



## Bank of Ghana Monetary Policy Report

### Global Economic Developments & Ghana's Balance of Payments

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#### Highlights

- *Global economic activity has continued to recover in 2021Q2 supported by vaccination campaigns and the easing of restrictions. However, the pace of global growth is now expected to slowdown in 2021H2, partly reflecting the continued spread of the Delta variant.*
- *Global price pressures have continued to build supported by the recovery in economic activity, higher energy prices and disruptions to supply chains*
- *Global financial conditions have remained generally supportive of the global economic recovery due to the still accommodative stance of major central banks*
- *The dollar's upward trajectory stalled between July and September. Investors are awaiting further clarity on when the Fed will start cutting stimulus. Meanwhile some EMDE currencies remained under pressure owing to country specific vulnerabilities.*

#### Section I: Global Economic Developments

##### 1.0 Global Real GDP Growth Developments

Global economic activity continued to recover in 2021Q2 supported by vaccination campaigns and the easing of restrictions, despite constraints to production arising from shortages of some materials and skilled workers. However, the pace of global growth is expected to slow in 2021H2, partly reflecting the continued spread of the Delta variant. In emerging market and developing economies (EMDEs), the relatively low vaccination will delay the removal of restrictions, slowing their recovery. Also, survey data points to a slowdown in momentum in the manufacturing sector on account of delays in input supplies.

In terms of the outlook, the IMF projects global growth of 6.0 percent in 2021 and around 4.9 percent in 2022, supported by policy measures and vaccination campaigns, which have allowed restrictions to be eased and more businesses to reopen. Country specific projections also show a sharp rebound in 2021 (Table 1). However, these projections are subject to the uncertain evolution of the pandemic and the response of policy. COVID-19 caseloads continue to rise in many parts of the world, especially in EMDEs where vaccinations rates are low. Also, a substantial share of the world's population is hesitant about inoculation which is delaying the rapid containment of the pandemic. Additionally, substantial supply bottlenecks coming out of the uneven recovery would weigh on growth.

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

<b>Table 1. Overview of the World Economic Outlook Projections</b> (Percent change)				
	Year over Year			
	Estimates 2019	2020	Projections 2021	2022
<b>World Output</b>	2.8	-3.2	6.0	4.9
<b>Advanced Economies</b>	1.6	-4.6	5.6	4.4
United States	2.2	-3.5	7.0	4.9
Euro Area	1.3	-6.5	4.6	4.3
Germany	0.6	-4.8	3.6	4.1
France	1.8	-8.0	5.8	4.2
Italy	0.3	-8.9	4.9	4.2
Spain	2.0	-10.8	6.2	5.8
Japan	0.0	-4.7	2.8	3.0
United Kingdom	1.4	-9.8	7.0	4.8
Canada	1.9	-5.3	6.3	4.5
Other Advanced Economies	1.9	-2.0	4.9	3.6
<b>Emerging Market and Developing Economies</b>	3.7	-2.1	6.3	5.2
China	6.0	2.3	8.1	5.7
India	4.0	-7.3	9.5	8.5
Russia	2.0	-3.0	4.4	3.1
Brazil	1.4	-4.1	5.3	1.9
Mexico	-0.2	-8.3	6.3	4.2
Sub-Saharan Africa	3.2	-1.8	3.4	4.1
Nigeria	2.2	-1.8	2.5	2.6
South Africa	0.2	-7.0	4.0	2.2

