.2	2.9	5.6
Jul-21	94.40	99.99	0.5	0.8	3.4	6.4
Aug-21	93.62	99.46	-0.8	-0.5	2.6	5.9
Sep-21	93.47	100.83	-0.2	1.4	2.4	7.2

Source: Bank of Ghana Staff Calculations

1.4 Global Economic Outlook and Risks

The global economic recovery is continuing, but incoming data point to softening momentum in the third quarter of 2021 largely due to supply bottlenecks. Inflationary risks from the external environment have heightened and headline inflation will continue to rise in the near term and moderate by mid-2022 (according to IMF projections). However, supply chain disruptions and shortages of materials and labour may be more persistent than currently expected, possibly leading to de-anchoring of inflation expectations. Central banks in advanced economies may respond to these inflationary threats, and this could lead to tighter global financial conditions, with implications for vulnerable EMDEs with large foreign currency debt and financing needs. Also, the emergence of new COVID-19 variants may delay the global recovery and increase the risk perceptions in EMDEs, triggering capital outflows and exchange rate pressures.

2. Real Sector Developments

2.0 Overview

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

2.1 Trends in Real Sector Indicators

Consumer Spending

Consumer spending, as proxied by domestic VAT collections and retail sales, posted a positive performance in September 2021, compared with the corresponding period in 2020. Domestic VAT collections increased by 43.0 percent (on a year-on-year basis) to GH¢630.34 million, from GH¢440.79 million. On a month-on-month basis, domestic VAT collections improved by 15.6 percent. Cumulatively, total domestic VAT for the first three quarters of 2021 went up by 31.9 percent to GH¢5,049.61 million compared with GH¢3,827.36 million for the same period of last year.

Retail sales increased by 13.6 percent (year-on-year) to GH¢109.10 million in September 2021, up from the GH¢96.00 million recorded in the same period in 2020. In the first three quarters of 2021, retail sales grew by 28.5 percent to GH¢1,002.61 million, reflecting improvement in household spending 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 September 2021. Total Direct Taxes collected increased by 26.5 percent (year-on-year) to GH¢3,080.55 million in September 2021, relative to GH¢2,435.40 million recorded in a similar period in 2020. Cumulatively, total Direct Taxes collected for the first three quarters of 2021 went up by 27.8 percent to GH¢18,418.30 million. In terms of contributions of the various sub-tax categories, Corporate Tax accounted for 64.2 percent, Income Tax (PAYE and self-employed) accounted for 27.7 percent, while "Other Tax Sources" contributed 8.1 percent.

Total private sector workers' contribution to the SSNIT Pension Scheme (Tier-1) increased by 15.8 percent (in year-on-year terms) to GH¢215.67 million in September 2021, from GH¢186.31 million collected during the corresponding period in 2020. Cumulatively, contribution for the first three quarters of 2021 improved by 10.2 percent to GH¢1,898.96 million.

Construction Sector Activities

Activity in the construction sub-sector, proxied by the volume of cement sales, declined by 10.9 percent (year-on-year) in September 2021 to 318,655.90 tonnes, down from 357,447.20 tonnes recorded a year ago. On a month-on-month basis, total cement sales decreased by 5.8 percent in September 2021. The decline in total cement sales was due to a slowdown in construction activities during the review period. However, cement sales for the first three quarters of 2021 went up by 12.7 percent to 3,108,877.03 tonnes.

Vehicle Registration

Transport sector activities, proxied by vehicle registration by the Driver and Vehicle Licensing Authority (DVLA), improved by 6.1 percent to 18,089 in September 2021, from 17,041 registered vehicles during the corresponding period of 2020. Cumulatively, vehicles registered by DVLA within the first three quarters of 2021 rose by 32.0 percent to 221,569.

Industrial Consumption of Electricity

Consumption of electricity by industries went up by 11.1 percent on a year-on-year basis, during the period under review. Industries consumed 249.68 gigawatts of power in September 2021, as against 224.65 gigawatts recorded for the corresponding period in 2020. In cumulative terms, electricity consumption by industries for the first three quarters of 2021 increased by 12.3 percent to 2,325.24 gigawatts from 2,071.30 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

Passenger arrivals at the airport increased significantly in September 2021 to 64,127 compared with 20,260 in September 2020. On a month-on-month basis, passenger arrivals went up by 4.4 percent. The sharp year-on-year increase reflected the easing of travel restrictions over the review period. Cumulatively, passenger arrivals for the first three quarters of 2021 went up by 68.9 percent to 420,075 arrivals.

Ports and Harbours Activity

International trade at the country's two main harbours (Tema and Takoradi), as measured by laden container traffic for inbound and outbound containers, improved during the period under review. Total container traffic grew by 11.1 percent (year-on-year) to 69,033 in September 2021, up from 62,119 for a similar period in 2020. In cumulative terms, total container traffic for the first three quarters of 2021 rose by 19.0 percent to 590,987, compared with 496,780 for the corresponding period of last year. The relative improvement in port activities was due to an uptick in international trade activities as global COVID-19 restrictions eased over the review period.

Advertised Jobs

The number of jobs advertised in selected print[1] and online[2] media, which partially gauges labour demand in the economy, increased in October 2021 relative to the corresponding period a year ago. In total, 2,734 job adverts were recorded, as compared with 2,389 for the same period in 2020, indicating a growth of 14.4 percent (year-on-year). On a month-on-month basis, the number of job vacancies in October 2021 however decreased marginally by 0.7 percent. Cumulatively, 29,380 advertised jobs were recorded for the first ten months of 2021, compared with 28,388 jobs advertised during the same period in 2020. 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, improved to 822,555 (up by 13.3% year-on-year) in September 2021 compared with 726,084 for the same period in 2020. Cumulatively, for the first three quarters of 2021, the total number of private sector contributors increased by 12.2 percent to 7,622,794 from 6,791,258 recorded over the corresponding period in 2020.

2.2 Composite Index of Economic Activity (CIEA)

The Bank's updated Composite Index of Economic Activity (CIEA) recorded an annual growth of 11.2 percent in September 2021, compared with 10.8 percent and 4.2 percent growth in the corresponding periods of 2020 and 2019, respectively.

[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.

2.3 Consumer and Business Surveys

The results from the consumer and business confidence surveys conducted in October 2021 reflected improved sentiments. The Consumer Confidence Index increased from 91.8 in August to 93.6 in October 2021 on account of positive economic prospects. The Business Confidence Index also increased from 93.2 in August to 95.5 in October 2021. Businesses met short-term company targets and were optimistic about company and industry prospects as the Yuletide approaches, despite concerns about high cost of raw materials and exchange rate depreciation.

3. Monetary and Financial Sector Developments

3.0 Overview

The thrust of monetary policy in 2021 is to deliver inflation within the medium-term target of 8±2 percent while supporting the overall economic policy of Government. Recent price developments show elevated inflationary pressures in the second half of 2021. Headline inflation increased consistently from the low of 7.5 percent in May 2021 to 11.0 percent in October, above the upper limit of the medium-term target band. The upward trajectory of inflation was mainly driven by a surge in both food and non-food prices over the period. The latest forecast suggests significant risks to the inflation outlook (including rising global inflation, high energy prices, uncertainties surrounding food prices, and investor behaviour).

Latest trends in monetary aggregates showed a slower pace of growth in broad money supply (M2+), mainly driven by contraction in the Net Foreign Assets (NFA) of the banking sector. Interest rates have generally trended downwards in line with the easing of monetary policy stance and improved liquidity conditions. The Ghana Stock Exchange (GSE) Composite Index continued to show improvements in the performance of stock market, supported by mass vaccination, easing of lockdown restrictions and gradual rebound in economic activities.

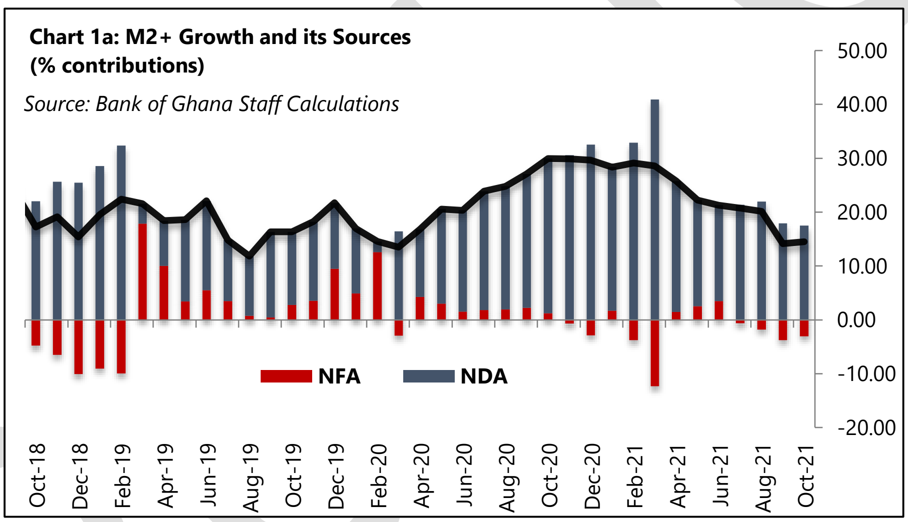
Key Monetary and Financial Indicators													
						Per cent (unless otherwise specified)							
Variable	Dec-19	Oct-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
Broad Money (M2+)	21.73	29.97	29.63	28.36	29.10	28.57	25.78	22.24	21.29	20.75	20.17	14.17	14.51
Broad Money (M2)	16.13	30.74	35.04	35.15	31.91	31.12	27.80	24.17	22.43	21.83	21.60	14.11	15.14
Narrow Money (M1)	25.54	33.83	39.84	39.29	33.30	32.35	27.05	23.97	23.08	20.39	22.96	15.96	16.43
Reserve Money	34.39	26.14	25.02	31.66	34.83	22.53	31.95	35.54	41.17	39.85	36.70	29.07	25.86
Currency Outside Banks	20.24	44.00	45.49	46.28	45.20	41.60	37.96	31.91	25.24	20.00	18.26	14.67	10.33
Foreign Currency Deposits	42.65	27.35	13.16	8.46	20.18	20.23	19.35	15.99	17.55	17.22	15.39	14.37	12.29
DMBs Credit	23.76	13.87	5.75	1.94	3.63	5.60	6.96	7.15	5.71	9.27	8.67	9.00	8.90
of which priv. sector	18.03	13.42	10.59	6.59	7.38	4.82	6.91	7.71	6.76	10.29	9.55	10.50	10.13
Real Priv. sect credit	9.39	3.02	0.17	-3.01	-2.65	-4.97	-1.47	0.20	-0.96	1.22	-0.14	-0.09	-0.78
ii. Inflation, interest rates and other financial indicators													
						Per cent (Unless otherwise specified)							
Variable	Dec-19	Oct-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
Inflation (y-on-y)													
Overall	7.90	10.10	10.40	9.90	10.30	10.30	8.50	7.50	7.80	9.00	9.70	10.60	11.00
Food	7.20	12.60	14.10	12.80	12.30	10.80	6.50	5.40	7.30	9.50	10.60	11.50	11.00
Non food	8.50	8.30	7.70	7.70	8.80	10.00	10.20	7.30	8.20	8.60	8.70	9.90	11.00
MPR	16.00	14.50	14.50	14.50	14.50	14.50	14.50	13.50	13.50	13.50	13.50	13.50	13.50
Interbank rate	15.20	13.55	13.56	13.56	13.56	13.58	13.57	13.57	12.88	12.65	12.61	12.61	12.66
Treasury bill rate (91-days)	14.69	14.05	14.08	14.09	13.55	13.02	12.81	12.78	12.65	12.56	12.49	12.47	12.46
DMBs avg deposit rate (3-mnth)	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50
DMBs avg lending rate	23.59	21.26	21.10	20.97	21.02	20.96	20.93	20.85	20.61	20.67	20.51	20.23	20.34
Exchange rate ($/GHc)	5.53	5.71	5.76	5.76	5.74	5.73	5.73	5.75	5.76	5.80	5.85	5.87	5.90
Depreciation (monthly)	0.15	0.13	0.80	0.00	-0.40	-0.15	0.06	0.26	0.27	0.66	0.86	0.25	0.59
Depreciation (Y-o-Y)	12.90	6.98	3.93	5.09	7.71	5.00	2.29	2.21	1.65	2.12	2.85	2.87	3.34
GSE Composite Index (Level)	2257.15	1837.27	1941.59	2027.12	2200.92	2213.29	2561.45	2421.11	2643.67	2717.30	2750.37	2855.29	2864.31
GSE Financial Index (Level)	2019.65	1651.24	1782.76	1861.45	1873.31	1845.92	1877.07	1902.90	1871.41	1890.15	1929.19	2055.20	2082.12

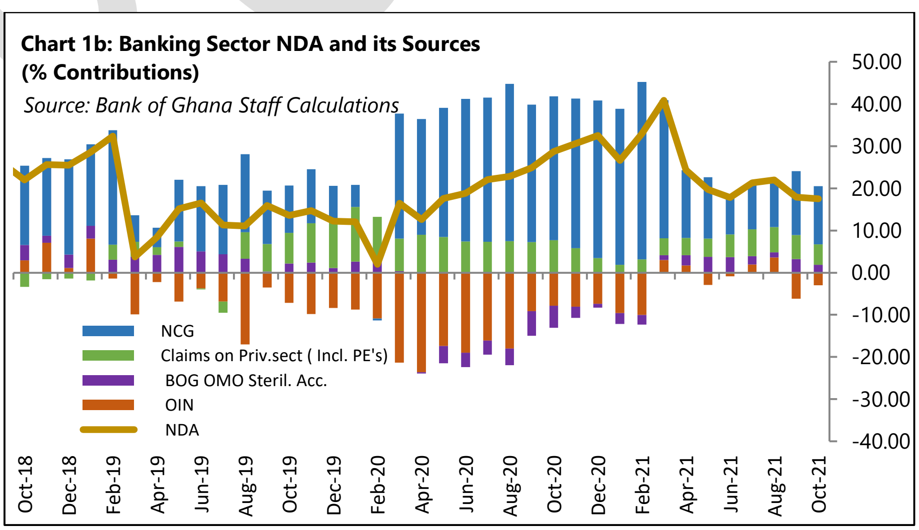
Source: Bank of Ghana Staff Calculations

3.1 Developments in Monetary Aggregates

Money Supply

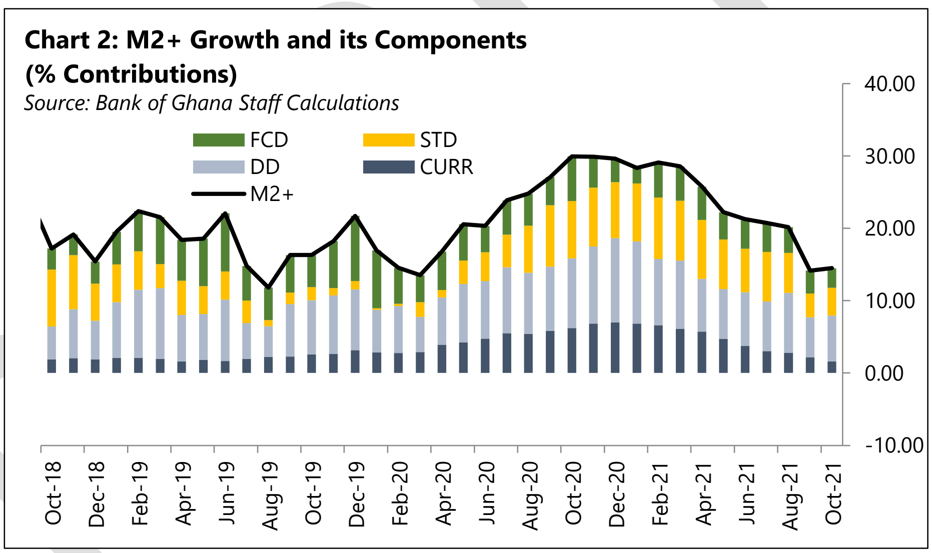
Developments in monetary aggregates showed significant moderation in the pace of growth in broad money supply (M2+), mainly driven by contraction in the Net Foreign Assets (NFA) of the depository corporations sector; the Net Domestic Assets (NDA), however, expanded to drive growth in M2+. Growth in M2+ declined from 29.97 percent in October 2020 to 14.51 percent in October 2021. The contribution of NFA in the growth of M2+ decreased from 1.22 percent in October 2020 to *negative* 3.03 percent in October 2021, while the contribution of the NDA decreased from 28.75 percent to 17.54 percent, over the same comparative period. In terms of year-on-year developments, growth in NFA declined from 7.61 percent in October 2020 to *negative* 19.49 percent in October 2021, while growth in NDA decreased from 35.68 percent to 21.39 percent during the same period (Chart 1a and Appendix Table 1).





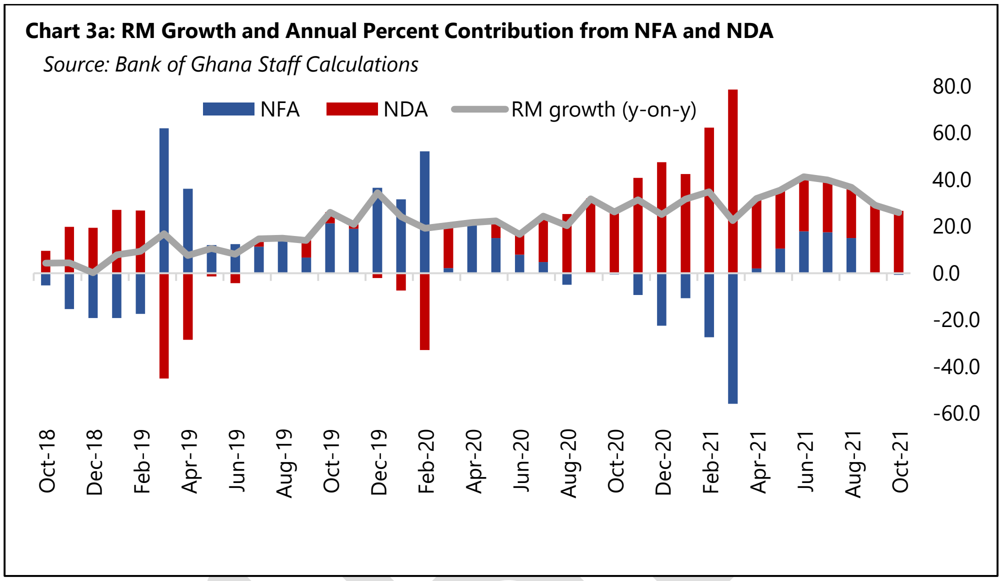
The decrease in the contribution of the NDA in the growth of M2+ was largely driven by a slower pace of growth of Net Claims on Government (NCG) relative to 2020, partially reflecting the dissipating effects of the monetary support to the fiscal stimulus programme which was implemented in 2020 to mitigate the impact of the COVID-19 pandemic; the monetary support included the purchase of COVID-19 bonds under the Bank of Ghana Asset Purchase Programme (APP). The decline in the contribution of NDA in the growth of M2+ was also reinforced by a decrease in the claims on public and private sectors during the period under review. On the other hand, the stock of BOG bills held by Deposit Money Banks (DMBs) declined, while the Other Items (Net) (OIN) recorded a faster pace of growth, over the same comparative period (Chart 1b, and Appendix Table 1).

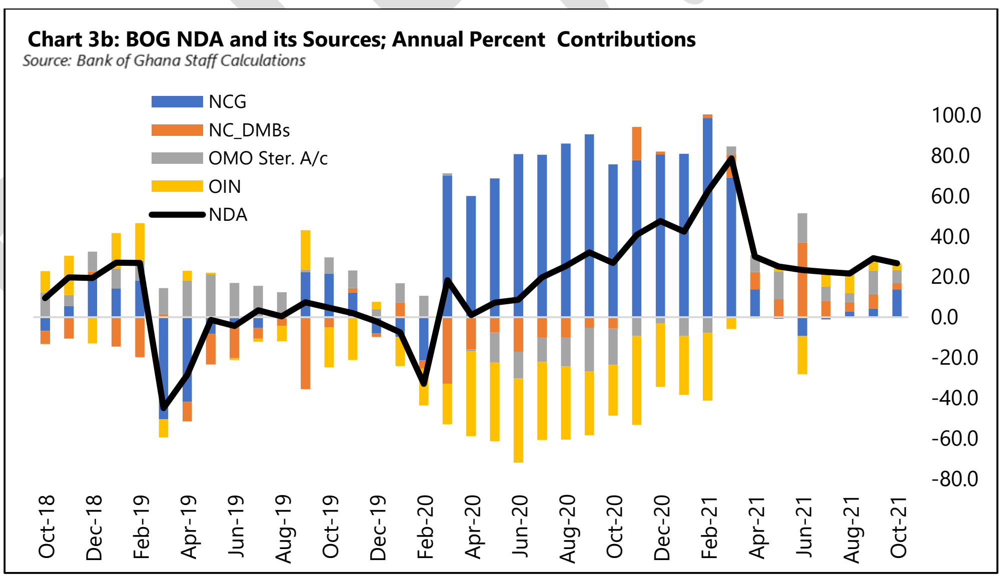
Analysis of the components of M2+ over the period showed that the moderation in the growth in M2+ reflected in decreased contributions of all the components of M2+ relative to the same period last year. These components comprised: Currency Outside Banks (CURR), Demand Deposits (DD), Savings and Time Deposits (STD) and Foreign Currency Deposits (FCD), (Chart 2; Appendix 1).