Source: IMF World Economic Outlook, July 2021 update

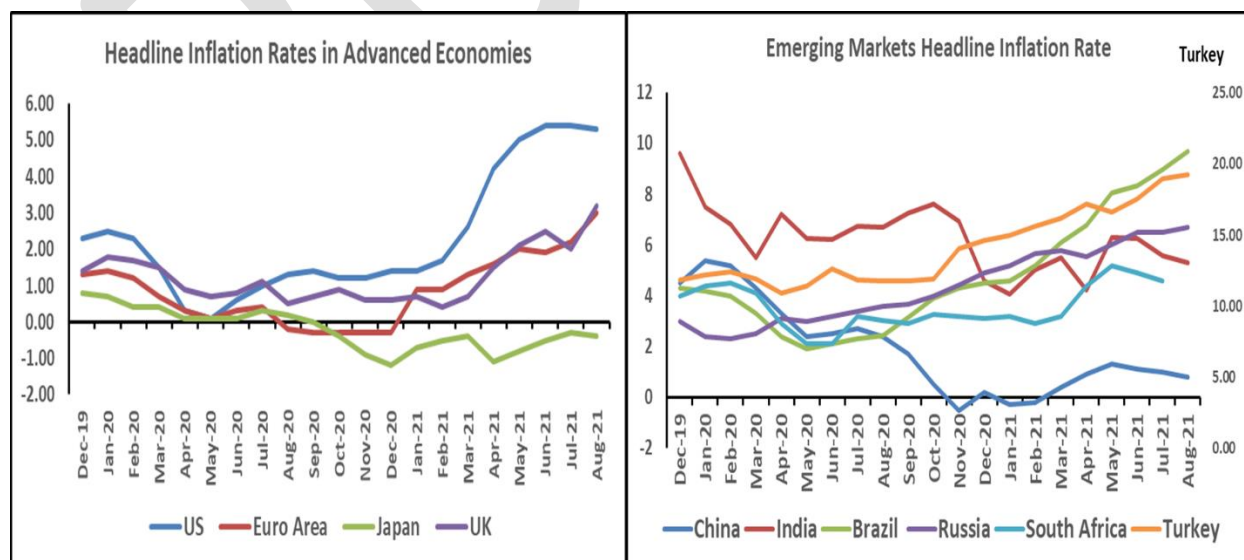
## 2.0 Global Price Developments

Headline inflation continues to run above target in several advanced and emerging market economies partly reflecting the sharp increase in commodity prices, particularly energy prices as the global economy continue to recover. However, the surge of the Delta variant around the globe will weigh on oil demand in the near term and help to moderate price pressures (Figure 1).

Developments in headline inflation was also influenced by a number of other factors including the sharp rise in goods prices reflecting bottlenecks in transportation; production constraints arising from the shortage of inputs and skilled workers on account of stronger demand for inputs and the uneven recovery and sectoral shifts that is creating skill mismatch; past exchange rate depreciation particularly in EMDEs; and base effects. At the same time, the improved prospects for global recovery have led to rising expectations of future inflation. However, the still sizeable spare capacity in many countries and the associated labour market slack, would restrain wage growth, and prevent a sustained pick-up in underlying inflation. Headline Inflation is expected to return to their target over the medium term as the spare capacity is eroded. In Emerging Market and Frontier Economies, domestic currency movements, pickup in oil prices and COVID-related supply-side constraints continue to drive price movements in the near-term.

Looking ahead, headline inflation will continue to rise in the near term driven by the recovery of oil prices, a surge in demand as economies re-open, supply constraints and one-off factors such as tax changes. However, the slack in labour markets across the world would dampen any sustained increase in underlying inflation in the near term. Inflation in advanced economies is expected to return to their target over the medium-term as the spare capacity is eroded. In emerging-market and developing economies, we expect the pick-up in oil prices and domestic currency depreciation to put pressure on inflation in the near-term. Also, the spread of the Delta variant in EMDEs may cause food shortages and lead to a sharp rise in food prices with implications for inflation.

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



Source: BOG/Trading Economics

### 3.0 Global Financial Market Developments

Global financial conditions have remained generally supportive of the global economic recovery process. Policy rates in major advanced economies are expected to remain low despite signs of inflationary pressures. Also, longer-term rates declined in recent months amid concerns about the impact of the Delta variant on global recovery, while sovereign spreads in emerging markets and developing economies have remained relatively compressed. In the equity market, better prospects for corporate earnings as the global economy improves and expectation that interest rates will remain low, at least in the near-term, have supported equity valuations in advanced economies. However, the momentum in equity prices have slowed in EMDEs reflecting concerns about the impact of the Delta variant on global recovery amid low vaccination. Also, there is a decline in portfolio inflows to EMDEs as investors await news about tapering in the purchase of government bonds and mortgaged backed securities by the major advanced economy central banks. Portfolio flows to EMDEs stood at \$4.3billion in August, down from \$6 billion in July 2021.

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

	Key Rate	Previous (%)	Current (%)	Forecast	Inflation Rate (August, 2021)	Real rate	Infl Target	overall Fiscal Deficit (2020,% of GDP)	GDP Growth (Dec.2020)	Gross Debt/GDP (2020, %)
U.S	Federal Funds Rate	0.25	0.25	0.25	5.3	-5.05	2%	-15.8	-3.5	127.1
Euro Area	Rifinancing Rate	0	0	0	3	-3	< 2%	-7.6	-6.7	96.9
UK	Bank Rate	0.1	0.1	0.1	3.2	-3.1	2%	-13.4	-9.8	103.7
Japan	short term policy rate	-0.1	-0.1	-0.1	-0.4	0.3	2%	-12.6	-4.8	256.2
Russia	Benchmark rate	6.5	6.75	7	6.68	0.07	4%	-4.1	-3	19.3
India	Benchmark rate	4	4	4	5.3	-1.3	4±2%	-12.3	-8.0	89.6
Brazil	Selic rate	4.25	5.25	5.25	9.68	-4.43	4.5±1.5%	-13.4	-4.1	98.9
Turkey	One week repo rate	19	19	19	19.25	-0.25	5±2%	-5.4	1.8	36.8
Malaysia	Policy Rate	1.75	1.75	1.75	2.2	-0.45	3% - 4%	-5.1	-5.6	67.5
Indonesia	Policy Rate	3.5	3.5	3.5	1.59	1.91	3.5% ± 1%	-5.9	-2.1	36.6
Chile	Benchmark Interest Rate	0.75	1.5	1.25	4.8	-3.3	3±1%	-7.1	-5.8	32.5
Ghana	Monetary Policy Rate	13.5	13.5	14.5	9.7	3.8	8±2%	-16	0.4	78.0
South Africa	Repo Rate	3.5	3.5	3.5	4.9	-1.4	3% -6%	-12.2	-7.0	77.1
Nigeria	Monetary Policy Rate	11.5	11.5	11.5	17.01	-5.51	6% -9%	-5.8	-1.8	35.1
Kenya	Policy Rate	7	7	7	6.57	0.43	2.5-7.5%	-8.4	-0.3	68.7
Zambia	Policy Rate	8.5	8.5	8.5	24.4	-15.9	9%	-13.9	-3	117.8
Morocco	Policy Rate	1.5	1.5	1.5	2.2	-0.7		-7.6	-7.1	76.1

Source: Growth rate(World Bank); Debt/GDP (IMF); Policy Rates (Trading Economics), August 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.

In terms of the outlook, central banks in major economies view the recovery as fragile reflecting the continued spread of the Delta variant and slow pace of vaccination. At the same time, current inflationary pressures are judged to be driven by temporary factors. Although some central banks in advanced economies such as European Central Bank and the US Federal Reserve Bank (Fed) have announced tapering for the last quarter of the year, they still hold their position of maintaining an accommodative monetary policy stance until the labour market is strong and the recovery is well entrenched. However, the Delta variant continues to spread across the world with attendant localized lockdown which could delay the recovery process.