Reserve Money

Annual growth in Reserve Money (RM) declined marginally to 25.86 percent in October 2021, from 26.14 percent recorded in the corresponding period of 2020. The sources of change in reserve money indicated that the slowdown in the growth in RM was mainly due to a moderate contraction in the Net Foreign Assets of Bank of Ghana, reflecting the recent interventions on the foreign exchange market to mute the pressures on the domestic currency. The contribution of the NFA to the growth in RM was *negative* 0.78 percent in October 2021, relative to *negative* 0.65 percent recorded in the corresponding period of last year. Similarly, the contribution of the Net Domestic Assets (NDA) decreased, albeit marginally, to 26.64 percent from 26.79 percent over the same comparative period. The growth in NDA reflected the significant drawdown in Government deposits to support fiscal operations, culminating in expansion in net claims on Government, and decreased placements in Depos and BOG bills by DMBs. In addition, net claims on public enterprises and non-banks recorded a modest increase to support growth in NDA (Chart 3a, 3b, and Appendix 2).





Deposit Money Banks' (DMBs') Credit Developments

DMBs' credit to the private sector and public institutions increased by GH¢4,216.35 million (8.90%) in October 2021 compared with GH¢5,769.05 million (13.87%) recorded in October 2020. Credit to the private sector increased by GH¢4,260.83 million (10.13%) in October 2021 compared with GH¢4,977.52 million (13.42%) recorded in the corresponding period of 2020. The slowdown in growth in private sector credit reflects supply-side aversion to risk and constrained demand in the loanable funds market induced by pandemic-related uncertainties. Private sector credit accounted for 113.80 percent of total flow of credit extended to both private and public institutions in October 2021 as against 86.28 percent recorded in the corresponding period of 2020. Credit flow to the private sector remained concentrated in four sectors, which were: services; commerce and finance; import trade; and miscellaneous (Chart 4a).

Outstanding credit to the private sector at the end of October 2021 was GH¢46,318.83 million, compared with GH¢42,058.00 million recorded same period last year. In real terms, private sector credit contracted marginally by 0.78 percent in October 2021 compared with a growth of 3.02 percent last year. The contraction in real credit partially reflects higher price effects. Real growth in private sector credit remained below the long-run trend since August 2021 (Chart 4b).

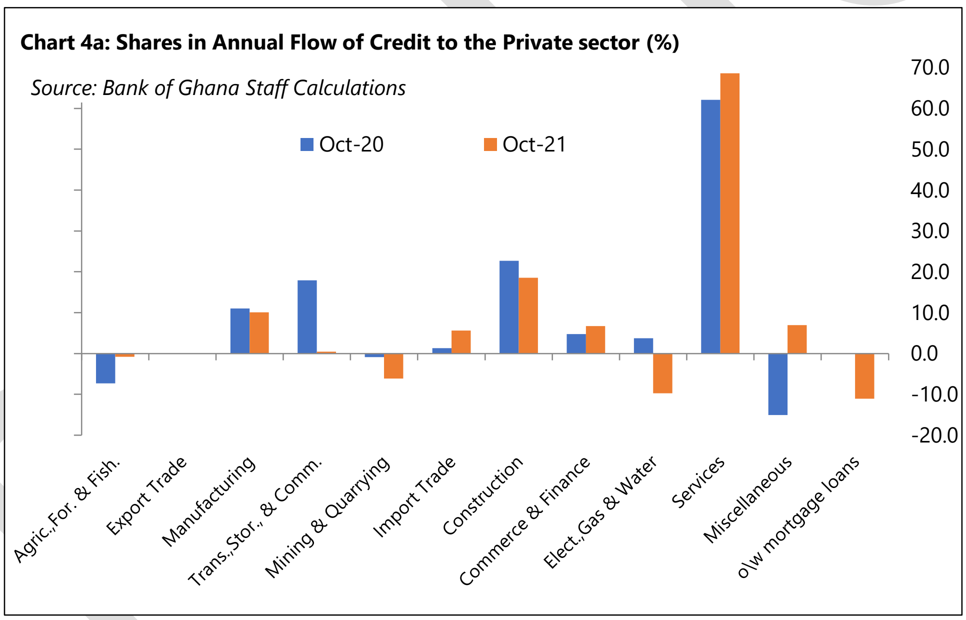
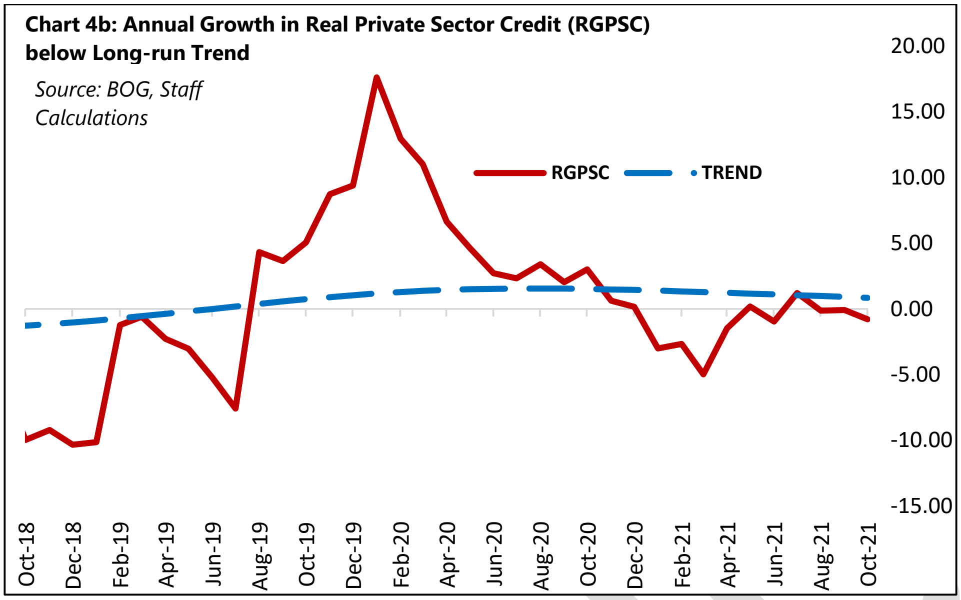


Chart 4a: Shares in Annual Flow of Credit to the Private sector (%)



3.2 Money Market Developments

Monetary Policy Rate, Repo, Interbank, Treasury bill and Bond rates, and Inflation

Developments in interest rates broadly showed downward trends across the spectrum of instruments. The 91-day, and 182-day Treasury bill rates declined to 12.46 percent, and 13.16 percent, respectively in October 2021, from 14.05 percent, and 14.11 percent, respectively, in October 2020. Similarly, the rate on the 364-day instrument decreased marginally to 16.24 percent from 16.99 percent over the same comparative period. Rates on medium to long-term instruments have also generally declined, except the rates on the 3-year, 15-year and 20-year bonds which remained unchanged at 19.00 percent, 19.75 percent and 20.20 percent respectively during the period. Rates on 2-year, 5-year, 6-year, 7-year and 10-year bonds decreased by 100bps, 155bps, 70bps, 190bps, and 5bps, respectively, to settle at 17.05 percent, 18.30 percent, 18.80 percent, 18.10 percent, and 19.75 percent over the same comparative period.

The weighted average interbank rate declined to 12.66 percent from 13.55 percent, largely reflecting improved liquidity conditions on the interbank market, which had transmitted to lending rates. Consequently, average lending rates of banks declined marginally to 20.34 percent in October 2021 from 21.26 percent recorded in the corresponding period of 2020, consistent with developments in the interbank market. (Charts 5, 6 and 7).

Chart 5: Interest Rates and Inflation

Source: Bank of Ghana

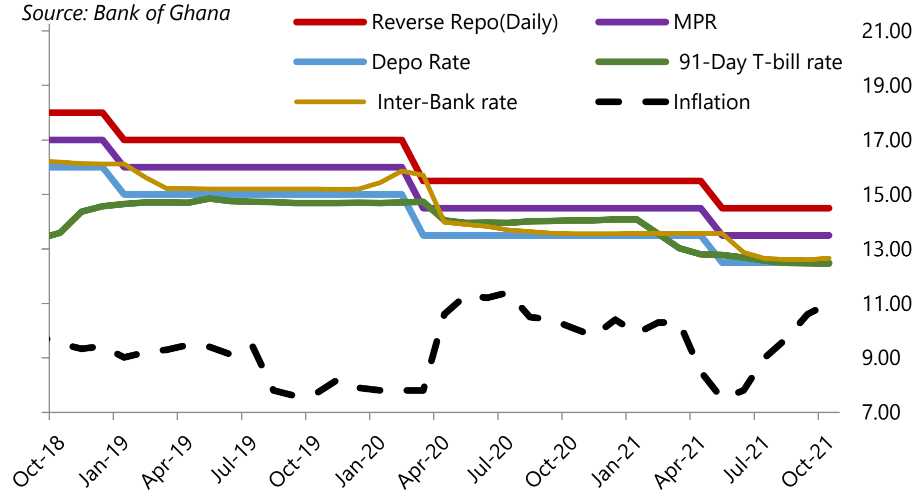


Chart 6: Yield Curve

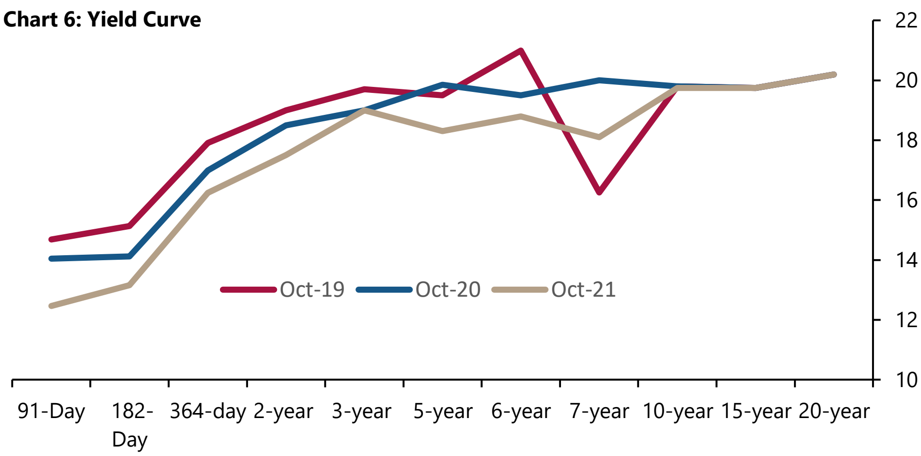
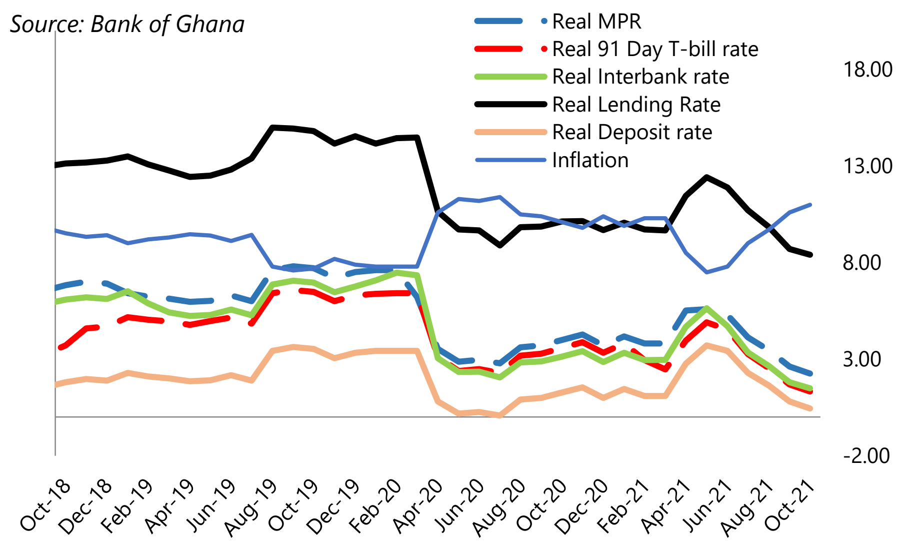


Chart 7: Real Interest rates and Inflation

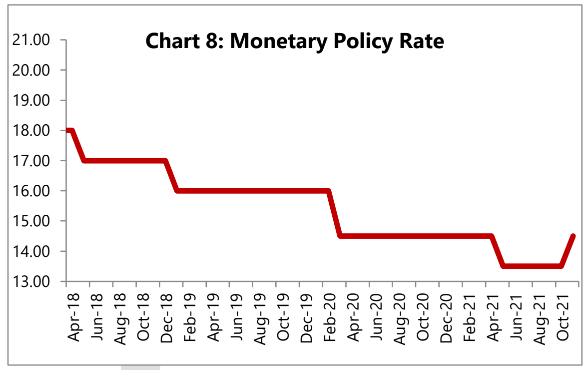
Source: Bank of Ghana



Box 1: RECENT MONETARY POLICY DECISIONS

The MPC raised the policy rate by 100 basis points to 14.5 percent at the October 2021 Meetings.

The global economy has continued to recover, but the intensity of supply constraints, including slack in the labour markets and shortages in intermediate goods, has moderated the pace of growth. Inflationary pressures are becoming embedded in most advanced and emerging market economies with potential implications for the current supportive financing conditions driving the recovery. Increased concerns about the strength of the recovery and the stronger US Dollar has exerted currency pressures in some emerging market and frontier economies. Sovereign spreads widened in October and November 2021 in some African economies, especially Ghana, due largely to investor sentiments on the sustainability of the current fiscal stance.



In the domestic economy, the Committee assessed that the recovery in the real sector was progressing at a steady pace. High frequency economic indicators reflect increased momentum in the pace of economic activity, close to pre-pandemic levels. Consumer and business sentiments have turned around, driven by perceived improvements in economic prospects, although consumers expressed concerns about current household finances. Credit to the private sector is beginning to expand, albeit at a slow pace. The COVID-19 related macro-prudential measures, still in force, remain supportive of the recovery process, steadily driving up new advances over the period. The recovery in credit is expected to continue on the back of anticipated net ease in credit stance by banks and increased demand.

Headline inflation has risen consistently from the low of 7.5 percent in May 2021 to 11.0 percent in October driven by both food and non-food price increases. In addition, all the Bank's core measures of inflation have increased, indicating broad-based underlying inflation pressures, with the potential of de-anchoring inflation expectations. Currently, headline inflation is above the upper limit of the medium-term target band and the Committee noted significant risks to the inflation outlook. These risks include rising global inflation, high energy prices, uncertainties surrounding food prices and investor behaviour. The Committee further noted that these elevated inflationary risks require prompt policy action to re-anchor inflation expectations to safeguard the central bank's price stability objective. Given these considerations, the Committee therefore decided to raise the policy rate by 100 basis points to 14.5 percent.

3.3 Stock Market Developments

The Ghana Stock Exchange Composite Index (GSE-CI) increased to 2864.3 points in October 2021 from 1837.3 points recorded in the corresponding period of 2020. This translated into a gain of 55.90 percent in October 2021 compared with a loss of 14.57 percent in October 2020. The GSE-Financial Stocks Index (GSE-FSI) closed at 2082.1 points, representing a gain of 26.09 percent compared to a loss of 8.70 percent, over the same comparative period in 2020.

On year-to-date basis, the GSE-CI recorded a gain of 47.52 percent in October 2021, compared to a loss of 18.60 percent at the same period last year. The sectors that contributed to the year-to-date growth were the Finance (SOGEGH, EGL & GCB), Food & Brewery (GGBL & FML), and Agriculture (BOPP), Distribution (TOTAL), and IT (MTNGH) sectors. The stock market's improved performance was on the back of rebound in investor confidence, underpinned by policy support, mass vaccination, as well as relaxation of pandemic-related restrictions; investors took positions in equities on the back of a positive economic outlook.

Total market capitalisation of the GSE at the end of October 2021 was GH¢64.3 billion, representing a growth of 21.0 percent (GH¢11.2 billion), compared to 4.3 percent contraction in October 2020. The improvement in market capitalization was largely on account of capital gains and the listing of a new company, Pesewa One PLC.

Performance of Ghana Stock Exchange (Table 2)

												Changes				
												Y-O-Y		Y-T-D	Sept. over Oct.	
	Oct-19	Dec-19	Mar-20	Jun-20	Sep-20	Oct-20	Dec-20	Mar-21	Jun-21	Sep-21	Oct-21	2020	2021	2021	2020	2021
GSE CI	2150.7	2257.2	2159.6	1899.9	1856.6	1837.3	1941.6	2213.3	2643.7	2855.3	2864.3	(14.6)	55.9	47.5	(1.0)	0.3
GSE FI	1808.5	2019.7	1922.9	1725.0	1675.6	1651.2	1782.8	1845.9	1871.4	2055.2	2082.1	(8.7)	26.1	16.8	(1.5)	1.3
Market Capitalization	55,528.95	56,791.3	55,985.5	52,950.4	53,159.7	53,115.4	54,374.9	57,162.2	61,331.4	64,170.8	64,270.5	(4.3)	21.0	18.2	(0.1)	0.2

Source: Ghana Stock Exchange and Bank of Ghana Staff Calculations

Chart 9a: GSE Composite Index

Source: Ghana Stock Exchange

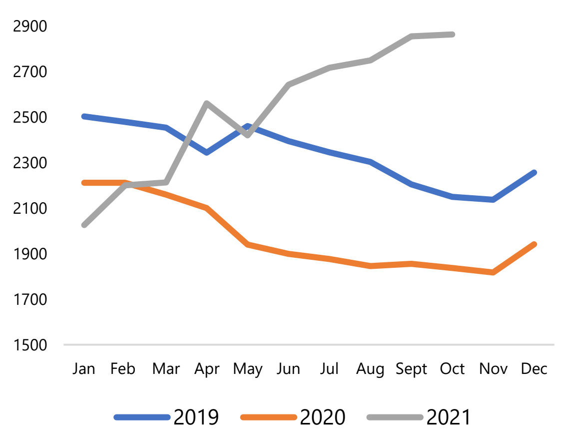
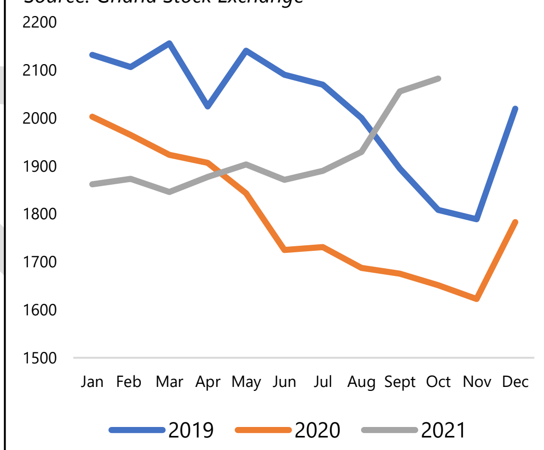


Chart 9b: GSE Financial Stocks Index

Source: Ghana Stock Exchange



3.4 Conclusion

Developments in monetary aggregates showed significant moderation in the pace of growth in broad money supply (M2+), mainly driven by contraction in the Net Foreign Assets (NFA) of the depository sector. Net Domestic Assets (NDA), however, expanded to drive growth in M2+. Annual growth in reserve money declined marginally, mainly due to a moderate contraction in the Net Foreign Assets of Bank of Ghana, reflecting the recent interventions on the foreign exchange market to mute the pressures on the domestic currency.