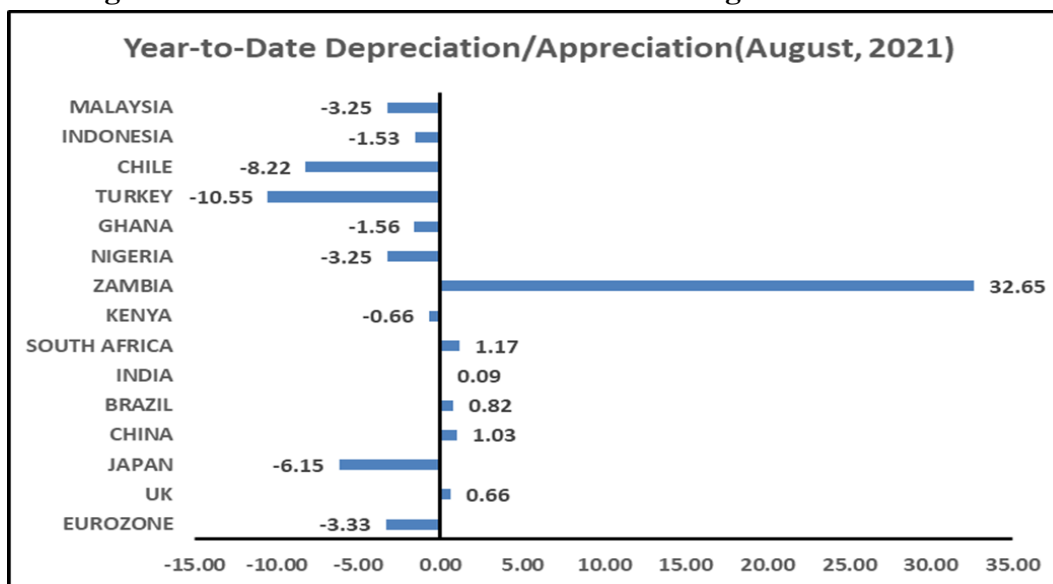
#### **4.0 Currency Markets**

On the international currency market, the US dollar's upward trajectory stalled between July and September as the rising cases of the Delta variant threatened to slow the recovery in the US and investors sought further clarity on when the Fed tapering will start. The Fed announced in September 2021 that it would begin cutting its asset purchase programme in November 2021. The announcement is likely to support the dollar as it will signal the beginning of monetary policy tightening in the US tapering also means a reduction in the amount of dollars the Fed pumps into the US economy. The strengthening dollar will put pressure on EMDEs currencies, particularly in economies with country specific vulnerabilities. The Zambian Kwacha was the best performing currency during the reporting period on account of forex inflows from rising copper prices, expectation of further inflows from the IMF SDR allocation to the country as well as investor confidence in the policies of the new government (Figure 2).

In the domestic currency market, the Ghana Cedi came under pressure moving into the third quarter on the back of strong demand for forex as the economy recovered. Strong pipeline demand from manufacturing, commerce and energy sectors contributed to the pressures. Also, expectation of tapering from Fed caused offshore investors to move to the US market which reduced forex liquidity in the market. Some of these pressures were offset by bilateral support to offshore investors and forex auctions. In the interbank market, the Ghana cedi depreciated by 1.6 percent and 2.2 percent against the US Dollar and Pound respectively but appreciated by 2.3 percent against the Euro on a year-to-date basis compared to a depreciation of 2.7 percent, 3.7 percent and 8.5 percent against the Dollar, the Euro and the Pound respectively, during the same period in 2020 (Table 3). Historically, the Cedi performed better in August 2021 on a year-to-date basis compared

to the same period from 2017-2020. Also, the Cedi was less volatile during the first 181 transaction days in 2021 compared to the same period in 2020.