Growth in credit to the private sector continued to be sluggish, reflecting supply-side aversion to risk and constrained demand in the loanable funds market, induced by pandemic-related uncertainties. Interest rates have generally trended downwards in line with the easing of monetary policy stance and improved liquidity conditions. The Ghana Stock Exchange (GSE) Composite Index continued to show improved performance in October 2021 on the back of rebound in investor confidence, underpinned by policy support, mass vaccination as well as relaxation of pandemic-related restrictions; investors took positions in equities on the back of a positive economic outlook.

4. Fiscal Developments

4.0 Highlights of Government Budgetary Operations (Broad Coverage)

Government fiscal operations for the first three quarters of 2021 indicated that:

- *Revenue remained below the expected target.*
- *Government expenditure and arrears clearance was broadly within the envisioned target.*
- *The fiscal deficit at the end of the first three quarters of the year was 7.7 percent of GDP, against the target of 7.4 percent of GDP.*
- *The primary balance recorded a deficit of 1.9 percent of GDP, above the expected deficit target of 1.7 percent of GDP.*
- *The overall fiscal deficit was financed mainly from both domestic and external sources.*
- *The stock of public debt at the end of September 2021 was equivalent to 77.7 percent of GDP, compared with 76.1 percent of GDP at the end of December 2020.*

4.1 Total Revenue and Grants

The pace of revenue mobilisation remained below target, reflecting in both tax and non-tax revenue.

Total Revenue & Grants for the first nine months of 2021 amounted to GH¢47,235.0 million (10.8% of GDP), lower than the target of GH¢51,314.4 million (11.7% of GDP). This outturn represented 92.1 percent of the January to September 2021 target and recorded a year-on-year growth of 26.2 percent. During the review period, domestic revenue amounted to GH¢46,387.6 million (10.6% of GDP), below the target of GH¢50,120.7 million (11.4% of GDP). The revenue outcomes reflected mixed performances of both tax and non-tax proceeds.

Of the total revenue and grants:

- **Tax revenue,** comprising taxes on income & property, taxes on domestic goods and services, and international trade taxes, amounted to GH¢37,145.4 million (10.8% of GDP), lower than the target of GH¢39,324.4 million (8.9% of GDP). This represented a negative deviation of 5.5 percent.

- **Taxes on income and property,** made up of personal income tax (PAYE), self-employed taxes, company taxes (including taxes on oil), royalties from oil and minerals, national stabilisation levy and airport taxes, amounted to GH¢18,235.2 million (4.1% of GDP). This outturn was 11.2 percent below the target of GH¢20,535.2 million (4.7% of GDP), with most of the key tax components missing their respective targets. However, company taxes on oil, royalties from oil, and airport tax exceeded their respective targets by 44.2, 61.2, and 25.9 percent.

- **Taxes on Domestic Goods and Services,** consisting of Domestic VAT, Excise Duty, GET Fund Levy, National Health Insurance Levy (NHIL) and Communication Service Tax (CST), for the first three quarters of 2021 was GH¢16,045.3 million (3.7% of GDP), and about 2.0 percent lower than the target. On year-on-year terms, the outturn represented a growth of 26.5 percent.

- **International trade taxes** comprising mainly import duties amounted to GH¢4,908.3 million (1.1% of GDP) and exceeded the target of GH¢4,833.3 (1.1% of GDP) by 1.6 percent. This tax type also recorded a year-on-year growth of 27.6 percent.

- **Tax refunds** amounted to GH¢2,043.4 million, lower than the target for the period of GH¢2,416.3 million. It also recorded a year-on-year growth of 17.2 percent

- **Non-Tax revenue** for the period under review amounted to GH¢6,082.2 million, representing 82.8 percent of the target. The outturn represented a year-on-year growth of 27.1 percent. The underperformance of non-tax revenue was mainly due to lower than budgeted lodgements and retention resulting mainly from lower collection efforts by some MDAs. Lower dividend payments against the budgeted target also contributed to this development.

- **Other revenue measures made up of ESLA proceeds, COVID-19 Levy, as well as Sanitation and Pollution Levy** raked in a total of GH¢2,711.6 million. This fell short of the target of GH¢2,951.2 million by 8.1 percent

- Government received **project grants** in the sum of GH¢847.4 million, significantly lower than the envisaged target of GH¢1,193.6 million by 29.0 percent. This outturn was also lower than the GH¢856.7 million recorded in the corresponding period of 2020, thus reflecting a year-on-year decline of 1.1 percent.

Table 1: Total Revenue and Grants

Million Ghana Cedis	2019 JAN-SEPT OUTTURN	2020 JAN-SEPT OUTTURN	2021 JAN-SEPT OUTTURN	2021 JAN-SEPT PROG	2021 OUTTURN/ PROG %	2021 Y-O-Y GROWTH
TAX REVENUE	**28,998.13**	**29,792.61**	**37,145.39**	**39,324.36**	**94.46**	**24.68**
(percent of GDP)	*8.13*	*7.77*	*10.75*	*8.94*		
TAXES ON INCOME & PROPERTY	**14,195.79**	**15,007.57**	**18,235.23**	**20,535.32**	**88.80**	**21.51**
Personal	5,007.37	5,341.04	6,274.32	6,796.99	92.31	17.47
Self employed	304.58	269.70	298.69	424.43	70.37	10.75
Companies	5,654.70	6,636.97	7,557.68	9,693.48	77.97	13.87
Company taxes on oil	829.69	496.21	933.18	647.34	144.16	88.06
Others	2,399.45	2,263.64	3,171.36	2,973.07	106.67	40.10
Other direct taxes /1	1,851.65	1,904.95	2,567.19	2,238.55	114.68	34.76
o/w Royalties from Oil	979.74	701.66	1,323.42	821.07	161.18	88.61
o/w Mineral Royalties	696.68	920.49	1,003.54	1,178.56	85.15	9.02
National Fiscal Stabilisation Levy	160.71	220.58	250.16	435.86	57.39	13.41
Finsec clean-up Levy		0.00	146.36	133.71	109.46	
Airport Tax	387.09	138.11	207.65	164.94	125.89	50.36
TAXES ON DOMESTIC GOODS AND SERVICES	**12,378.68**	**12,680.84**	**16,045.29**	**16,372.14**	**98.00**	**26.53**
Excises	**2,887.15**	**3,173.83**	**3,622.22**	**3,811.79**	**95.03**	**14.13**
Excise Duty	288.69	304.97	361.82	470.71	76.87	18.64
Petroleum tax	2,598.46	2,868.86	3,260.40	3,341.08	97.59	13.65
o/w Debt recovery levy/ Energy Fund Levy	29.40	31.79	35.87	37.01	96.91	12.83
VAT	**6,599.43**	**6,499.48**	**8,367.72**	**8,266.13**	**101.23**	**28.74**
National Health Insurance Levy (NHIL)	**1,304.55**	**1,279.25**	**1,673.76**	**1,723.93**	**97.09**	**30.84**
GETFund Levy	**1,295.84**	**1,291.14**	**1,675.07**	**1,733.14**	**96.65**	**29.74**
Communication Service Tax	**291.71**	**437.14**	**344.25**	**405.94**	**84.80**	**-21.25**
Covid-19 Health Levy			**362.27**	**431.20**	**84.02**	
TAXES ON INTERNATIONAL TRADE	**4,038.71**	**3,847.24**	**4,908.26**	**4,833.25**	**101.55**	**27.58**
Imports	**4,038.71**	**3,847.24**	**4,908.26**	**4,833.25**	**101.55**	**27.58**
Import duty	4,038.71	3,847.24	4,908.26	**4,833.25**	101.55	27.58
Tax Refunds	**-1,615.04**	**-1,743.04**	**-2,043.39**	**-2,416.34**	**84.57**	**17.23**
SOCIAL CONTRIBUTIONS	**103.34**	**45.72**	**448.40**	**496.25**	**90.36**	**880.69**
SSNIT Contribution to NHIL	103.34	45.72	448.40	496.25	90.36	880.69
NON-TAX REVENUE	**5,086.01**	**4,785.92**	**6,082.23**	**7,348.92**	**82.76**	**27.09**
Retention	**2,807.83**	**2,920.70**	**3,198.03**	**4,300.07**	**74.37**	**9.50**
Lodgement	**2,278.18**	**1,865.22**	**2,884.20**	**3,048.85**	**94.60**	**54.63**
Yield from Capping Policy	0.00	82.87	97.16	137.94	70.43	17.24
OTHER REVENUE	**1,430.27**	**1,957.25**	**2,711.62**	**2,951.23**	**91.88**	**38.54**
ESLA Proceeds	1,430.27	1,957.25	2,258.13	2,443.87	92.40	15.37
Delta Fund			265.30	345.69	76.74	
Pollution and Sanitation Levy			188.19	161.67	116.40	
DOMESTIC REVENUE	**35,617.75**	**36,581.49**	**46,387.64**	**50,120.76**	**92.55**	**26.81**
GRANTS	**631.75**	**856.71**	**847.38**	**1,193.65**	**70.99**	**-1.09**
Project grants	631.75	856.71	847.38	1,193.65	70.99	-1.09
TOTAL REVENUE & GRANTS	**36,249.50**	**37,438.21**	**47,235.02**	**51,314.41**	**92.05**	**26.17**

Source: Ministry of Finance

4.2 Total Expenditures

Government spending and arrears clearance was broadly within the expected target, but concerns still remain over potential arrears build-up, particularly with some statutory payments.

Total expenditures & arrears clearance for the first nine months of 2021 amounted to GH¢76,498.2 million (17.4% of GDP), below the target of GH¢80,859.9 million (18.4% of GDP). This outturn represented a year-on-year growth of 7.5 percent. The outturn was also 94.6 percent of the target.

- **Compensation of Employees** (including wages and salaries, pensions & gratuities, and other wage related expenditure) was GH¢23,393.6 million, higher than the target of GH¢23,323.8 million. This outturn represented 100.3 percent of the target. In terms of fiscal flexibility, compensation of employees constituted 50.4 percent of domestic revenue mobilized at the end of the first nine months of 2021, lower than the 55.9 percent recorded in the corresponding period of 2020.

- **Use of Goods and Services** for the period under review amounted to GH¢3,345.5 million, lower than the expected target of GH¢5,503.8 million. The outturn was 39.2 percent below the target and also represented a year-on-year decline of about 39.6 percent.

- **Total interest payments** amounted to GH¢23,393.7 million over the review period, lower than the envisioned target of GH¢25,158.1 million. Domestic interest payments accounted for 81.0 percent of the total interest payments, while external interest payments constituted the remaining 19.0 percent. For the period under review, total interest payments constituted 54.7 percent of domestic revenue, up from 51.5 percent in the corresponding period of 2020.

- **Grants to other Government units** made up of National Health Fund, Education Trust Fund (GET Fund), Road Fund, Energy Fund, District Assemblies Common Fund (DACF), Retention of IGFs, Transfer to GNPC and other earmarked Funds amounted to GH¢11,128.4 million, lower than the envisioned target of GH¢12,893.5 million. This represented a shortfall of 13.7 percent. It, however, recorded a year-on-year growth of 20.2 percent.

- **Other Expenditure, made up of ESLA Transfers and COVID-19 related expenditure** for the first nine months of 2021, amounted to GH¢4,027.2 million. ESLA transfers amounted to GH¢2,135.4 million, lower than the expected target of GH¢2,267.0 million, while COVID-19 related expenditure was GH¢1,891.8 million, and significantly lower than the expected target of GH¢2,877.1 million. The total of GH¢4,027.2 million was 21.7 percent below the target for the review period of GH¢5,144.1 million.

- **Capital expenditures** for the period under review amounted to GH¢9,073.8 million (2.1% of GDP), higher than the envisaged target of GH¢8,532.5 million (2.0% of GDP) by 6.3 percent. This outturn represented a year-on-year growth of 1.1 percent. Foreign-financed capital expenditure accounted for 67.7 percent of the total, with domestic financed capital expenditure making up the remaining 32.3 percent.

Table 2: Total Expenditures

Million Ghana Cedis	2019 JAN-SEPT OUTTURN	2020 JAN-SEPT OUTTURN	2021 JAN-SEPT OUTTURN	2021 JAN-SEPT PROG	2021 OUTTURN/ PROG %	2021 Y-O-Y GROWTH
Compensation of Employees	**16,579.26**	**20,447.99**	**23,393.65**	**23,323.81**	**100.30**	**14.41**
Wages & Salaries	14,540.06	18,080.81	21,524.51	19,850.05	**108.44**	**19.05**
Social Contributions	2,039.20	2,367.17	1,869.14	3,473.76	**53.81**	**-21.04**
Pensions	780.25	894.54	948.47	1,270.40	**74.66**	**6.03**
Gratuities	184.78	185.84	611.20	397.00	**153.95**	**228.89**
Social Security	1,074.17	1,286.79	309.48	1,806.35	**17.13**	**-75.95**
Use of Goods and Services	**4,713.07**	**5,541.73**	**3,345.53**	**5,503.82**	**60.79**	**-39.63**
o/w Recurrent Expenditure share of ABFA from Oil (30% of ABFA)	573.77	464.33	404.77	503.70	**80.36**	**-12.83**
Interest Payments	**14,755.66**	**18,825.64**	**25,393.68**	**25,158.11**	**100.94**	**34.89**
Domestic	11,964.92	14,276.26	20,575.94	19,608.15	**104.94**	**44.13**
External (Due)	2,790.74	4,549.38	4,817.74	5,549.96	**86.81**	**5.90**
Subsidies	**124.24**	**168.12**	**135.93**	**176.85**	**76.86**	**-19.15**
Subsidies on Petroleum products	124.24	168.12	135.93	176.85	**76.86**	**-19.15**
Grants to Other Government Units	**8,798.69**	**9,257.70**	**11,128.42**	**12,893.53**	**86.31**	**20.21**
National Health Fund (NHF)	1,153.64	943.58	1,307.55	1,366.93	95.66	38.57
Education Trust Fund	753.53	830.10	892.92	1,016.16	87.87	7.57
Road Fund	775.82	542.00	792.61	839.39	94.43	46.24
Petroleum Related Fund	14.25	136.43	17.09	20.99	81.43	-87.47
Dist. Ass. Common Fund	1,386.11	1,813.68	1,390.59	1,685.68	82.49	-23.33
o/w ABFA			120.54	83.95	143.58	
Ghana Infrastructure Fund	-	-	337.51	235.06	143.58	
Retention of Internally-Generated Funds	2,807.83	2,920.70	3,198.03	4,300.07	74.37	9.50
Transfer to GNPC from Oil Revenue	433.80	816.66	634.76	737.72	86.04	(22.27)
Other Earmarked Funds	1,473.72	1,254.55	2,557.35	2,691.53	95.01	103.85
Social Benefits	**87.26**	**150.08**	**-**	**127.20**	**-**	**(100.00)**
Lifeline Consumers of Electricity	87.26	150.08	0.00	127.20		-100.00
Other Expenditure	**1,430.27**	**7,814.15**	**4,027.20**	**5,144.13**	**78.29**	**-48.46**
ESLA Transfers	1,430.27	1,957.25	2,135.40	2,267.02	94.19	9.10
Covid-Related Expenditure		4,856.90	1,891.80	2,877.10	65.75	-61.05
Capital Expenditure	**4,557.12**	**8,978.36**	**9,073.76**	**8,532.47**	**106.34**	**1.06**
Domestic financed	**2,104.87**	**3,654.13**	**2,181.54**	**2,641.16**	**82.60**	**-40.30**
Foreign financed	2,452.26	5,324.23	6,892.22	5,891.32	116.99	29.45
TOTAL EXP. & NET LENDING	**51,045.56**	**71,183.77**	**76,498.18**	**80,859.92**	**94.61**	**7.47**

Source: Ministry of Finance

4.3 Budget Balance and Financing

The fiscal deficit for the first three quarters of 2021 was equivalent to 7.7 percent of GDP, above the expected target of 7.4 percent of GDP.

Government budgetary operations resulted in an overall budget deficit of GH¢33,857.7 million (7.7% of GDP) at the end of the first nine months of 2021. This was higher than the expected target of GH¢32,575.5 million (7.4% of GDP). In addition, the primary balance for the period under review recorded a deficit of 1.9 percent of GDP, above the envisioned deficit target of 1.7 percent of GDP.

The overall fiscal deficit of GH¢33,857.7 million was financed from both domestic and external sources. Domestic financing (net) for the period under review was GH¢21,956.9 million (5.0% of GDP), substantially higher than the expected target of GH¢14,781.0 million (3.4% of GDP). Foreign financing, on the other hand, amounted to a net inflow of GH¢13,470.0 million (3.1% of GDP), lower than the target of GH¢18,514.1 million (4.2 % of GDP).

Table 3: Budget Balance and Financing

Million Ghana Cedis	2019 JAN-SEPT OUTTURN	2020 JAN-SEPT OUTTURN	2021 JAN-SEPT OUTTURN	2021 JAN-SEPT PROG
Revenue & Grants	**36,249.50**	**37,438.21**	**47,235.02**	**51,314.41**
Expenditure	**51,045.56**	**71,183.77**	**76,498.18**	**80,859.92**
Overall Balance (Commitment)	**(14,796.05)**	**(33,745.56)**	**(29,263.16)**	**(29,545.51)**
(percent of GDP)	(4.15)	(8.80)	(6.66)	(6.72)
Discrepancy	(466.11)	2,313.94	(2,255.27)	(0.00)
Overall balance (incl. Divestiture and Discrepancy)	**(15,671.94)**	**(32,870.52)**	**(33,857.67)**	**(32,575.51)**
(percent of GDP)	(4.40)	(8.57)	(7.70)	(7.41)
Financing	**15,671.94**	**(32,870.52)**	**33,857.67**	**32,575.51**
Foreign (net)	**6,338.02**	**1,816.37**	**13,470.03**	**18,514.06**
Borrowing	15,467.06	12,123.95	22,491.06	29,207.30
Project Loans	1,820.50	4,467.52	6,044.83	4,697.67
Programme Loans	-	-	650.23	-
Sovereign Bond	13,646.56	7,656.44	15,795.99	24,509.63
Amortisation (due)	(9,129.04)	(10,307.59)	(9,021.03)	(10,693.24)
Domestic (net)	**10,261.03**	**31,575.16**	**21,956.88**	**14,781.03**
Banking	3,235.50	20,540.61	7,764.34	10,265.09
Bank of Ghana	(3,772.15)	20,700.92	108.41	-
o/w Transfer to GIIF Energy Fund	-	-	-	6,127.41
Comm. Banks	7,007.66	(160.31)	7,655.93	10,265.09
Non-banks	7,025.52	8,759.09	14,192.54	4,012.23
Other Domestic	-	2,275.46	-	503.70
o/w from Ghana Stabilisation Fund	817.02	(488.91)	-	503.70
Ghana Petroleum Funds	**(17.65)**	**1,243.24**	**(909.12)**	**(215.87)**
Transfer to Ghana Petroleum Funds	(834.67)	(449.38)	(909.12)	(719.57)
o/w Stabilisation Fund	(561.63)	(305.33)	(599.17)	(503.70)
o/w Heritage Fund	(273.04)	(144.05)	(309.96)	(215.87)
Transfer from Ghana Stabilisation Fund	817.02	1,692.63	-	503.70
Sinking Fund	**(817.02)**	**(488.91)**	**-**	**(503.70)**
Contingency Fund	**-**	**(1,203.72)**	**(660.12)**	**-**
Nominal GDP	**356,544.27**	**383,486.09**	**439,381.35**	**439,381.35**

4.4 Public debt analysis

The stock of public debt was equivalent to 77.8 percent of GDP at the end of September 2021 compared with 76.1 percent of GDP at the end of 2020.

The stock of public debt increased to GH¢341.7 billion at the end of September 2021 from GH¢291.6 billion at the end of 2020. In terms of GDP, the total public debt as at end-September 2021 was 77.8 percent, higher than the 76.1 percent registered in December 2020.

Table 4: Public Debt

	2020	2021	2021	2021	2021	2021	SEPT 21 - DEC 20
	DECEMBER	MARCH	JUNE	JULY	AUGUST	SEPTEMBER	CHANGE
TOTAL DOMESTIC DEBT (GH¢ m)	**149,841.8**	**163,661.9**	**172,966.9**	**173,187.9**	**176,407.8**	**178,110.0**	**28,268.3**
SHORT TERM	16,861.0	20,666.9	23,086.5	23,988.8	23,949.4	23,778.7	6,917.7
MEDIUM-TERM	90,385.7	100,303.5	105,782.0	105,150.3	108,317.5	110,248.7	19,863.0
LONG-TERM	42,373.4	42,469.9	43,876.8	43,827.1	43,749.4	43,692.2	1,318.8
STANDARD LOANS	221.6	221.6	221.6	221.6	391.5	390.4	168.8
HOLDINGS OF DOMESTIC DEBT (GH¢ m)	**149,841.8**	**163,661.9**	**172,966.9**	**173,187.9**	**176,407.8**	**178,110.0**	**28,268.3**
BANKING SYSTEM	**76,944.3**	**82,268.9**	**86,422.4**	**85,752.5**	**87,627.3**	**90,380.0**	**13,435.7**
NON-BANK	**45,210.3**	**49,422.9**	**52,721.9**	**53,929.0**	**54,639.0**	**55,365.3**	**10,155.0**
FOREIGN SECTOR (Non-Resident)	**27,687.2**	**31,970.1**	**33,822.5**	**33,506.4**	**34,141.5**	**32,364.8**	**4,677.6**
TOTAL EXTERNAL(US$ m)	**24,715.8**	**24,598.8**	**28,072.1**	**28,034.1**	**28,001.1**	**27,888.0**	**3,172.2**
MULTILATERAL	8,280.2	8,122.9	8,302.4	8,270.2	8,231.1	8,182.7	(97.5)
BILATERAL	3,805.1	3,671.9	3,911.9	3,918.5	3,911.4	3,852.2	47.1
COMMERCIAL	12,630.5	12,804.0	15,857.9	15,845.3	15,858.7	15,853.1	3,222.6
TOTAL EXTERNAL(GH¢ m)	**141,796.8**	**140,993.0**	**161,813.5**	**162,709.6**	**163,893.2**	**163,652.2**	**21,855.4**
TOTAL PUBLIC DEBT (GH¢ m)	**291,638.6**	**304,654.9**	**334,780.3**	**335,897.5**	**340,301.0**	**341,762.2**	**50,123.6**
NOMINAL GDP (GH¢ m)	**383,486.1**	**439,381.4**	**439,381.4**	**439,381.4**	**439,381.4**	**439,381.4**	
TOTAL DEBT /GDP RATIO (%)	**76.05**	**69.34**	**76.19**	**76.45**	**77.45**	**77.78**	
EXTERNAL DEBT/GDP	***37.0***	***32.1***	***36.8***	***37.0***	***37.3***	***37.2***	
DOMESTIC DEBT/GDP	***39.1***	***37.2***	***39.4***	***39.4***	***40.1***	***40.5***	
EXTERNAL DEBT/TOTAL DEBT	***48.6***	***46.3***	***48.3***	***48.4***	***48.2***	***47.9***	
DOMESTIC DEBT/TOTAL DEBT	***51.4***	***53.7***	***51.7***	***51.6***	***51.8***	***52.1***	

Source: Ministry of Finance

The domestic component of total public debt was GH¢178.1 billion (40.5% of GDP), representing a year-to-date increase of 18.9 percent. Domestic debt also accounted for 52.1 percent of the total public debt at the end of September 2021, a little over the 51.4 percent recorded in December 2020. The increase in domestic debt was driven by increases of GH¢6.9 billion and GH¢19.9 billion respectively in the short- and medium-term instruments. In terms of the holding structure, the year-to-date increases in the domestic debt were broad-based as there were increased holdings in the Banking and Non-Bank sectors.

On year-to-date basis, external debt increased by GH¢21.9 billion from GH¢141.8 billion (37.0% of GDP) at the end of December 2020 to GH¢163.7 billion (37.2% of GDP) at the end of September 2021. External debt also constituted 47.9 percent of total public debt at the end of September 2021, compared 48.6 percent in December 2020.

4.5 Conclusion and Outlook

The provisional fiscal data shows that the revenue outturn for the review period was behind target at the end of September 2021 and expenditures seemed well contained. Consequently, the deficit at the end of the period was marginally above target. Aggressive revenue mobilization and strengthened commitment controls in the last quarter of 2021 will contribute massively to achieving the end-year budget deficit of 9.5 percent of GDP and primary deficit of 1.7 percent of GDP.

5. Inflation Outlook and Analysis

5.1 Overview of Global and Domestic Economic Developments

The global economic recovery has persisted, but momentum softened in the third quarter of 2021 largely due to supply chain bottlenecks and concerns about renewed COVID-19 outbreaks. The International Monetary Fund has subsequently, in October, marginally lowered its earlier 2021 global growth forecast from 6.0 percent to 5.9 percent and maintained the 2022 projection of 4.9 percent. This forecast is, however conditioned on progress with the global vaccination drive and supportive financing conditions. Pandemic-related disruptions, as some countries continue to see elevated COVID-19 cases amid new waves of infection, especially in Europe, remains a major concern.

Global price pressures, on the other hand, have intensified with headline inflation rising above targets in several advanced and emerging market economies. The rise in inflation broadly reflects rising energy prices, resurgence in global demand, and supply chain constraints. Although the rise in inflation was deemed transitory in the first half of 2021, it is becoming embedded, raising policy uncertainties in the outlook. The Federal Reserve Bank has commenced tapering its asset purchases to contain the inflation threat. In Emerging Market and Developing Economies (EMDEs), increased commodity and food prices, supply bottlenecks, and pass-through to exchange rate depreciation resulted in rising inflation. While some EMDEs have raised their policy rates to contain inflationary pressures, others have adopted a wait-and-see attitude to further observe the price dynamics.

Despite the policy uncertainty introduced because of mounting inflationary pressures, global financing conditions remain supportive of growth. In the financial markets, long-term bond yields have increased amid growing concerns about the above-target inflation trends across several advanced economies. In EMDEs, financing conditions have tightened to some extent, reflecting the rise in policy rates to contain rising inflation, rising long-term bond yields in Advanced Economies (AEs), strengthening of the US Dollar, and widening sovereign spreads in some vulnerable frontier economies. Additionally, capital flows to EMDEs have become volatile due to concerns about the strength of the global recovery and rising inflationary pressures. These developments – the recovery in global growth conditions, rising global inflation trends, and volatility in capital flows – are likely to have spill over effects on the Ghanaian economy, mainly through their potential impacts on trade, portfolio flows, external financing, and exchange rate movements.

On the domestic front, economic activity during the third quarter continues to point to sustained recovery from the pandemic. The Bank's updated Composite Index of Economic Activity (CIEA) recorded an annual growth of 11.2 percent in September 2021, compared with 10.8 percent and 4.2 percent in the corresponding periods of 2020 and 2019, respectively. The stronger growth in the CIEA was driven by domestic VAT, industrial consumption of electricity, port activity, imports, and air-passenger arrivals. Construction activities, however, have slowed down somewhat. The results of the latest confidence surveys signalled continued improvement in both business and consumer sentiments. Businesses met short-term company targets and were optimistic about company and industry prospects as the Yuletide approaches, despite concerns about high cost of raw materials and exchange rate depreciation. Similarly, consumer confidence improved on account of positive economic prospects.

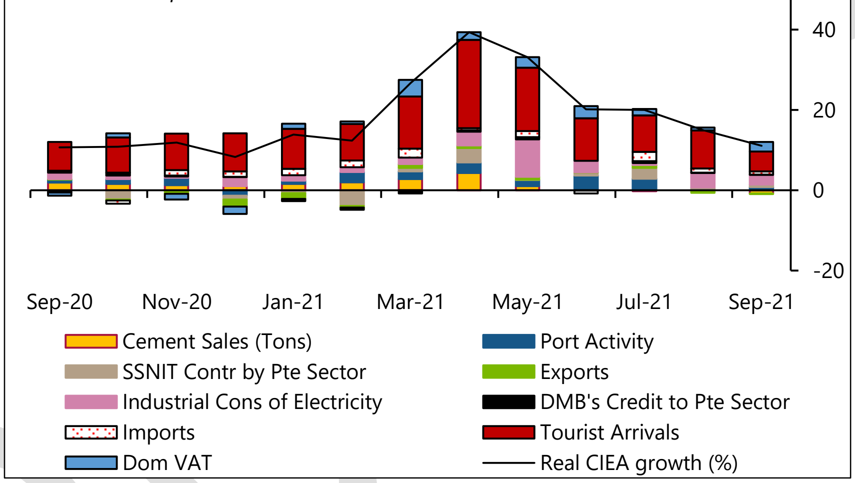


Fig 1: Contribution to Real CIEA growth
(Year-on-Year, %)
Source: Bank of Ghana

5.2 Domestic Price Developments

5.2.1 Headline Inflation

There was an increase in the general price level during the second half of 2021. Two inflation readings since the last Monetary Policy Committee meeting showed significant increase in headline inflation from 9.7 percent in August to 10.6 percent in September 2021, and further up to 11.0 percent in October 2021. This indicates that, currently, inflation is out of the medium-term target band by 1 percent (Fig. 2). The upward trajectory of inflation was driven by both food and non-food price increases over the period. Non-food inflation increased from 8.7 percent in August to 9.9 percent in September, and further up to 11.0 percent in October 2021. Food inflation also rose from 10.6 percent in August to 11.5 percent in September but declined to 11.0 percent in October 2021.

Like the trends in headline inflation, underlying inflation pressures are also increasing. All the Bank's core measures of inflation increased over the period, signifying broad-based underlying inflation pressures, with the potential of de-anchoring inflation expectations. The core inflation measure, which excludes energy and utility prices, increased from 9.5 percent in August 2021 to 10.0 percent in September and further up to 10.4 percent in October 2021 (Fig. 3). The weighted inflation expectations index also picked up in October 2021, reflecting higher inflation expectations by businesses, consumers, and the financial sector.

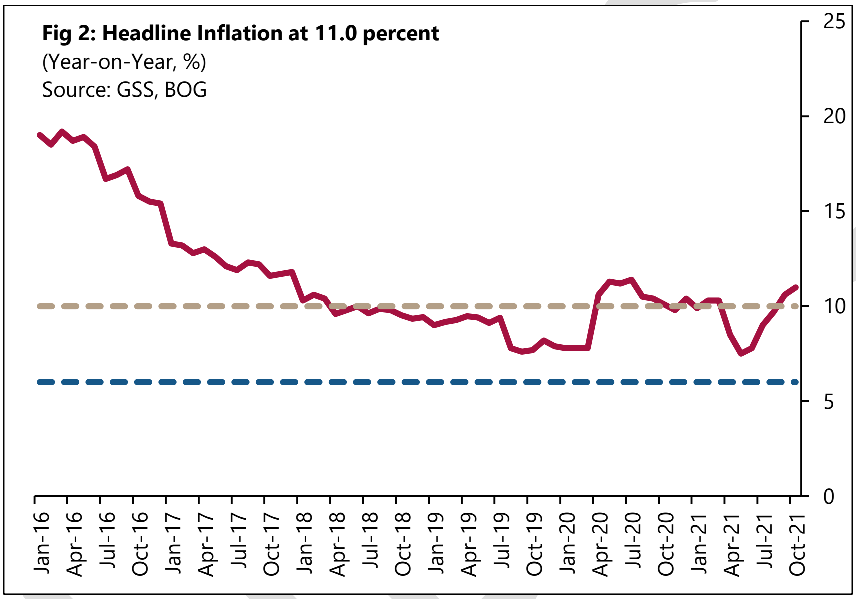


Fig 2: Headline Inflation at 11.0 percent
(Year-on-Year, %)
Source: GSS, BOG

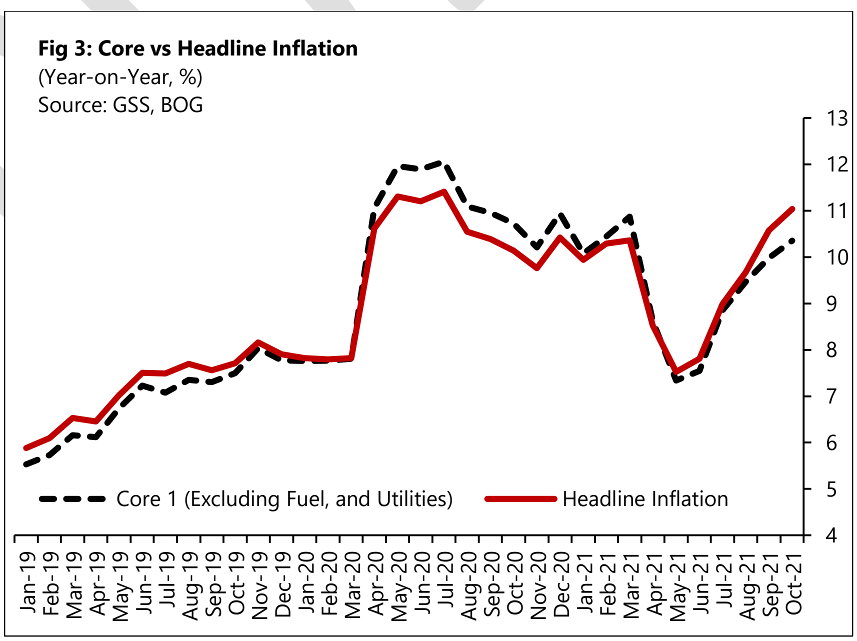


Fig 3: Core vs Headline Inflation
(Year-on-Year, %)
Source: GSS, BOG

Over the period, month-on-month inflation climbed from 0.27 percent in August 2021 to 0.6 percent in September and remained broadly flat in October 2021 (Fig. 4). Monthly food inflation decreased successively from 0.6 percent in August 2021 to minus 0.3 percent in October 2021. On the other hand, non-food monthly inflation grew from 0.3 percent in August to 1.2 percent in September 2021 and further edged up to 1.3 percent in the tenth month.

Fig 4: Food and Non-Food Inflation
(Month-on-Month, %)
Source: GSS, BOG

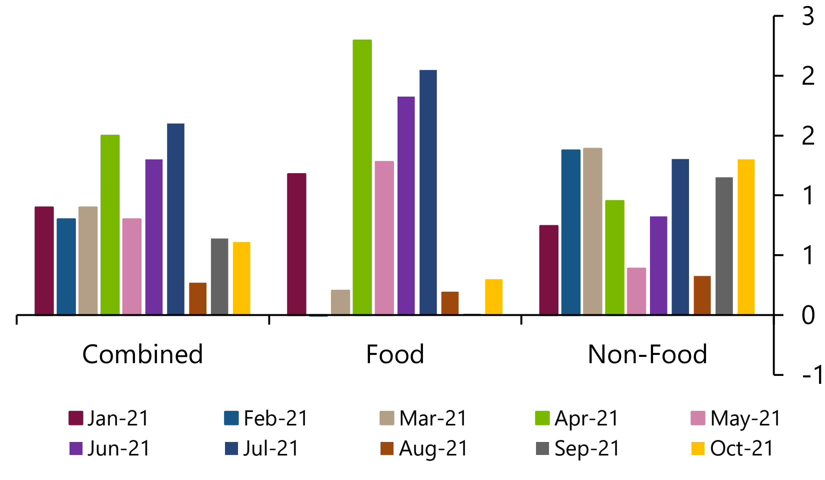
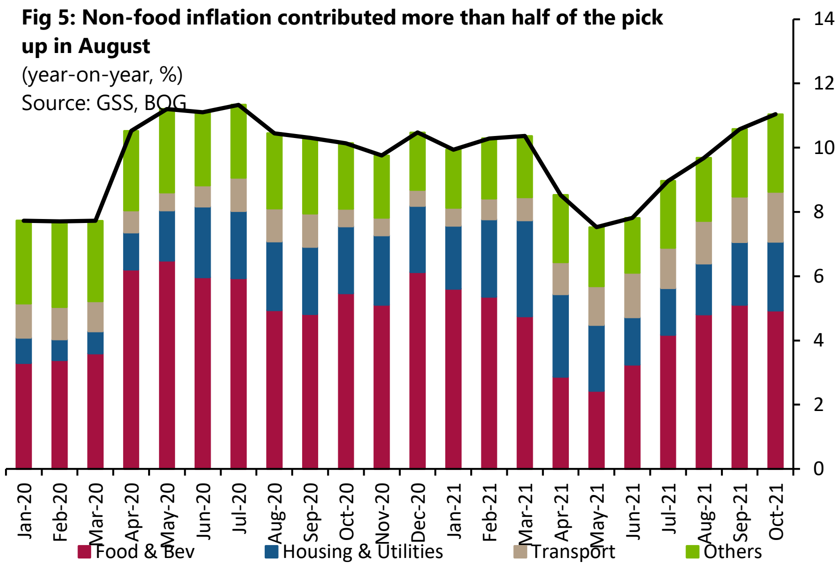


Fig 5: Non-food inflation contributed more than half of the pick up in August
(year-on-year, %)
Source: GSS, BOG



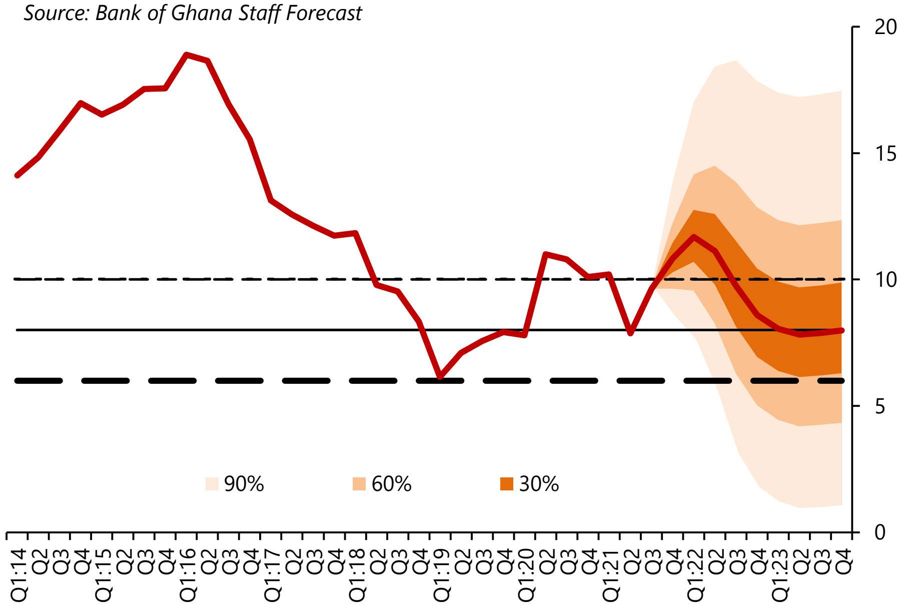
In terms of drivers of year-on-year inflation, the non-food price increases accounted for more than half of the inflation in October (Fig 5), reflecting in both local and imported components. The rise in non-food inflation was occasioned mainly by a pick-up in Housing and Utilities; Transports; and 'Others' categories (of which Alcoholic Beverages, Tobacco & Narcotics; Clothing & Footwear; and Recreation, Entertainment & Culture sub-components were major drivers). The October slowdown in food prices was mainly driven by a decline in prices of Fruits & Nuts; Vegetable, Tubers, Plantain, Cooking Banana & Pulses; and Fish & other seafood sub-categories.

5.3 Inflation Outlook

Headline inflation is projected to remain above the upper band of the medium-term target in the near-term, driven by rising global inflation, rising ex-pump petroleum prices and its second-round effects, and uncertainties surrounding food prices. Both food and non-food inflation are forecast to remain elevated in the near-term. Headline inflation is however expected to ease to the central path in the medium-term as both food and non-food price pressures abate. Imported inflation is expected to stay elevated and exert some upward pressures on domestic prices before easing as inflation returns to target in trading-partner countries.

Production costs in both the food and non-food sectors are forecast to remain low due to lower domestic and imported inputs costs. Over the medium term, however, production costs are projected to gradually increase as the economy recovers. Broadly, real sector activity is expected to remain below capacity in the near- term based on tight monetary conditions, rising ex-pump petroleum prices, and fiscal consolidation, but recover over the medium-term.

Fig 6: Inflation to return to target by the third quarter of 2022 (year-on-year, %)
Source: Bank of Ghana Staff Forecast



5.4 Risks to the Inflation Outlook

Assessment of risks to the inflation outlook from global economic conditions, foreign inflation, domestic economic activity, and prices suggests that the balance of risks to the inflation outlook are broadly upside at this MPC round. The key risks as assessed at this MPC round include:

- ***Global economic conditions***

The global economic recovery continues, but recent economic data points to softening momentum in the third quarter of 2021 largely due to supply bottlenecks, and the sweep of the fourth COVID wave in the European continent leading to toughened rules for the unvaccinated. Global activity is currently being supported by ongoing vaccination programs and policy support in several countries. The current global economic momentum critically depends on the evolution of the pandemic, including the dynamics of the fourth wave in Europe, emergence of new virus variants, increasing access to vaccines in developing countries, and the appropriate policy mix between fiscal and monetary authorities to support economic activity. Consequently, the return of restrictions to stem the fourth wave of COVID-19 cases in Europe could undermine the economic recovery. This, together with a slower-than-anticipated vaccine access and rollouts in emerging market and developing economies (EMDEs), may drag global growth for 2021 and beyond.