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



Source: BOG/Bloomberg

**Table 3: Interbank Exchange Rates**

Exchange Rate Movements									
	US\$/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation	GBP/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation	Euro/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation
<b>2019</b>									
Jan	4.9506	-2.6	-2.64	6.5121	-5.2	-5.24	5.6824	-3.0	-2.98
Feb	5.1752	-4.3	-6.86	6.8703	-5.2	-10.18	5.8799	-3.4	-6.24
Mar	5.0834	1.8	-5.18	6.6166	3.8	-6.73	5.7084	3.0	-3.42
Apr	5.0881	-0.1	-5.27	6.6318	-0.2	-6.95	5.7001	0.1	-3.28
May	5.2011	-2.2	-7.33	6.5640	1.0	-5.99	5.7973	-1.7	-4.90
June	5.2590	-1.1	-8.35	6.6787	-1.7	-7.60	5.9831	-3.1	-7.86
July	5.2570	0.0	-8.31	6.4267	3.9	-3.98	5.8528	2.2	-5.80
Aug	5.2814	-0.5	-8.74	6.4296	0.0	-4.02	5.8094	0.7	-5.10
Sep	5.3161	-0.7	-9.33	6.5412	-1.7	-5.66	5.7956	0.2	-4.87
Oct	5.3372	-0.4	-9.69	6.9010	-5.2	-10.58	5.9445	-2.5	-7.26
Nov	5.5254	-3.4	-12.77	7.1322	-3.2	-13.48	6.0785	-2.2	-9.30
Dec	5.5337	-0.1	-12.90	7.3164	-2.5	-15.66	6.2114	-2.1	-11.24
<b>2020</b>									
Jan	5.5274	0.1	0.11	7.1924	1.7	1.72	6.0476	2.7	2.71
Feb	5.2949	4.4	4.51	6.7881	6.0	7.78	5.8048	4.2	7.00
Mar	5.4423	-2.7	1.68	6.7583	0.4	8.26	5.9752	-2.9	3.95
Apr	5.6010	-2.8	-1.20	7.0584	-4.3	3.66	6.1276	-2.5	1.37
May	5.6203	-0.3	-1.54	6.9186	2.0	5.75	6.2406	-1.8	-0.47
June	5.6674	-0.8	-2.36	7.0038	-1.2	4.46	6.3613	-1.9	-2.36
July	5.6782	-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
<b>2021</b>									
Jan	5.7604	0.0	0.00	7.8996	-0.3	-0.32	6.9929	1.0	1.02
Feb	5.7374	0.4	0.40	7.9945	-1.2	-1.50	6.9545	0.6	1.58
Mar	5.7288	0.2	0.55	7.8717	1.6	0.03	6.7122	3.6	5.25
Apr	5.7322	-0.1	0.49	7.9222	-0.6	-0.61	6.8958	-2.7	2.44
May	5.7473	-0.3	0.22	8.1672	-3.0	-3.59	7.0268	-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	-1.3	-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

Source: Bank of Ghana Staff Calculations

In nominal effective terms, (i.e., taking movements in major trading partner currencies into account), the Ghana cedi appreciated by 1.0 percent in nominal trade weighted terms (TWI) but depreciated by 1.3 percent in nominal Forex transactions weighted terms (FXTWI), on a year –to-date basis (Table 4). This is against the depreciation of 7.9 percent in nominal trade weighted terms and a depreciation of 3.2 percent in nominal foreign exchange transaction weighted terms respectively over the same period in 2020.

In real bilateral terms, the Ghana cedi appreciated by 2.2 percent, 6.9 percent, and 3.1 percent respectively against the US 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 5.4 percent, 0.3 percent, and 4.9 percent against the Dollar, the Euro, and the Pound Sterling respectively (Table 5).

Table 6 shows the real effective exchange rate movements of the Ghana cedi against the three major currencies (i.e., US dollar, the Euro and Pound). On a year-to-date basis, the Ghana cedi appreciated by 5.9 percent in real trade weighted terms and by 2.6 percent in real forex transaction weighted terms in August 2021. These compare with an appreciation of 1.4 percent and 5.0 percent respectively in trade weighted terms and FX transaction weighted terms in August 2020.