- ***Global Inflation***

Global inflationary pressures have continued to increase in several advanced and emerging market economies, reflecting an upsurge in energy prices, as well as supply chain disruptions in concert with aggregate demand pressures as economies reopen. The above-target inflation in several countries has lifted inflation expectations across the globe. In the near term, pressures from the elevated global inflation are anticipated to raise domestic inflation via the imported price channel. Global inflation is expected to moderate over the medium term to pre-pandemic levels, once bottlenecks and supply constraints ease.

- ***Domestic economic activity***

Domestic economic activity during the third quarter of 2021 continues to point to sustained recovery from the pandemic. The Bank's updated Composite Index of Economic Activity (CIEA) recorded an annual growth of 11.2 percent in September 2021, compared with 10.8 percent, and 4.2 percent in the corresponding periods of 2020, and 2019, respectively. The stronger growth in the CIEA was driven by domestic VAT, industrial consumption of electricity, port activity, imports, and air-passenger arrivals. The results of the latest confidence surveys also signalled continued improvement in both business and consumer sentiments. Credit to the private sector is beginning to expand, albeit at a slow pace. Consequently, the Bank has maintained the COVID-19 related macro-prudential measures to support recovery in the outlook. However, the existence of spare capacity (negative output gap) in the economy will limit the impact of the recovery in economic activity on headline inflation.

- ***Uncertainties surrounding food prices***

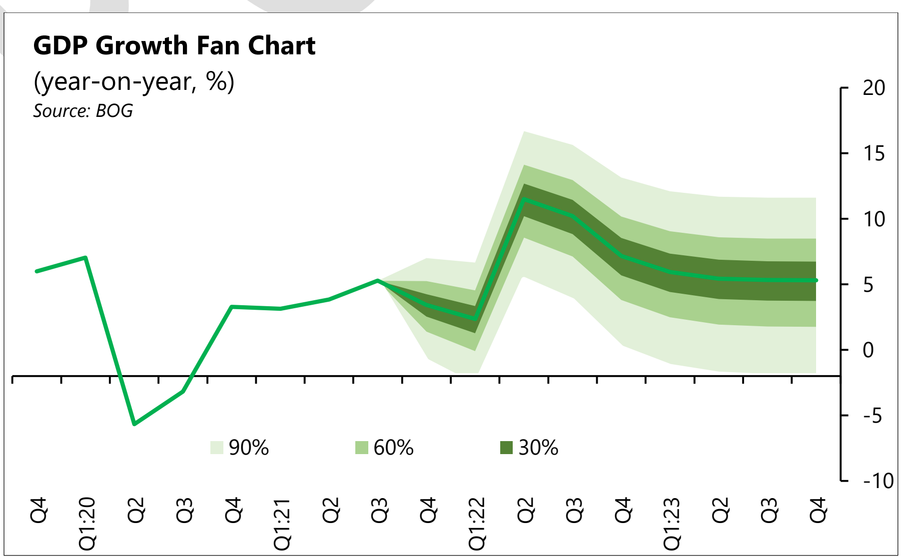
The recent climb in food prices has been the major driver of headline inflation in the second half of 2021. The agricultural sector has been impacted by adverse supply shocks which have contributed to upward price pressures observed in the second half of 2021. These shocks include high cost of fertilizer inputs, the delayed rainfall observed in many crop producing areas across the country, the outbreak of the bird flu disease (leading to a ban on movements of poultry and poultry products within the country), and the Tomato Torado Virus, which led to a ban on importation of tomatoes from neighbouring countries. The persistence of these supply side constraints could pose risks to inflation in the near-term.

- ***Rising ex-pump petroleum prices***

The recent climb in domestic ex-pump (petroleum) prices between August and mid-November 2021 poses significant direct and possibly second-round impact on domestic prices in the near-term. The surge in domestic fuel prices was due to rising global energy prices and some softening of the domestic currency in nominal term.

5.5 Real Sector outlook

Real sector activity continues to recover, although still below potential. In the outlook, activity is expected to improve in the medium-term on the back of positive real sector expectations and increasing foreign demand. However, tighter monetary conditions and the on-going fiscal consolidation are likely to moderate the pace of the recovery in the forecast horizon.



5.6 Risks to the Growth Outlook

- ***Global growth developments***

The global economy is projected to recover significantly in 2021 and 2022 due to increased vaccine rollouts, fiscal supports, and accommodative monetary policy in Advanced Economies. These developments could benefit domestic activity through the trade channel. However, downside risks to global growth remain high. The fourth wave of COVID-19 infections in Europe and slower-than-anticipated vaccine access and rollouts in EMDEs may drag global growth and have negative impact on the domestic real sector recovery.

- ***Rising Commodity Prices***

Crude oil prices have remained strong on the global market amid anticipated strong global recovery and failure of OPEC+ to ramp up production. As a net exporter of oil, these developments will benefit the ongoing domestic recovery. In addition to crude oil prices, the bullish outlook for cocoa prices in 2021 on the back of recovery in cocoa demand due to reopening of economies will benefit domestic recovery through trade. The International Cocoa Organization projects world cocoa grindings to be higher than previously forecast.

- ***Uncertainties surrounding food production***

As a result of delayed rainfall and inputs supply challenges (e.g., fertilizers) faced in 2021, there are concerns of low food production. Also, there has been an outbreak of Bird Flu disease leading to a ban on movements of poultry and poultry products within and from affected regions, and importation from affected countries. These developments may lead to a decline in agriculture sector contribution to growth.

- ***Improved Confidence and Sentiments***

The latest Bank of Ghana surveys show increase in business confidence and consumer sentiments which may lead to increase private sector investments and increase in household demand. However, private sector credit growth remains subdued, a growth dragger.

5.7 Conclusion

Headline inflation climbed to 11.0 percent in October 2021, above the upper band of the medium-term target, from 9.7 percent in August 2021. The November baseline forecast projects inflation to remain above the medium-term target band of 8±2 percent in the near term barring any unforeseen shocks. The main upside risks to inflation in the outlook include the elevated global inflation, pressures from domestic food prices, high ex-pump prices, and the impact of the removal of benchmark values (discounts) on some 32 imported items at the port which could exacerbate imported inflation.

These elevated inflationary risks warrant swift policy action to re-anchor inflation expectations to safeguard the central bank's price stability objective. In view of that, the Committee raised the policy rate by 100 basis point to 14.5 percent in the November MPC round.

6. Banking Sector Developments

6.0 Overview

The banking sector performance reflected strong growth in total assets, investments, and deposits has continued for the first ten months of the year. On a year-to-date basis, growth in gross loans and advances was higher in 2021 than in 2020. New advances by banks have continued, supported by the COVID-19-related regulatory reliefs and policy measures. However, credit growth remained below pre-pandemic levels due to the lingering concerns about the impact of COVID-19 on growth conditions

The industry's key Financial Soundness Indicators (FSIs) remained healthy, with improved solvency, liquidity, and profitability indicators. The Non-Performing Loans (NPLs) ratio of the sector slightly moderated in October 2021 compared with the August 2021 position due mainly to some uptick in credit growth as the NPL stock remained flat over the last two months. The latest credit and liquidity risks stress tests show that banks are resilient to mild and moderate stress conditions.

The outlook of the banking sector remains positive as banks are expected to consolidate the performance by year's end. The sluggish credit growth and asset quality remain the main risks in the banking sector. It is expected that credit growth will pick up to support the ongoing recovery based on the projected net ease in credit stance and increase in credit demand.

6.1 Banks' Balance Sheet

Total assets of the banking industry grew by 16.1 percent (year-on-year) to GH¢173.8 billion as at end-October 2021, lower than the 23.7 percent growth in the same period of 2020. This reflected more of a normalisation from the increased fiscal stimulus in 2020 to support the real sector. The growth in assets, however, is still higher than the pre-pandemic growth rate of 13.8 percent. Growth in domestic assets was higher at 18.9 percent while foreign assets contracted by 21.1 percent due to a slowdown in offshore activities. As a result, the share of domestic assets in total assets inched up further to 95.3 percent in October 2021 from 93.1 percent in October 2020, while the share of foreign assets dipped to 4.7 percent from 6.9 percent during the same reference period (Table 1).

Investments in bills, securities and equity remained the largest component of total assets as at end-October 2021. The share of investments in total assets increased to 48.0 percent from 44.4 percent, reflecting the 25.5 percent (year-on-year) growth in investments (mainly in bills and securities) against the slower growth in credits. The higher investments growth reflects banks' continued portfolio reallocation in favour of these less risky assets due to the elevated credit risks lingering effects of the COVID-19 pandemic.

Though sluggish, growth in gross loans and advances has continued to pick up marginally since the start of the second half of 2021. Gross loans and advances recorded an annual growth of 8.9 percent to GH¢51.6 billion as at end-October 2021, lower than the 13.9 percent growth recorded in the previous year, but higher than the end-June 2021 growth of 5.7 percent. Following a similar trend, net loans and advances (gross loans adjusted for provisions and interest in suspense) also recorded a modest growth of 8.8 percent to GH¢44.9 billion compared with the 13.0 percent growth in October 2020, but higher than the 5.5 percent recorded at end-June 2021.

New advances totalled GH¢28.4 billion for the first ten months of 2021 partly supported by the macro-prudential policy measures and regulatory reliefs. This compared with GH¢27.1 billion new advances for the same period in 2020. The COVID-related regulatory reliefs have been extended to facilitate the continuous recovery in credit growth to support a more robust recovery of the economy.

Growth in total deposits has also remained robust, recording a year-on-year growth of 17.2 percent to GH¢117.4 billion as at end-October 2021, relative to the 27.0 percent growth recorded a year earlier (Table 1). Because of the slowdown in deposits, banks relied more on borrowings, which increased by 14.6 percent in October 2021 compared with 5.5 percent growth in the previous year, to support the growth in the industry's assets base. The pick-up in borrowings was mostly at the short end of the domestic market, with short-term domestic borrowings up by 29.1 percent from 15.2 percent growth in the previous year, while long-term domestic borrowings contracted sharply by 35.5 percent from a growth of 58.0 percent during the same review period. Short-term foreign borrowings marginally contracted by1.1 percent from 31.7 percent, while long-term foreign borrowing grew by 24.9 percent from 40.6 percent during the period under review.

Total shareholders' funds increased by 15.6 percent to GH¢23.7 billion as at end-October 2021. This was marginally lower than the 18.0 percent growth recorded a year ago on account of the lower growth in profits after tax over the first ten months in 2021. The adequate capital buffers within the banking sector further enhanced the sector's resilience to withstand shocks.

The balance sheet position of the banking sector continued to be strong at the end of the first ten months of 2021. Credit growth, however, remains sluggish despite the observed up-tick during the last four months. It is anticipated that the sustained increase in deposits, borrowings, and shareholders' funds would continue to fund the robust increase in total assets.

Table 1: Banks' Balance Sheet (GH¢ million)

Table 1: Key Developments in DMBs' Balance Sheet										
				Y-on-Y Growth (%)		year-to-date growth (%)			Shares (%)	
	Oct-20	Aug-21	Oct-21	Oct-20	Oct-21	Oct-20	Aug-21	Oct-21	Oct-20	Oct-21
TOTAL ASSETS	**149,676.2**	**166,393.8**	**173,834.7**	**23.7**	***16.1***	**16.0**	***11.4***	***16.4***	***100.0***	***100.0***
A. Foreign Assets	10,348.7	8,020.7	8,164.7	9.0	*(21.1)*	(0.3)	*(33.9)*	*(32.7)*	*6.9*	*4.7*
B. Domestic Assets	139,327.6	158,373.1	165,670.0	24.9	*18.9*	17.5	*15.4*	*20.8*	*93.1*	*95.3*
Investments	66,483.4	80,330.6	83,415.8	40.1	*25.5*	37.6	*24.7*	*29.5*	*44.4*	*48.0*
i. Bills	19,620.8	23,377.0	23,758.3	19.1	*21.1*	31.0	*64.7*	*67.3*	*13.1*	*13.7*
ii. Securities	46,637.0	56,731.1	59,435.3	52.6	*27.4*	41.8	*13.5*	*18.9*	*31.2*	*34.2*
Advances (Net)	41,213.1	42,329.4	44,849.2	13.0	*8.8*	3.1	*1.3*	*7.3*	*27.5*	*25.8*
of which Foreign Currency	12,335.4	13,017.5	13,624.4	4.6	*10.5*	1.8	*6.6*	*11.5*	*8.2*	*7.8*
Gross Advances	**47,363.8**	**48,871.7**	**51,580.2**	**13.9**	***8.9***	**4.9**	***2.3***	***8.0***	***31.6***	***29.7***
Other Assets	6,473.7	7,627.4	7,497.7	43.2	*15.8*	26.3	*18.0*	*16.0*	*4.3*	*4.3*
Fixed Assets	4,752.4	5,160.9	5,206.4	9.9	*9.6*	2.2	*2.9*	*3.8*	*3.2*	*3.0*
TOTAL LIABILITIES AND CAPITAL	**149,676.2**	**166,393.8**	**173,834.7**	**23.7**	***16.1***	**16.0**	***11.4***	***16.4***	***100.0***	***100.0***
Total Deposits	**100,189.8**	**111,588.3**	**117,429.6**	**27.0**	***17.2***	**20.0**	***7.5***	***13.1***	***66.9***	***67.6***
of which Foreign Currency	25,994.1	29,194.5	29,816.4	25.1	*14.7*	8.3	*8.4*	*10.7*	*17.4*	*17.2*
Total Borrowings	17,987.3	18,774.2	20,609.8	5.5	*14.6*	(12.0)	*29.4*	*42.0*	*12.0*	*11.9*
Foreign Liabilities	9,261.6	11,535.6	10,803.5	(4.9)	*16.6*	(6.7)	*40.1*	*31.2*	*6.2*	*6.2*
i. Short-term borrowings	4,261.5	5,381.4	4,216.5	(31.7)	*(1.1)*	(36.5)	*53.9*	*20.6*	*2.8*	*2.4*
ii. Long-term borrowings	4,363.4	5,011.4	5,448.4	40.6	*24.9*	52.7	*25.6*	*36.5*	*2.9*	*3.1*
iii. Deposits of non-residents	636.7	1,142.8	1,138.6	60.1	*78.8*	78.7	*52.8*	*52.3*	*0.4*	*0.7*
Domestic Liabilities	119,952.8	130,329.9	138,328.3	27.7	*15.3*	18.2	*8.8*	*15.5*	*80.1*	*79.6*
i. Short-term borrowing	7,591.3	6,346.7	9,802.6	15.2	*29.1*	(22.2)	*27.0*	*96.1*	*5.1*	*5.6*
ii. Long-term Borrowings	1,771.1	2,034.7	1,142.4	58.0	*(35.5)*	58.1	*0.5*	*(43.6)*	*1.2*	*0.7*
iii. Domestic Deposits	99,553.1	110,445.6	116,291.0	26.8	*16.8*	19.8	*7.2*	*12.8*	*66.5*	*66.9*
Other Liabilities	11,037.3	12,546.2	12,142.7	42.5	*10.0*	47.6	*28.6*	*24.5*	*7.4*	*7.0*
Paid-up capital	9,797.3	9,757.3	9,950.1	5.8	*1.6*	1.7	*0.0*	*2.0*	*6.5*	*5.7*
Shareholders' Funds	20,461.7	23,485.0	23,652.6	18.0	*15.6*	16.3	*10.5*	*4.7*	*13.7*	*13.6*

Source: Bank of Ghana

6.1.1 Asset and Liability Structure

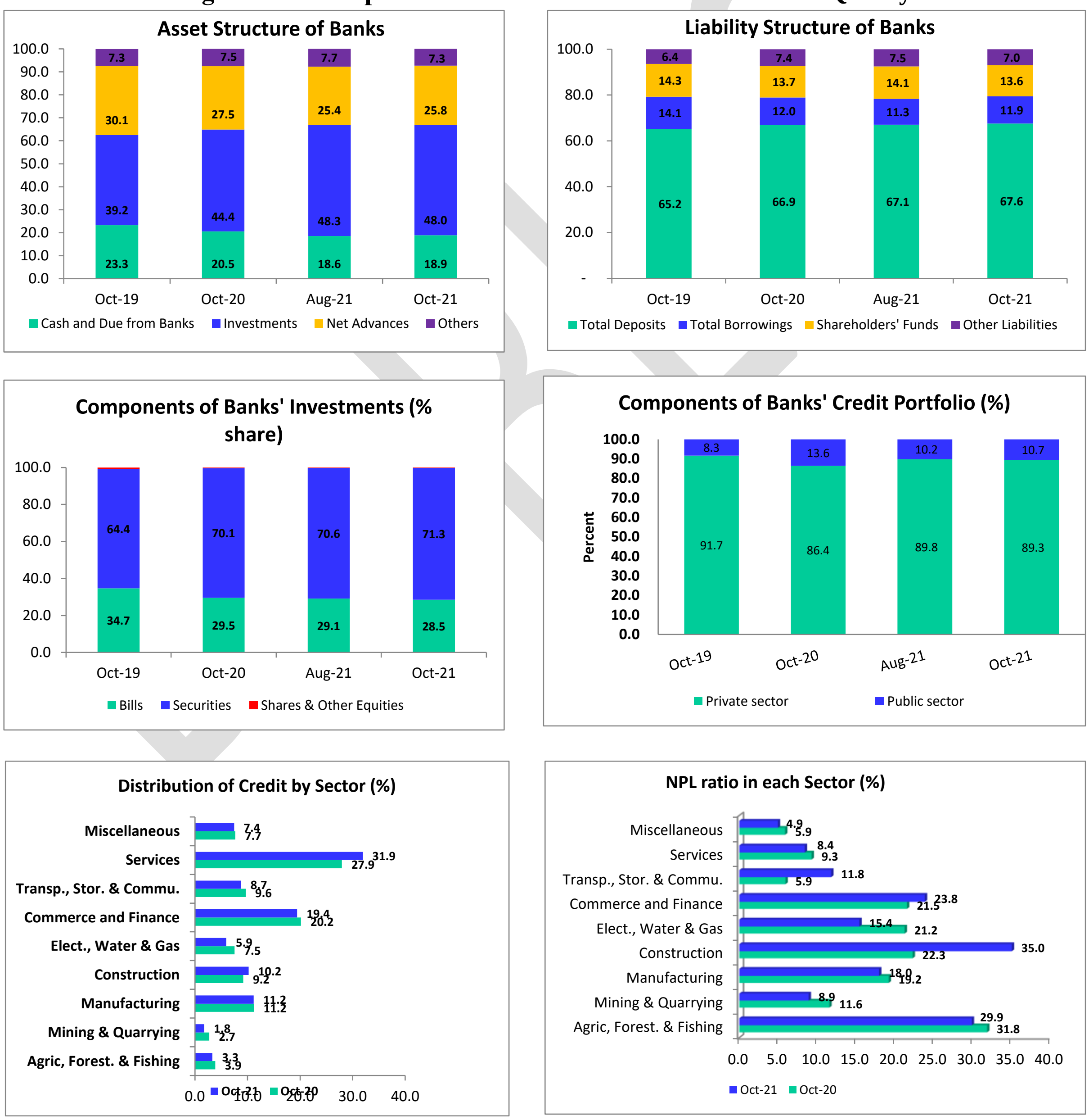
The asset and liability structure of the banking industry's tilted towards less risky assets during the review period. Investments continued to dominate the asset mix, with a share of 48.0 percent in October 2021, compared with 44.4 percent share in October 2020. Loans and advances (net) followed with a share of 25.8 percent in October 2021 from 27.5 percent as at October 2020. The share of "Cash and Due from banks" also declined marginally during the period from 20.5 percent to 18.9 percent. Non-earning assets (fixed assets and other assets) also moderated slightly to 7.3 percent from 7.5 percent (Annexes Table 1).

On the liability side, deposits remain the main source of funding for banks, with its share inching up to 67.6 percent in October 2021 from 66.9 percent in October 2020. The relative shares of Borrowings and Shareholders' funds remained broadly unchanged as their respective year-on-year growth rates were like the growth in total assets. Shareholders' funds and Borrowings accordingly had respective shares of 13.6 percent and 11.9 percent as at end-October 2021. The share of "Other liabilities" declined to 7.0 percent from 7.4 percent in the previous year (Annexes Table 1).