**Table 4: Nominal Effective Exchange Rate**

Month	2018=100		Monthly CHG(%)		Year-to-Date (%)	
	FXTWI	TWI	FXTWI	TWI	FXTWI	TWI
<b>2020</b>						
Jan-20	27.66	31.90	0.20	1.0	0.20	0.98
Feb-20	28.90	33.54	4.31	4.90	4.51	5.83
Mar-20	28.14	32.71	-2.72	-2.54	1.91	3.43
Apr-20	27.35	31.93	-2.89	-2.46	-0.92	1.06
May-20	27.24	31.53	-0.41	-1.26	-1.34	-0.18
Jun-20	26.98	30.98	-0.94	-1.79	-2.28	-1.97
Jul-20	26.80	29.66	-0.67	-4.45	-2.97	-6.51
Aug-20	26.73	29.27	-0.26	-1.35	-3.24	-7.94
Sep-20	26.71	29.68	-0.10	1.39	-3.35	-6.44
Oct-20	26.68	29.78	-0.08	0.34	-3.43	-6.07
Nov-20	26.60	29.14	-0.31	-2.18	-3.75	-8.39
Dec-20	26.33	28.31	-1.05	-2.94	-4.84	-11.58
<b>2021</b>						
Jan-21	26.34	28.45	0.04	0.47	0.04	0.47
Feb-21	26.44	28.64	0.40	0.67	0.44	1.14
Mar-21	26.55	29.36	0.39	2.45	0.83	3.57
Apr-21	26.48	28.78	-0.25	-1.99	0.59	1.64
May-21	26.36	28.26	-0.46	-1.86	0.13	-0.18
Jun-21	26.37	28.93	0.04	2.33	0.17	2.15
Jul-21	26.19	28.71	-0.70	-0.78	-0.52	1.39
Aug-21	25.98	28.60	-0.81	-0.40	-1.34	1.00

Source: Bank of Ghana Staff Calculations

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



**Table 5: Real Bilateral Exchange Rate**

Month	RER Index (Jan.18=100)			MONTHLY CHANGE (Index)			Year-to-Date (%)		
	EUR	GBP	USD	EUR	GBP	USD	EUR	GBP	USD
<b>2020</b>									
Jan-20	99.7	94.7	88.0	3.6	2.2	1.4	3.6	2.2	1.4
Feb-20	105.0	101.9	92.2	5.0	7.1	4.5	8.4	9.1	5.9
Mar-20	102.3	103.3	90.8	-2.6	1.3	-1.5	6.1	10.3	4.5
Apr-20	103.1	102.2	91.8	0.7	-1.1	1.1	6.8	9.3	5.5
May-20	103.2	105.6	93.1	0.1	3.3	1.4	6.8	12.3	6.8
Jun-20	101.8	105.3	93.4	-1.3	-0.3	0.4	5.6	12.0	7.2
Jul-20	97.8	99.7	92.5	-4.1	-5.6	-1.0	1.7	7.1	6.2
Aug-20	96.4	97.4	91.7	-1.5	-2.3	-0.9	0.3	4.9	5.4
Sep-20	97.6	99.9	91.1	1.2	2.4	-0.7	1.5	7.3	4.8
Oct-20	98.6	99.8	91.1	1.0	0.0	0.1	2.5	7.2	4.8
Nov-20	96.4	97.3	91.1	-2.3	-2.6	0.0	0.3	4.8	4.8
Dec-20	93.9	94.8	90.9	-2.7	-2.7	-0.2	-2.4	2.3	4.6
<b>2021</b>									
Jan-21	95.3	95.6	91.6	1.4	0.9	0.8	1.4	0.9	0.8
Feb-21	96.7	95.0	92.3	1.4	-0.6	0.8	2.9	0.3	1.6
Mar-21	99.6	96.8	92.7	2.9	1.8	0.4	5.7	2.1	2.0
Apr-21	98.04	97.3	93.3	-1.6	0.6	0.7	4.2	2.6	2.6
May-21	96.61	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	101.3	98.1	93.8	1.0	0.5	0.5	7.3	3.4	3.1
Aug-21	100.8	97.8	92.9	-0.5	-0.2	-0.9	6.9	3.1	2.2