6.1.2 Share of Banks' Investments

As mentioned earlier, banks' total investment portfolio as at end-October 2021 remained the largest share of total assets. In terms of investment composition, medium to long-term debt instruments (securities) continued to dominate. The share of securities increased to 71.3 percent in October 2021 from 70.1 percent in October 2020. Consequently, the share of short-term bills in total investments declined to 28.5 percent from 29.5 percent during the same comparative periods. The share of equity investments remained flat at 0.3 percent during the period under review (Figure 1).

Figure 1: Developments in Banks' Balance Sheet & Asset Quality



Source: Bank of Ghana

6.2 Credit Risk

The industry's exposure to credit risk was slightly elevated in October 2021 relative to the same period in 2020, reflecting on-going challenges with loan repayment partly due to the lingering impact of COVID-19 on some sectors of the economy.

6.2.1 Credit Portfolio Analysis

The stock of gross loans and advances amounted to GH¢51.6 billion at end-October 2021, representing an annual growth of 8.9 percent, compared to 13.7 percent growth in October 2020. Private sector credit went up by 10.2 percent to GH¢46.3 billion at end-October 2021 compared with 13.3 percent growth in the previous year. Growth in public sector credit also recorded a moderate contraction of 0.8 percent from the 17.5 percent growth during the same comparative period. The share of private sector credit in total credit was marginally higher at 89.8 percent in October 2021 from 88.8 percent in the previous year, while that of public sector credit moderated by 100 basis points to 10.2 percent from 11.2 percent during the same review period (see Annexes Tables 2 & 4).

On a year-to-date basis, gross loans and advances increased by 8.0 percent during the first ten months of 2021, higher than the 4.9 percent growth recorded during the same period in 2020. The higher growth in gross loans and advances came from a rebound in the growth of credit to the public sector to 24.2 percent from the 8.6 percent contraction a year ago. Year-to-date growth in private sector credit was marginally lower at 6.4 percent from 6.8 percent, reflecting in part the significant loan repayments since the onset of the pandemic. Credit is projected to increase further during the last two months of the year in line with the projected net ease in credit stance and the projected pick-up in credit demand over the period (see Annexes Table 2).

In terms of classification, the services sector continued to have the largest share of outstanding credit of 31.9 percent, followed by the commerce and finance sector with 19.4 percent and manufacturing with 11.2 percent (Figure 1). These top three sectors together accounted for 62.5 percent of total credit at end-October 2021 compared with 59.3 percent for same period last year. The other economic sectors accounted for the remaining 37.5 percent in various proportions in October 2021 from 40.7 percent in October 2020 (Figure 1). The mining and quarrying sector remained the lowest recipient of industry credit with a share of 1.8 percent at end-October 2021, compared with the 2.7 percent share in the prior year.

6.3 Off-Balance Sheet Activities

Off-balance sheet transactions (largely comprising trade finance and guarantees) amounted to GH¢16.5 billion as at end-October 2021, representing a 44.8 percent annual growth, compared to the minimal 0.3 percent contraction a year ago. Banks' contingent liabilities as a percentage of total liabilities increased to 11.0 percent from 8.8 percent during the review period. On a year-to-date basis, off-balance sheet transactions have increased by 34.5 percent this year compared with 0.1 percent contraction last year, reflecting more trade finance-related activities and the gradual resumption of cross-border activities this year compared to last year (Annexes Table 3).

6.4 Asset Quality

Asset quality deteriorated (year-on-year), with the NPL ratio increasing from 15.3 percent in October 2020 to 16.4 percent in October 2021. The increase was on the back of an increase in the stock of NPLs by 16.4 percent to GH¢8.4 billion, while the stock of loans recorded a lower growth of 8.9 percent over the period. However, the NPL ratio represented a slight improvement from the August 2021 position of 17.3 percent. The adjusted NPL ratio (excluding the fully provisioned loan loss category) declined to 6.2 percent from 6.7 percent over the review period, reflecting the increasing share of loss loans in the NPL stock.

The higher NPL ratio was driven mainly by the increase in the private sector NPL ratio from 16.5 percent to 17.5 percent. Similarly, public sector NPL ratio increased to 6.4 percent from 5.8 percent during the period. The increase in the industry NPL ratio was most pronounced in the construction, and commerce and finance sectors, which recorded increases in their NPL ratios during the first ten months of this year compared with the same period last year. The NPL ratio of the construction sector shot up to 35.0 percent in October 2021 from 22.3 percent in October 2020, while that of the commerce and finance sector increased to 23.8 percent from 21.5 percent during the same comparative period, attributable to the lingering impact of COVID-19 on these sectors. The NPL ratio of the transport, storage, and communication sector doubled during the review period from 5.9 percent to 11.8 percent. The NPL ratio of the agriculture, fishing and forestry sector, however, declined from 31.8 percent to 29.9 percent during the period under review, but remained the sector with the second highest NPL ratio, after the construction sector. The services sector, which was the highest recipient of the industry's credit in October 2021, recorded the lowest NPL ratio of 8.4 percent from 9.3 percent in the previous year (Figure 1).

6.5 Financial Soundness Indicators (FSIs)

The key financial soundness indicators (FSIs) as at October 2021 pointed to a liquid, profitable, and solvent sector with adequate capital buffers to absorb mild to moderate credit and liquidity shocks.

6.5.1 Liquidity Indicators

Liquidity indicators in the banking sector remained adequate, with marginal improvements on the broad measures of liquidity at the expense of the core measures. The ratio of core liquid assets (mainly cash and due from banks) to total deposits moderated to 28.0 percent in October 2021 from 30.7 percent during the same period last year. Similarly, core liquid assets to total assets declined to 18.9 percent from 20.5 percent a year ago (Annexes Table 5). Increased investments in favour of medium-to-long-term securities partly contributed to the decline in the industry's core liquidity indicators, which comprise cash and short-term investments.

The broad measures of liquidity, however, recorded improvements with the increase in long-term securities. Broad liquid assets to total assets increased to 66.7 percent from 64.8 percent while broad liquid assets to total deposits inched up to 98.8 percent from 96.8 percent, reflecting the stronger growth in long-term investments relative to the growth in deposits during the review period.

6.5.2 Capital Adequacy Ratio (CAR)

The Capital Adequacy Ratio (CAR) of the banking industry stood at 19.8 percent in October 2021, well above the regulatory minimum of 11.5 percent, pointing to a highly solvent sector. The higher capital adequacy ratio (above the regulatory threshold) continues to highlight banks' improved capacity to expand lending and absorb any potential losses from the increased lending, using their capital buffers, during the current uncertain operating environment.

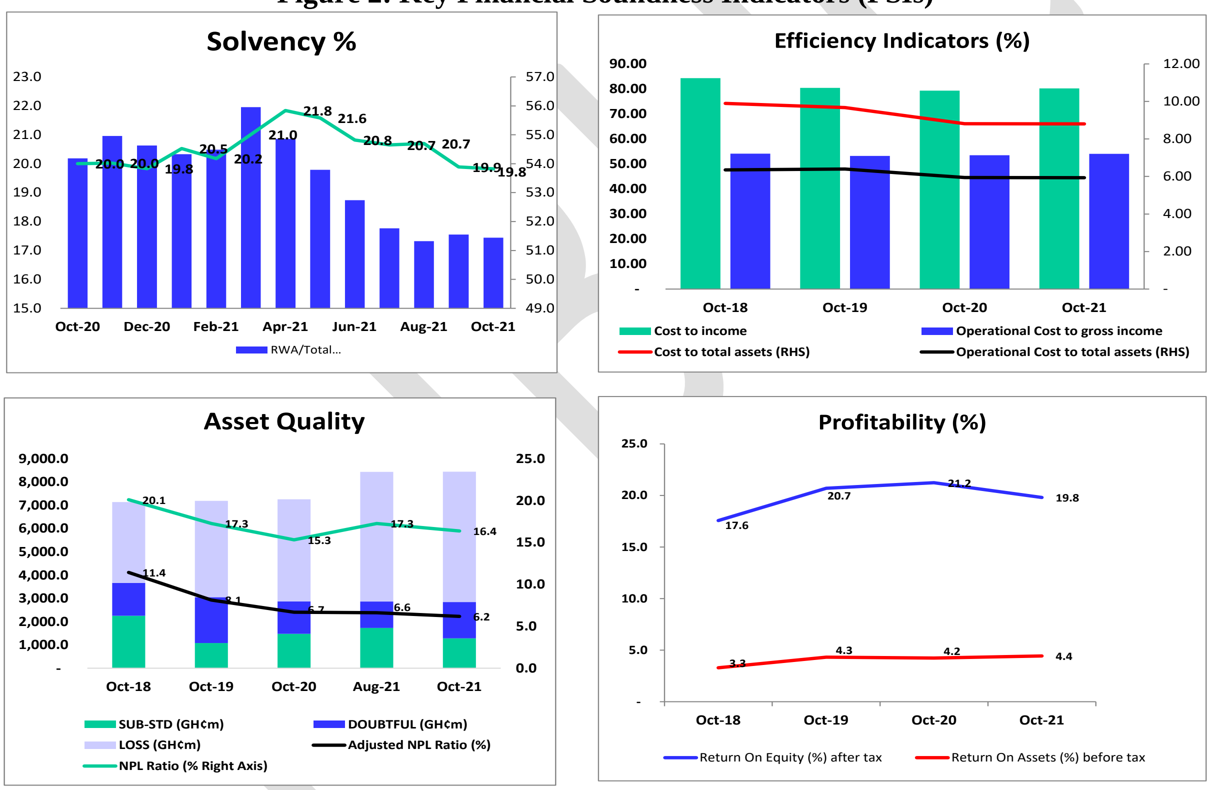
6.5.3 Profitability

The banking industry remains profitable, with sustained growth in profit-before-tax as at October 2021 compared with same period last year.

Net interest income recorded a lower growth of 15.2 percent in October 2021 from 19.9 percent a year ago, from the combined effect of a higher growth in interest expense from 8.2 percent to 16.2 percent, due to changes in the funding mix of banks and a slower growth in interest income from 15.9 percent to 15.5 percent, arising from general decline in interest rates. Net fees and commissions income, on the other hand, recorded a sharp growth of 22.9 percent from the modest 6.1 percent growth during the same period last year as trade-related businesses rebounded in 2021. Altogether, the industry's gross income recorded a marginally higher growth of 14.8 percent in October 2021 compared with 14.3 percent in the comparative period in 2020. Net operating income, however, recorded a dip in growth to 17.1 percent in October 2021 from 23.0 percent last year due to a much higher increase in the growth rate of operating expenses (from 9.9% to 11.0%).

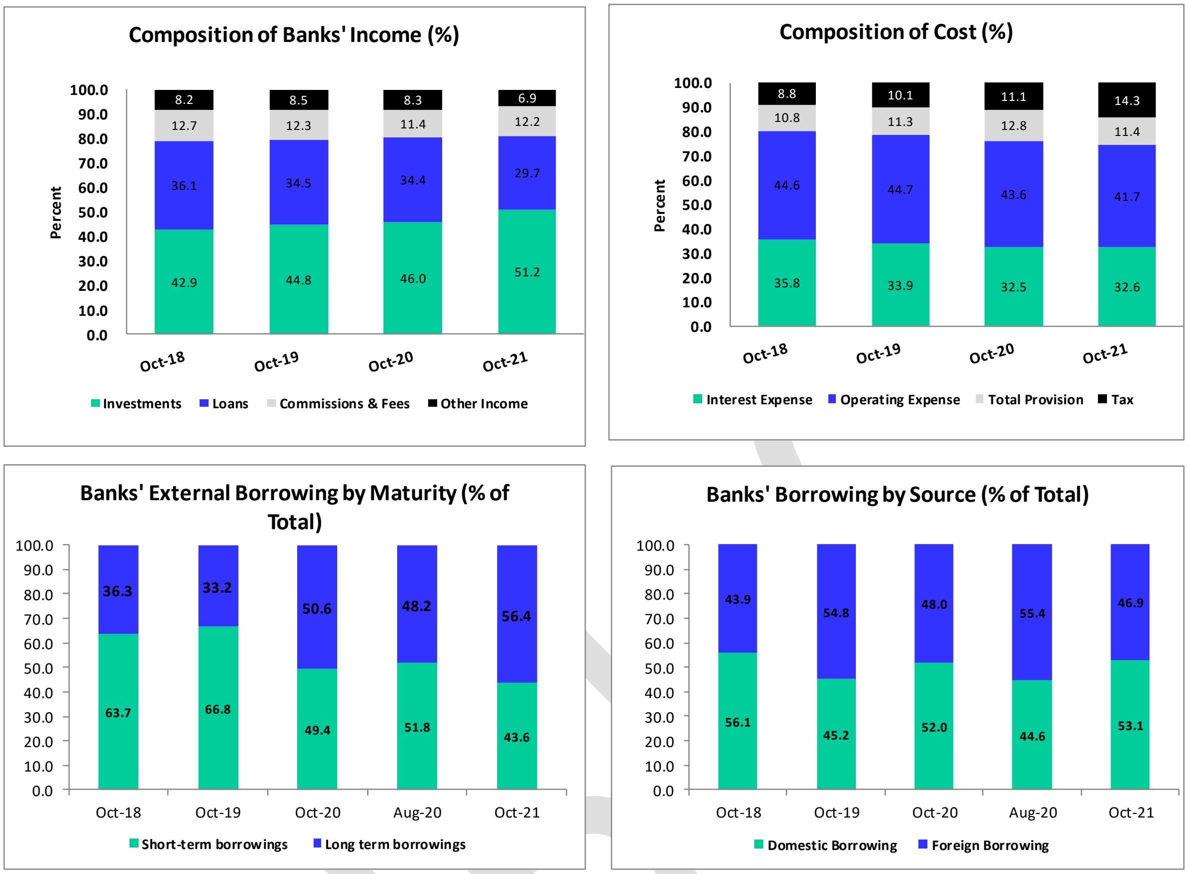
The industry's profit-before-tax (PBT) consequently increased by 21.8 percent in October 2021 to GH¢6.0 billion, from GH¢5.0 billion in October 2020, comparable to the 22.0 percent growth in the same period last year. Growth in profit-after-tax (PAT) was however lower at 10.0 percent from 21.4 percent due to the increase in total taxes from the recently introduced financial sector recovery levy (see Annexes Table 7 and Figure 3).

Figure 2: Key Financial Soundness Indicators (FSIs)



Source: Bank of Ghana

Figure 3: Composition of Income, Cost and Borrowings



Source: Bank of Ghana

(a) Return on Assets and Return on Equity

Due to the varying growth rates in PBT and PAT, profitability indicators recorded a mixed outturn in October 2021 compared with the same period last year. The sector's Return on Assets (ROA) increased to 4.4 percent in October 2021 from 4.2 percent during the same period last year, in line with the strong growth in PBT. However, the slowdown in the growth of PAT resulted in a moderation in Return on Equity (ROE) to 19.8 percent from 21.2 percent during the same comparative period (Figure 2 and Annexes Table 6). However, both the ROA and ROE indicators remain strong.

(b) Interest Margin and Spread

Banks' interest spreads moderated to 9.3 percent in October 2021 from 9.6 percent on the back of the decline in gross yields from 14.1 percent to 13.8 percent, relative to the moderation in interest payable from 4.5 percent to 4.4 percent. These observed trends mirrored the marginal declines in interest rates observed in 2021 compared to 2020. The sector's interest margin to total assets also declined marginally to 6.0 percent from 6.1 percent over the period, while interest margin to gross income ratio edged up marginally to 54.8 percent from 54.5 percent during the period under review.

The ratio of gross income to total assets (asset utilisation) remained broadly unchanged at 11.0 percent, implying that for each asset in use, the income generated remained broadly unchanged during the period under review. The industry's profitability ratio declined marginally to 19.8 percent in October 2021 from 20.7 percent a year ago (Annexes Table 6).

(c) Composition of Banks' Income

Investment's income remained the largest component of banks' income as at October 2021, accounting for 51.2 percent from 46.0 percent a year ago. Interest income from loans constituted the second largest source of banks' income, bringing in a lower share of 29.7 percent compared with 34.4 percent during the same comparative period. The share of banks' income from fees and commissions increased to 12.2 percent from 11.4 percent, in line with the higher growth of fees and commissions. The share of other income, however, dipped to 6.9 percent from 8.3 percent during the period under review (See Figure 3).

6.5.4 Operational Efficiency

The industry remained broadly cost efficient during the period under review, despite the slight pick-up in its cost relative to income. The cost-to-income ratio of the industry inched up to 80.2 percent in October 2021 from 79.3 percent in October 2020, while cost-to-total assets remained unchanged at 8.8 percent during the period under review. The ratio of operational cost to total assets also dipped marginally to 5.9 percent from 6.0 percent, while the ratio of operational cost to gross income slighted increased to 54.1 percent from 53.5 percent (See Figure 2). The main drivers of the increased cost of the banks during the period were interest expense, staff cost and new taxes.

6.5.5 Banks' Counterparty Relationships

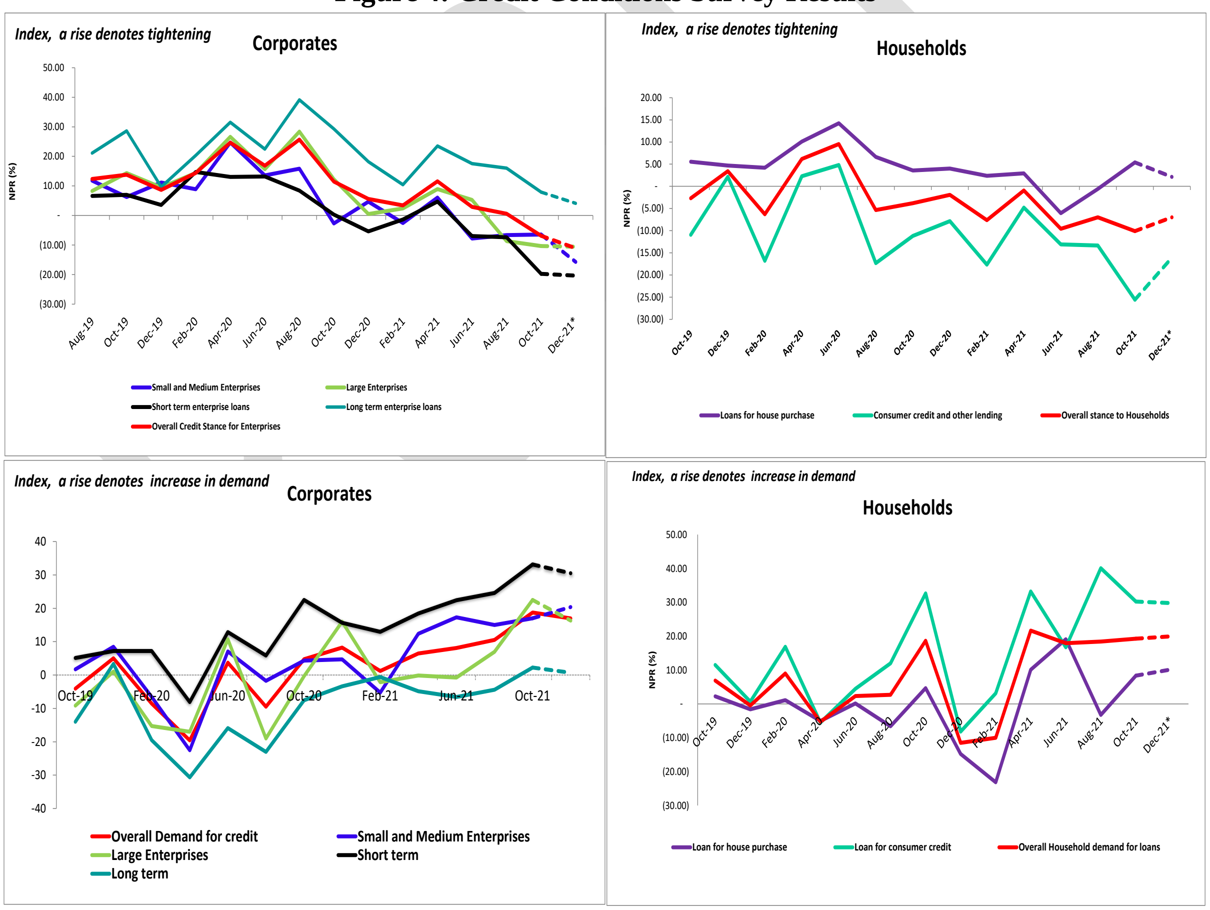
Banks' offshore activities recorded sharp declines in October 2021 relative to October 2020. Offshore balances contracted by 30.7 percent in October 2021 from a growth of 6.2 percent during the same period in 2020. Nostro balances also contracted by 38.8 percent in October 2021 from the 23.4 percent growth in October 2020. The contraction in placements continued at 18.5 percent in October 2021 from 12.4 percent in October 2020. Offshore balances as a percentage of the industry's net worth also declined to 27.5 percent compared with 45.8 percent last year (See Annexes Table 8).