Source: Bank of Ghana Staff Calculations

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

Month	INDEX (2018=100)		RTWI and FXRTWI		Year-to-Date (%)	
	RFXTWI	RTWI	MONTHLY CHG RFXTWI	RTWI	RFXTWI	RTWI
<b>2020</b>						
Jan-20	88.96	97.60	1.6	3.2	1.6	3.2
Feb-20	93.29	102.89	4.6	5.1	6.2	8.2
Mar-20	91.87	100.78	-1.6	-2.1	4.7	6.2
Apr-20	92.81	101.43	1.0	0.6	5.7	6.8
May-20	94.07	101.97	1.3	0.5	6.9	7.3
Jun-20	94.29	100.93	0.2	-1.0	7.2	6.4
Jul-20	93.05	97.23	-1.3	-3.8	5.9	2.8
Aug-20	92.15	95.84	-1.0	-1.5	5.0	1.4
Sep-20	91.72	96.90	-0.5	1.1	4.6	2.5
Oct-20	91.85	97.70	0.1	0.8	4.7	3.3
Nov-20	91.64	95.74	-0.2	-2.0	4.5	1.3
Dec-20	91.20	93.56	-0.5	-2.3	4.0	-1.0
<b>2021</b>						
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

Source: Bank of Ghana Staff Calculations

## 5.0 Global Economic Outlook and Risks

Global economic activity continued to recover in the second quarter of 2021 supported by vaccination campaigns and the easing of restrictions. However, the pace of global growth is now expected to slow in the second half of 2021, partly reflecting the continued spread of the Delta variant. Headline inflation pressures remain strong supported by the recovery in economic activity, higher energy prices and disruptions to supply chains. Underlying inflation have also picked up in

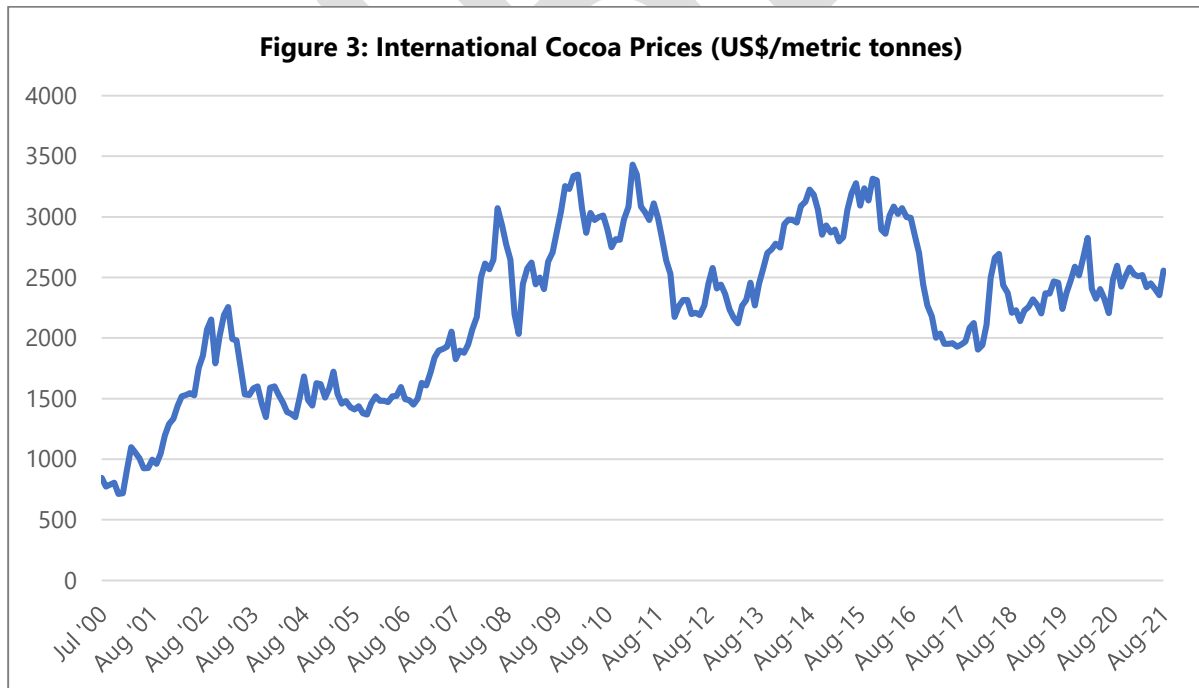


EMDEs especially driven by supply constraints, recovery in consumer demand as economies re-open and past exchange rate depreciation. Global financial conditions have generally remained supportive of the global economic recovery due to the still accommodative stance of major central banks. Risk to the outlook is tilted to the downside, with the uncertainty about the evolution of the pandemic remaining the main threat to global recovery.