The share of banks' external borrowings in total borrowings declined to 46.9 percent in October 2021 from 48.0 percent in October 2020, while that of domestic borrowing increased to 53.1 percent from 52.0 percent during the review period. Banks' external borrowings were largely long-term in nature, increasing to 56.4 percent in October 2021 from 50.6 percent in October 2020, while the share of short-term external borrowing declined to 43.6 percent from 49.4 percent during the review period (Figure 3).

6.6 Credit Conditions Survey

Results from the October 2021 Credit Conditions Survey pointed to a net ease in overall credit stance on loans to enterprises. This net ease in credit stance was reflected in all components of enterprise loans except for loans to SMEs, which recorded a marginal net tightening in stance between August and October 2021. The softening in the credit stance to enterprises continues to reflect banks' response to the gradual pickup in economic activity, albeit slower than expected. Banks have projected the net ease stance in overall credit stance on loans to enterprises to continue for the next two months into the Yuletide (November and December 2021). The projected net ease in banks' stance on loans to corporates will apply to almost all the sub-categories of enterprise loans apart from loans to large enterprises, which is projected to remain broadly unchanged.

Figure 4: Credit Conditions Survey Results



Source: Bank of Ghana

The overall credit stance on household loans also recorded a net ease during the survey period, driven by a net ease in stance on loans for consumer credit and other lending by households, while the stance on loans for mortgages tightened in net terms. Banks, however, project a net tightening in the stance on loans to households during the last two months of the year, on the back of a projected net tightened stance on loans for consumer credit and other lending, while the stance on loans for house purchases is projected to record a net ease during the forecast period.

Demand for loans by enterprises recorded a net increase during the current survey period from increases in the demand for all the sub-components of enterprise credit. Banks, however, project moderation in the demand for loans by enterprises over the next two months, during which all the sub-components are projected to record net declines except for a projected increase in the demand for loans by SMEs.

Overall demand for loans by households also recorded a marginal net increase during the current survey period driven by the increase in the demand for mortgage loans, while the demand for consumer credit is projected to decline in net terms. The expected marginal increase in demand for household loans over the next two months is, however, projected from a rebound in demand for mortgages while demand for consumer credit is expected to soften marginally (see Figure 4).

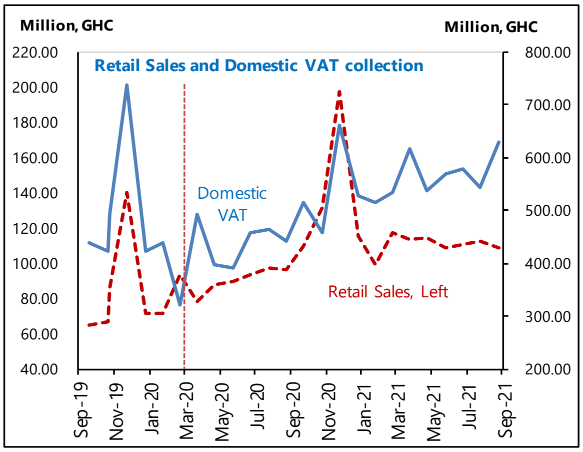
6.7 Conclusion and Outlook

The banking sector remains well-capitalised, solvent, liquid, and profitable. Performance has been supported by the policy measures and regulatory reliefs introduced at the onset of the COVID-19 pandemic. The still sluggish credit growth poses some risks to the post-pandemic recovery. The latest credit and liquidity stress tests indicate that the sector remains resilient to mild and moderate shocks. In the outlook, the anticipated increase in credit is expected to support real sector activities as the economy rebounds.

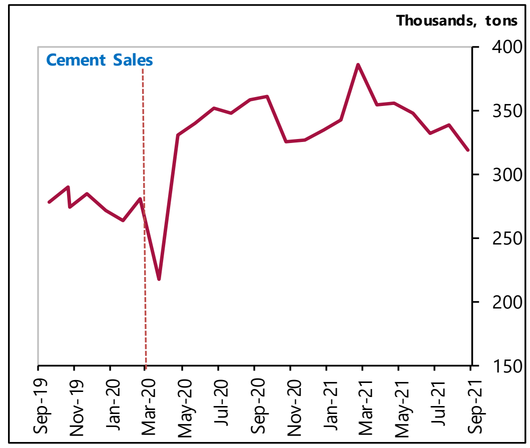
Appendix 1

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

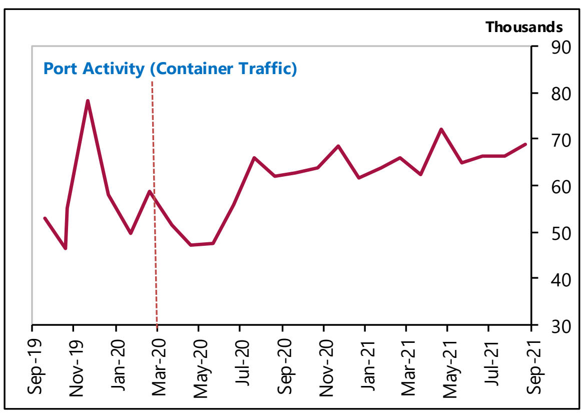
...Domestic VAT collections increased while retail sales declined marginally in September 2021...



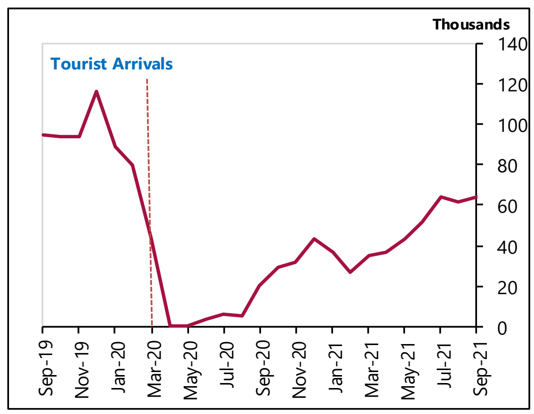
...Construction activities, proxied by cement sales, declined in September 2021...



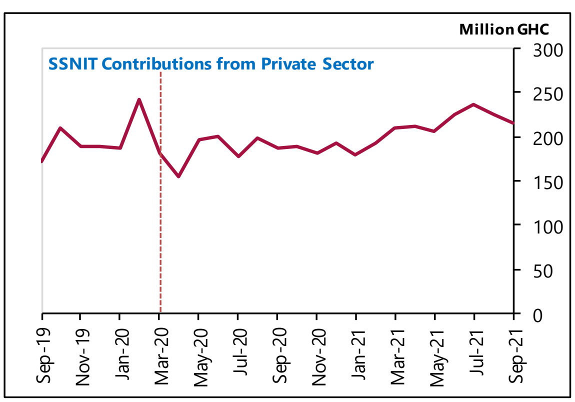
...Port activity inched up in September 2021...



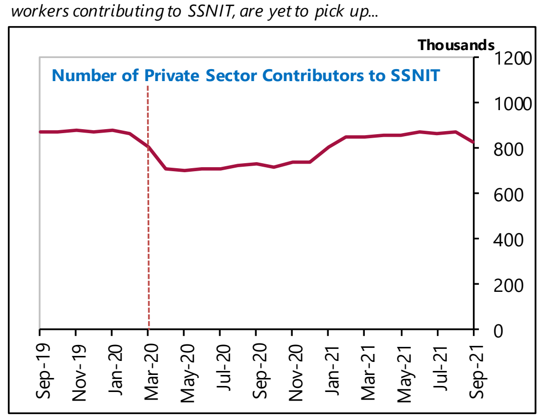
...Tourist arrivals went up in September 2021, but remains below pre-pandemic levels...



...Labour market conditions softened in September 2021...



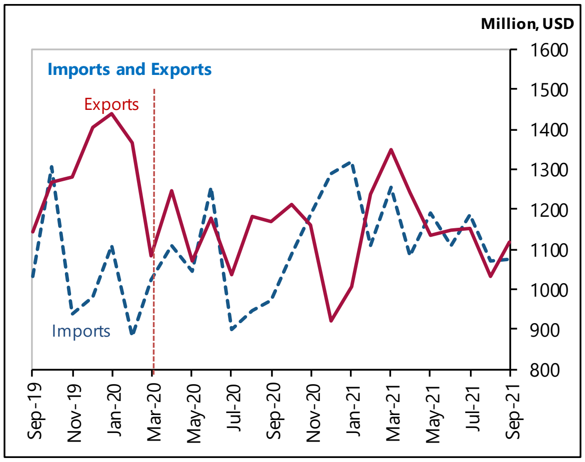
...Labour hiring conditions, proxied by the number of private sector workers contributing to SSNIT, are yet to pick up...



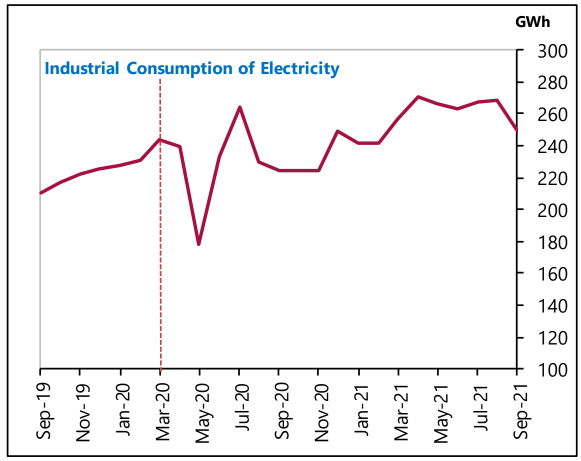
Sources: Bank of Ghana, Various Stakeholders

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

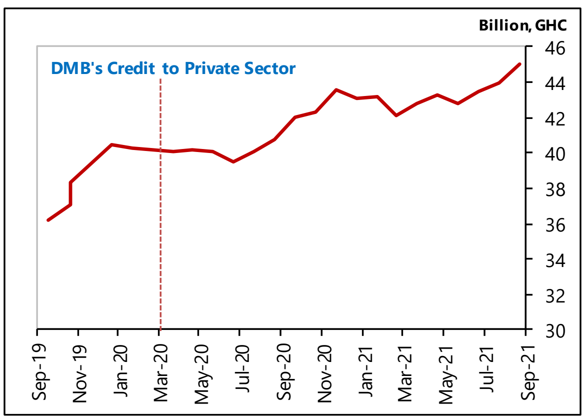
...Exports and imports went up in September 2021...



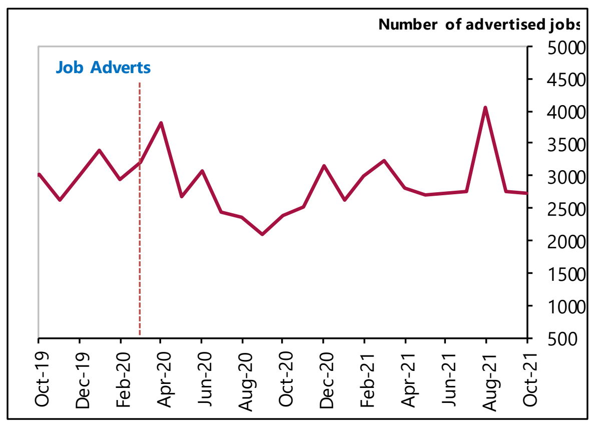
...Industrial activity, proxied by industrial consumption of electricity, dipped...



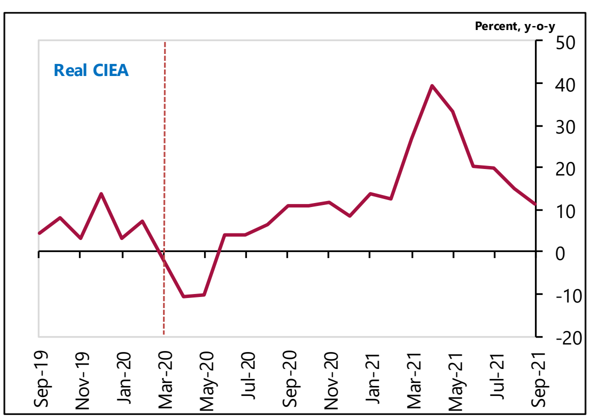
...Commercial banks' credit to the private sector improved in September 2021...



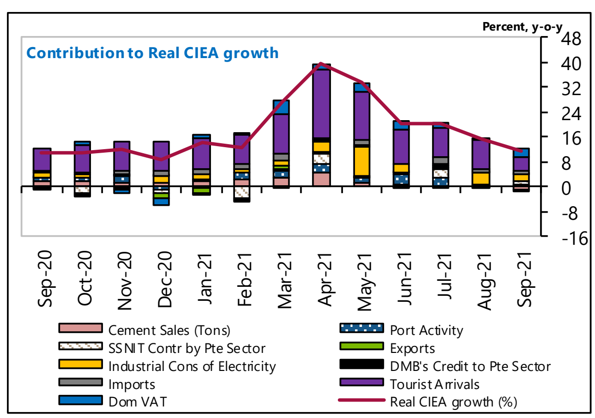
...Demand for labour, proxied by the number of job adverts (in print and online media), remained flat in October 2021...



...On a year-on-year basis, the real CIEA grew by 11.2 percent in September 2021, compared with 15.0 percent in August 2021, and 10.8 percent growth in September 2020...



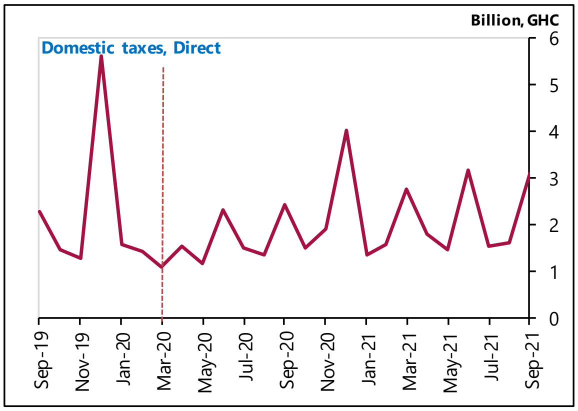
...The growth in the real CIEA was mainly driven by a pick-up in Tourist Arrivals, Domestic VAT, Industrial Consumption of Electricity, Port Activity, Imports, SSNIT Contributions from the Private Sector and DMB's Credit to the Private Sector...



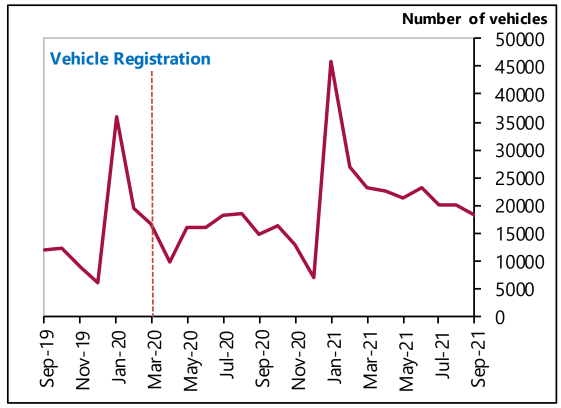
Source: Bank of Ghana, Various Stakeholders

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

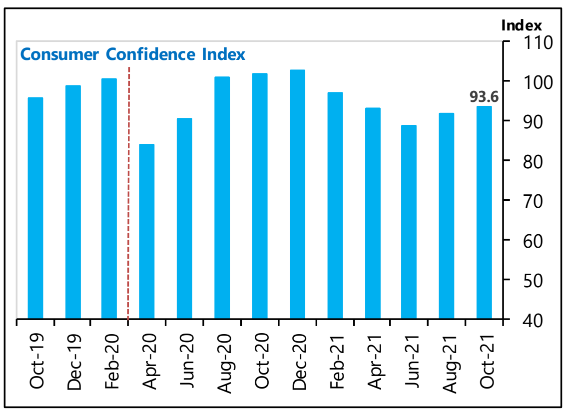
...Domestic tax collection increased in September 2021...



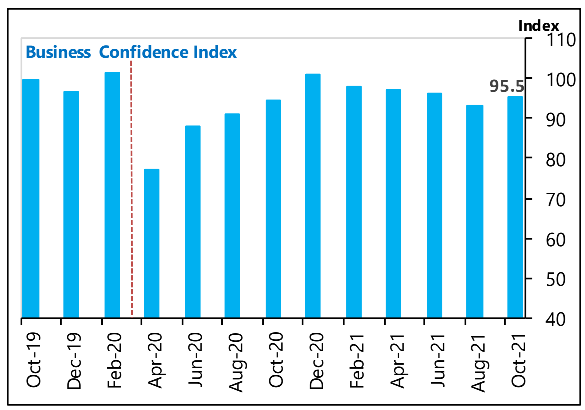
...Vehicle registration declined in September 2021...



...Consumer confidence improved, reflecting optimism about economic prospects...



...Business confidence rebounded as businesses met short-term company targets and expressed positive sentiments about company and industry prospects with the yuletide approaching...



Source: Bank of Ghana, Various Stakeholders

Appendix 2

Appendix 1: Sources of Growth in Total Liquidity (M2+) (millions of Ghana cedis unless otherwise stated)

		Dec-19	Mar-20	Jun-20	Sep-20	Oct-20	Dec-20	Mar-21	Jun-21	Sep-21	Oct-21
1	Net Foreign Assets	21293.01	26544.12	21888.34	19306.29	18723.76	18598.06	15096.87	25384.55	15199.51	15304.21
	Bank of Ghana	20622.55	27685.53	20458.68	16557.47	17493.65	14121.48	11740.53	25033.84	16504.31	17247.01
	Commercial Banks	670.46	(1141.41)	1429.66	2748.81	1230.11	4476.57	3356.35	350.71	(1304.80)	(1942.80)
2	Net Domestic Assets	71682.47	66360.95	78610.57	89828.09	94135.93	101923.76	104348.34	96506.78	109397.09	113926.79
3	ow: Claims on government (net)	34214.54	42196.66	53676.32	61087.88	64047.15	68965.59	72637.59	63281.84	77648.30	79598.07
4	ow: Claims on Private sector(Incl. PE's)	49713.15	49344.15	49693.32	50986.20	52893.27	52943.18	53021.45	55112.28	57167.35	58428.89
	BOG OMO Sterilisation Acc.	(4924.64)	(6212.52)	(8376.85)	(9866.83)	(9870.92)	(5789.95)	(5122.11)	(4666.44)	(6321.65)	(7805.91)
5	Total Liquidity (M2+)	92975.47	92905.07	100498.91	109134.38	112859.69	120521.82	119445.22	121891.32	124596.60	129231.01
6	ow: Broad Money Supply (M2)	69973.10	71097.88	76951.84	84864.02	87833.39	94491.75	93226.01	94210.69	96838.70	101128.67
7	ow: Foreign Currency Deposits(¢million)	23002.37	21807.18	23547.07	24270.36	25026.30	26030.07	26219.21	27680.63	27757.90	28102.33
	Change from previous year (in per cent)										
8	Net Foreign Assets	51.69	(8.21)	6.22	10.99	5.99	(12.66)	(43.13)	15.97	(21.27)	(18.26)
9	Net Domestic Assets	14.98	25.40	24.96	31.18	36.10	42.19	57.24	22.77	21.78	21.02
10	ow: Claims on government (net)	24.18	135.76	111.14	84.39	85.88	101.57	72.14	17.90	27.11	24.28
11	ow: Claims on Private sector(Incl. PE's)	19.73	14.69	14.19	13.93	14.53	6.50	7.45	10.90	12.12	10.47
12	ow: BOG OMO Sterilisation Acc.	14.76	4.02	(52.39)	(103.26)	(85.08)	(17.57)	17.55	44.29	35.93	20.92
12	**Total Liquidity (M2+)**	21.73	13.52	20.33	27.09	29.97	29.63	28.57	21.29	14.17	14.51
13	Broad Money Supply (M2)	16.13	12.74	22.13	30.66	30.74	35.04	31.12	22.43	14.11	15.14
14	Foreign Currency Deposits (FCDs)	42.65	16.17	14.82	16.01	27.35	13.16	20.23	17.55	14.37	12.29
	Cummulative change from previous year end (in per cent)										
15	Net Foreign Assets	51.69	24.66	2.80	(9.33)	(12.07)	(12.66)	(18.83)	36.48	(18.28)	(17.72)
16	Net Domestic Assets	14.98	(7.42)	9.66	25.31	31.32	42.19	2.38	(5.31)	7.33	11.78
17	o/w: Claims on government (net)	24.18	23.33	56.88	78.54	87.19	101.57	5.32	(8.24)	12.59	15.42
18	Broad Money(M2+)	21.73	(0.08)	8.09	17.38	21.39	29.63	(0.89)	1.14	3.38	7.23
	Annual per cent contribution to money growth										
19	Net Foreign Assets	9.50	(2.90)	1.53	2.23	1.22	(2.90)	(12.32)	3.48	(3.76)	(3.03)
20	NDA	12.23	16.43	18.80	24.86	28.75	32.53	40.89	17.81	17.93	17.54
21	Total Liquidity (M2+)	21.73	13.52	20.33	27.09	29.97	29.63	28.57	21.29	14.17	14.51
	Memorandum items										
22	Reserve Money	28896.02	28486.64	25546.83	30338.05	31611.83	36124.78	34904.63	36063.64	39156.13	39785.36
23	NFA ($million)	3847.88	4877.37	3862.15	3385.46	3279.12	3228.72	2635.26	4405.05	2590.99	2593.54
24	Currency ratio	0.18	0.17	0.17	0.18	0.19	0.21	0.19	0.18	0.18	0.18
25	**FCD/M2+**	0.25	0.23	0.23	0.22	0.22	0.22	0.22	0.23	0.22	0.22
26	**FCD/Total Deposit**	0.29	0.28	0.27	0.26	0.26	0.26	0.26	0.27	0.26	0.26
27	RM multiplier	2.42	2.50	3.01	2.80	2.78	2.62	2.67	2.61	2.47	2.54

Appendix 2: Sources of Growth in Reserve Money (millions of Ghana cedis unless otherwise stated)

		Dec-19	Mar-20	Jun-20	Sep-20	Oct-20	Dec-20	Mar-21	Jun-21	Sep-21	Oct-21
1	Net Foreign Assets (NFA)	20622.55	27685.53	20458.68	16557.47	17493.65	14123.29	11740.53	25033.84	16504.31	17247.01
2	Net Domestic Assets (NDA)	8273.47	801.11	5088.15	13780.58	14118.18	22001.49	23164.10	11029.80	22651.82	22538.35
	Of which:										
3	ow: Claims on government (net)	8468.74	12879.65	21714.12	29869.65	29479.99	31731.12	32502.58	19340.81	31179.41	33808.99
4	Claims on DMB's (net)	5302.04	(2256.75)	(2294.88)	(1386.09)	(419.84)	5736.58	1069.52	2624.76	740.36	538.07
5	OMO Sterilisation Account.	(4924.64)	(6212.52)	(8376.85)	(9866.83)	(9870.92)	(5789.95)	(5122.11)	(4666.44)	(6321.65)	(7805.91)
6	Reserve Money (RM)	28896.02	28486.64	25546.83	30338.05	31611.83	36124.78	34904.63	36063.64	39156.13	39785.36
7	ow:Currency	14358.06	13647.53	14817.44	16406.21	17709.26	20889.63	19324.74	19092.40	18812.37	19497.85
8	DMB's reserves	11850.56	11925.43	7720.71	10722.08	10449.30	11860.85	12090.54	13360.30	16392.25	16277.89
9	Non-Bank deposits	2687.40	2913.68	3008.68	3209.76	3453.26	3374.30	3489.35	3610.94	3951.50	4009.62
	Change from previous year (in per cent)										
10	Net Foreign Assets	61.58	1.85	9.30	(0.28)	(0.92)	(31.52)	(57.59)	22.36	(0.32)	(1.41)
11	Net Domestic Assets	(5.32)	(122.72)	59.55	114.51	90.69	165.93	2791.49	116.77	64.37	59.64
12	ow: Claims on government (net)	(17.05)	(446.75)	438.50	229.94	179.54	274.69	152.36	(10.93)	4.38	14.68
13	Claims on DMB's (net)	6.32	140.85	258.09	(609.79)	143.40	(8.20)	147.39	410.14	153.41	228.16
14	OMO Sterilisation Account.	14.76	4.02	(52.39)	(103.26)	(85.08)	(17.57)	17.55	44.29	35.93	20.92
15	**Reserve Money (RM)**	34.39	20.41	16.62	31.75	26.14	25.02	22.53	41.17	29.07	25.86
16	ow:Currency	20.24	20.87	36.69	43.66	44.00	45.49	41.60	25.24	14.67	10.10
	Cumulative change from previous year end (in per cent)										
17	Net Foreign Assets (NFA)	61.58	34.25	(0.79)	(19.71)	(15.17)	(31.52)	(16.87)	77.25	16.86	22.12
18	Net Domestic Assets (NDA)	(5.32)	(90.32)	(38.50)	66.56	70.64	165.93	5.28	(49.87)	2.96	2.44
19	o/w: Claims on government (net)	(17.05)	52.08	156.40	252.70	248.10	274.69	2.43	(39.05)	(1.74)	6.55
20	Reserve Money (RM)	34.39	(1.42)	(11.59)	4.99	9.40	25.02	(3.38)	(0.17)	8.39	10.13
	Annual per cent contribution										
21	Net Foreign Assets	36.56	2.12	7.95	(0.20)	(0.65)	(22.49)	(55.97)	17.91	(0.18)	(0.78)
22	Net Domestic Assets (NDA)	(2.16)	18.29	8.67	31.95	26.79	47.51	78.50	23.26	29.24	26.64
23	RM growth (y-o-y)	34.39	20.41	16.62	31.75	26.14	25.02	22.53	41.17	29.07	25.86

Source: Bank of Ghana Staff Calculations

Appendix 3: Fiscal indicators

Million Ghana Cedis	2019 JAN-SEPT OUTTURN	2020 JAN-SEPT OUTTURN	2021 JAN-SEPT OUTTURN	2021 JAN-SEPT PROG
Taxes on income and property	14,195.79	15,007.57	18,235.23	20,535.32
percent of GDP	3.98	3.91	4.15	4.67
Taxes on goods and services	12,378.68	12,680.84	16,045.29	16,372.14
percent of GDP	3.47	3.31	3.65	3.72
Taxes on international trade	4,038.71	3,847.24	4,908.26	4,833.25
percent of GDP	1.13	1.00	1.11	1.10
Tax revenue including oil	28,998.13	29,792.61	37,145.39	39,324.36
percent of GDP	8.13	7.77	8.45	8.94
Tax revenue excluding oil	27,188.70	28,594.73	33,066.65	35,705.65
percent of GDP	8.11	7.73	7.52	8.12
Nontax revenue	5,086.01	4,785.92	6,082.23	7,348.92
percent of GDP	1.43	1.25	1.38	1.67
Domestic revenue including oil	35,617.75	36,581.49	46,387.64	50,120.76
percent of GDP	9.99	9.54	10.55	11.40
Domestic revenue excluding oil	33,808.31	35,383.62	42,308.90	46,502.05
percent of GDP	10.09	9.57	9.62	10.58
Grants	631.75	856.71	847.38	1,193.65
percent of GDP	0.18	0.22	0.19	0.27
Total revenue and grants	36,249.50	37,438.21	47,235.02	51,314.41
percent of GDP	10.17	9.76	10.75	11.67
Compensation of Employees	16,579.26	20,447.99	23,393.65	23,323.81
percent of GDP	4.65	5.33	5.32	5.30
Goods and services	4,713.07	5,541.73	3,345.53	5,503.82
percent of GDP	1.32	1.45	0.76	1.25
Interest payments	14,755.66	18,825.64	25,393.68	25,158.11
percent of GDP	4.14	4.91	5.77	5.72
Subsidies	124.24	168.12	135.93	176.85
percent of GDP	0.03	0.04	0.03	0.04
Non-Financial Assets (Capital Expenditure)	4,557.12	8,978.36	9,073.76	8,532.47
percent of GDP	1.28	2.34	2.06	1.94
Total expenditure & net lending	51,045.56	71,183.77	76,498.18	80,859.92
percent of GDP	14.32	18.56	17.41	18.40
Overall Budget Balance	-15,671.94	-32,870.52	(33,857.67)	(32,575.51)
percent of GDP	-4.40	-8.57	(7.70)	(7.41)
Domestic Expenditure	34,303.75	44,719.95	46,467.56	49,810.50
percent of GDP	9.62	11.66	10.57	11.33
Domestic Primary Balance	1,314.00	-8,138.46	(79.92)	310.27
percent of GDP	0.37	-2.12	(0.01)	0.07
Primary Balance	-916.28	-14,044.88	(8,463.99)	(7,417.40)
percent of GDP	-0.26	-3.66	(1.92)	(1.68)
Nominal GDP (Including Oil)	356,544.27	383,486.09	439,381.35	439,381.35

Appendix 4: Headline Inflation

	Headline Inflation (%)			Monthly Changes in CPI (%)		
	Combined	Food	Non-food	Combined	Food	Non-food
Dec-19	**7.9**	**7.2**	**8.5**	**0.3**	**-0.6**	**1.0**
2020						
Mar	7.8	8.4	7.4	0.8	1.6	0.3
Jun	11.2	13.8	9.2	1.0	0.1	1.8
Sept	10.4	11.2	9.8	-0.2	-0.5	0.1
Oct	10.1	12.6	8.3	0.2	0.1	0.3
Nov	9.8	11.7	8.3	0.3	0.3	0.3
Dec	10.4	14.1	7.7	0.9	1.5	0.4
2021						
Jan	9.9	12.8	7.7	0.9	1.2	0.7
Feb	10.3	12.3	8.8	0.8	0.0	1.4
Mar	10.3	10.8	10.0	0.9	0.2	1.4
Apr	8.5	6.5	10.2	1.5	2.3	1.0
May	7.5	5.4	9.2	0.8	1.3	0.4
Jun	7.8	7.3	8.2	1.3	1.8	0.8
Jul	9.0	9.5	8.6	1.6	2.0	1.3
Aug	9.7	10.6	8.7	0.3	0.2	0.3
Sept	10.6	11.5	9.9	0.6	0.0	1.2
Oct	11.0	11.0	11.0	0.6	0.3	1.3

Source: Ghana Statistical Service

Appendix 5: CPI Components

CPI Components (%)										
		2020					2021			
	Weghts (%)	Mar	Jun	Sept	Oct	Dec	Mar	Jun	Sept	Oct
Overall	100.0	7.8	11.2	10.4	10.1	10.4	10.3	7.8	10.6	11.0
Food and Beverages	43.1	8.4	13.8	11.2	12.6	14.1	10.8	7.3	11.5	11.0
Non-food	56.9	7.4	9.2	9.8	8.3	7.7	10.0	8.2	9.9	11.0
Alcoholic Beverages, Tobacco	3.7	11.4	8.6	9.0	6.7	6.0	7.0	6.5	8.1	10.0
Clothing and footwear	8.1	8.4	7.3	8.0	7.0	7.9	6.0	6.0	6.8	7.7
Housing and Utilities	10.2	6.7	21.3	20.3	20.2	20.1	29.0	14.2	18.7	20.6
Furnish, H/H Equipt. Etc	3.2	4.3	4.9	4.9	4.4	4.7	4.7	4.7	6.3	7.3
Health	0.7	6.2	7.8	8.9	5.7	6.0	7.1	6.0	4.6	5.2
Transport	10.1	9.2	6.3	10.1	5.3	4.8	6.8	13.4	13.6	14.9
Information and Communication	3.6	3.0	6.3	6.8	6.7	7.0	8.1	4.9	6.6	7.8
Recreation & Culture	3.5	9.0	5.8	3.4	2.5	1.8	4.0	3.6	6.8	7.2
Education	6.5	6.8	4.1	4.2	3.8	0.2	0.4	0.9	0.9	0.9
Restaurants and Accommodation	4.6	3.5	5.8	7.0	7.1	5.4	6.1	4.8	3.2	4.0
Insurance and Finacial services	0.2	0.1	3.5	2.0	2.1	3.3	7.8	5.5	7.1	7.1
Miscellaneous goods & services	2.4	7.3	5.4	4.6	3.4	3.8	4.5	4.5	7.2	8.5

Source: Ghana Statistical Service

Appendix 6

Table 1: Asset and Liability Structure of the Banking Sector

	Oct-18	Oct-19	Oct-20	Aug-21	Oct-21
Components of Assets (% of Total)					
Cash and Due from Banks	23.7	23.3	20.5	18.6	18.9
Investments	40.3	39.2	44.4	48.3	48.0
Net Advances	28.7	30.1	27.5	25.4	25.8
Others	8.0	8.4	7.0	7.5	7.8
Components of Liabilities and Shareholders' Funds (% of Total)					
Total Deposits	63.4	65.2	66.9	67.1	67.6
Total Borrowings	17.0	14.1	12.0	11.3	11.9
Shareholders' Funds	13.9	13.9	13.9	13.6	13.8
Other Liabilities	6.1	7.3	6.7	5.9	9.3

Bank of Ghana Staff Calculations

Table 2: Credit Growth

Economic Sector	Gh¢million				y/y growth (%)		year-to-date growth(%)		
	Oct-19	Oct-20	Aug-21	Oct-21	Oct-20	Oct-21	Oct-20	Aug-21	Oct-21
Public Sector	**4,514.3**	**5,305.8**	**4,934.82**	**5,261.33**	**17.5**	**-0.8**	**-8.6**	**16.5**	**24.2**
Private Sector	**37,131.7**	**42,058.0**	**43,936.88**	**46,332.38**	**13.3**	**10.2**	**6.8**	**0.9**	**6.4**
- Private Enterprises	27,525.5	30,503.0	31,954.12	33,299.75	10.8	9.2	5.9	-2.4	1.7
o/w Foreign	3,980.5	3,471.5	4,267.73	4,393.76	-12.8	26.6	-8.1	11.0	14.3
Indigeneous	23,545.1	27,031.5	27,686.39	28,905.99	14.8	6.9	8.0	-4.2	0.0
- Households	8,476.1	10,247.5	10,355.59	11,480.31	20.9	12.0	8.9	8.4	20.1
Gross Loans	**41,646.0**	**47,363.8**	**48,871.7**	**51,593.7**	**13.7**	**8.9**	**4.9**	**2.3**	**8.0**

Bank of Ghana Staff Calculations

Table 3: Contingent Liability

	Oct-18	Oct-19	Oct-20	Aug-21	Oct-21
Contingent Liabilities (GH¢M)	9,347.7	10,620.9	11,430.2	14,997.9	16,532.8
Growth (y-o-y)	6.1	11.9	- 0.3	36.8	44.8
% of Total Liabilities	10.1	10.2	8.8	10.6	11.0

Bank of Ghana Staff Calculations

Table 4: Distribution of Loans and NPLs By Economic Sector (Percent)

	Oct-19		Oct-20		Aug-21		Oct-21	
	Share in Total Credit	Share in NPLs	Share in Total Credit	Share in NPLs	Share in Total Credit	Share in NPLs	Share in Total Credit	Share in NPLs
a. Public Sector	**10.8**	**2.3**	**11.2**	**4.2**	**10.1**	**3.0**	**10.2**	**4.0**
i. Government	3.8	0.2	4.1	0.5	4.8	1.8	4.9	1.8
ii. Public Institutions	2.5	0.2	3.6	0.1	2.4	0.0	2.3	0.0
iii. Public Enterprises	4.5	1.8	3.5	3.6	2.9	1.1	3.1	2.2
b. Private Sector	**89.2**	**97.7**	**88.8**	**95.8**	**89.9**	**97.0**	**89.8**	**96.0**
i. Private Enterprises	66.1	84.8	64.4	84.1	65.4	88.9	64.5	87.4
o/w Foreign	9.6	8.6	7.3	5.9	8.7	5.0	8.5	7.9
Indigeneous	56.5	76.2	57.1	78.1	56.7	84.0	56.0	79.5
ii. Households	20.4	8.2	21.6	8.7	21.2	6.4	22.3	7.0
iii. Others	2.7	4.8	2.8	3.0	3.3	1.6	3.0	1.6

Bank of Ghana Staff Calculations

Table 5: Liquidity Ratios

	Oct-18	Oct-19	Oct-20	Aug-21	Oct-21
Liquid Assets (Core) - (GH¢'million)	25,216.2	28,158.9	30,723.4	30,915.9	32,822.3
Liquid Assets (Broad) -(GH¢'million)	67,630.1	75,200.3	96,981.2	111,024.0	116,016.0
Liquid Assets to total deposits (Core)-%	37.4	35.7	30.7	27.7	28.0
Liquid Assets to total deposits (Broad)- %	100.4	95.3	96.8	99.5	98.8
Liquid assets to total assets (Core)- %	23.7	23.3	20.5	18.6	18.9
Liquid assets to total assets (Broad)- %	63.6	62.1	64.8	66.7	66.7

Bank of Ghana Staff Calculations

Table 6: Profitability Indicators (%)

	Oct-18	Oct-19	Oct-20	Oct-21
Gross Yield	13.1	14.9	14.1	13.8
Interest Payable	5.0	5.1	4.5	4.4
Spread	8.1	9.8	9.6	9.3
Asset Utilitisation	11.7	12.0	11.1	11.0
Interest Margin to Total Assets	5.7	6.2	6.1	6.0
Interest Margin to Gross income	48.9	52.0	54.5	54.8
Profitability Ratio	15.6	19.5	20.7	19.8
Return On Equity (%) after tax	17.6	20.7	21.2	19.8
Return On Assets (%) before tax	3.3	4.3	4.2	4.4

Source: Bank of Ghana Staff Calculations

Table 7: DMBs' Income Statement Highlights

	Oct-18	Oct-19	Oct-20	Oct-21	Oct-19	Oct-20	Oct-21
	(GH ¢'million)				Y-on-y Growth (%)		
Interest Income	9,874.5	11,530.5	13,360.9	15,437.1	16.8	15.9	15.5
Interest Expenses	3,770.70	3,966.10	4,292.66	4,986.00	5.2	8.2	16.2
Net Interest Income	**6,103.8**	**7,564.4**	**9,068.2**	**10,451.1**	**23.9**	**19.9**	**15.2**
Fees and Commissions (Net)	1,590.2	1,785.7	1,895.2	2,329.0	12.3	6.1	22.9
Other Income	1,025.1	1,233.5	1,372.9	1,320.1	20.3	11.3	(3.8)
Operating Income	8,719.1	10,583.5	12,336.3	14,100.2	21.4	16.6	14.3
Operating Expenses	4,697.02	5,233.65	5,753.70	6,389.11	11.4	9.9	11.0
Staff Cost (deduct)	2,470.68	2,853.94	3,040.18	3,461.74	15.5	6.5	13.9
Other operating Expenses	2,226.33	2,379.71	2,713.52	2,927.37	6.9	14.0	7.9
Net Operating Income	**4,022.1**	**5,349.9**	**6,582.5**	**7,711.1**	**33.0**	**23.0**	**17.1**
Total Provision (Loan losses, Depreciation & others)	1,146.69	1,337.73	1,686.70	1,749.78	16.7	26.1	3.7
Income Before Tax	**2,875.4**	**4,012.1**	**4,895.9**	**5,961.3**	**39.5**	**22.0**	**21.8**
Tax	927.46	1,182.20	1,461.03	2,183.91	27.5	23.6	49.5
Net Income	**1,948.0**	**2,829.9**	**3,434.8**	**3,777.4**	**45.3**	**21.4**	**10.0**
Gross Income	12,489.8	14,549.6	16,628.9	19,086.2	16.5	14.3	14.8

Bank of Ghana Staff Calculations

Table 8: Developments in Offshore Balances

	Oct-18	Oct-19	Oct-20	Aug-21	Oct-21
Offshore balances as % to Networth	69.8	50.9	45.8	27.1	27.5
Annual Growth in Offshore balances (%)	25.2	-9.0	6.2	-36.4	-30.7
Annual Growth in Nostro Balances (%)	-1.2	7.0	23.4	-36.7	-38.8
Annual Growth in Placement (%)	59.4	-21.8	-12.4	-36.1	-18.5

Source: Bank of Ghana Staff Calculations