## Section II: External Sector Developments

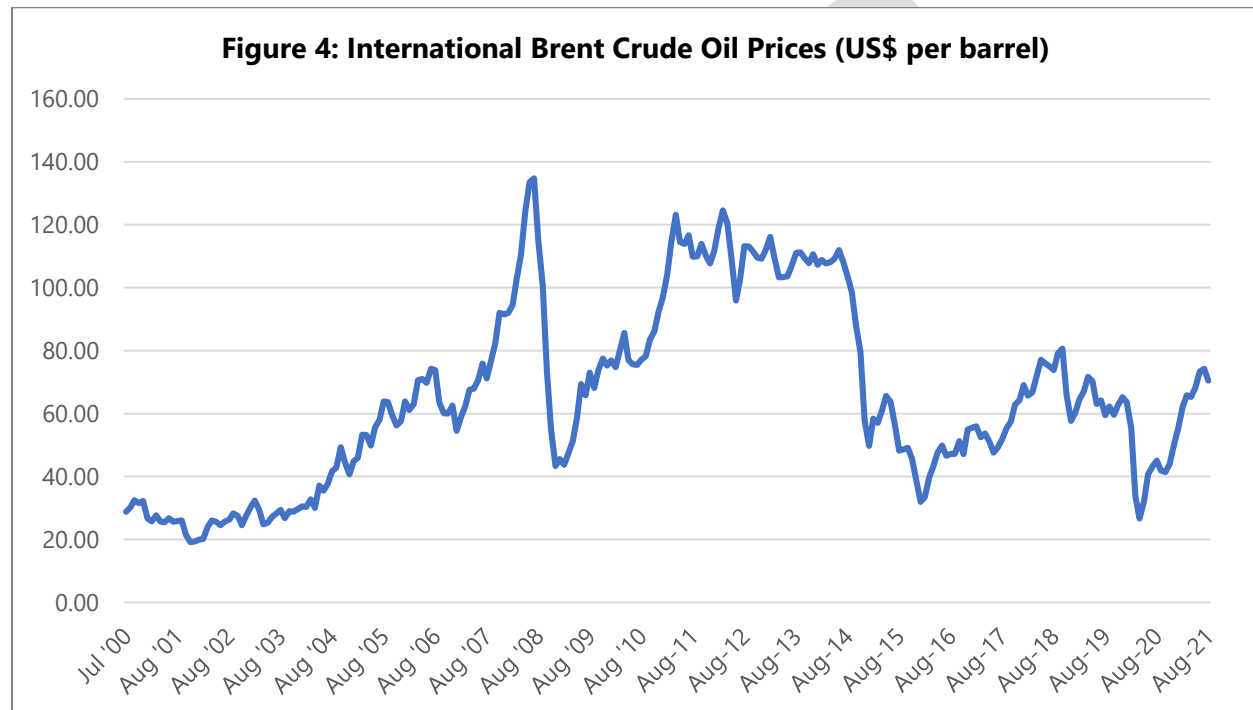
### 6.0 Commodity Price Trends

Cocoa futures recovered in August from the losses recorded in the two preceding months. The price of the bean gained 8.6 percent month-on-month to settle at an average price of US\$2,555.86. The market was supported by a rebound in demand linked to the lifting of coronavirus-related restrictions in some countries, though a rise in production in Ivory Coast and Ghana in the 2020/21 season kept the market well supplied. Weighed against the same period last year, cocoa gained 2.9 percent as the market responded to favourable financial results from large chocolate companies after a year of weak sales.



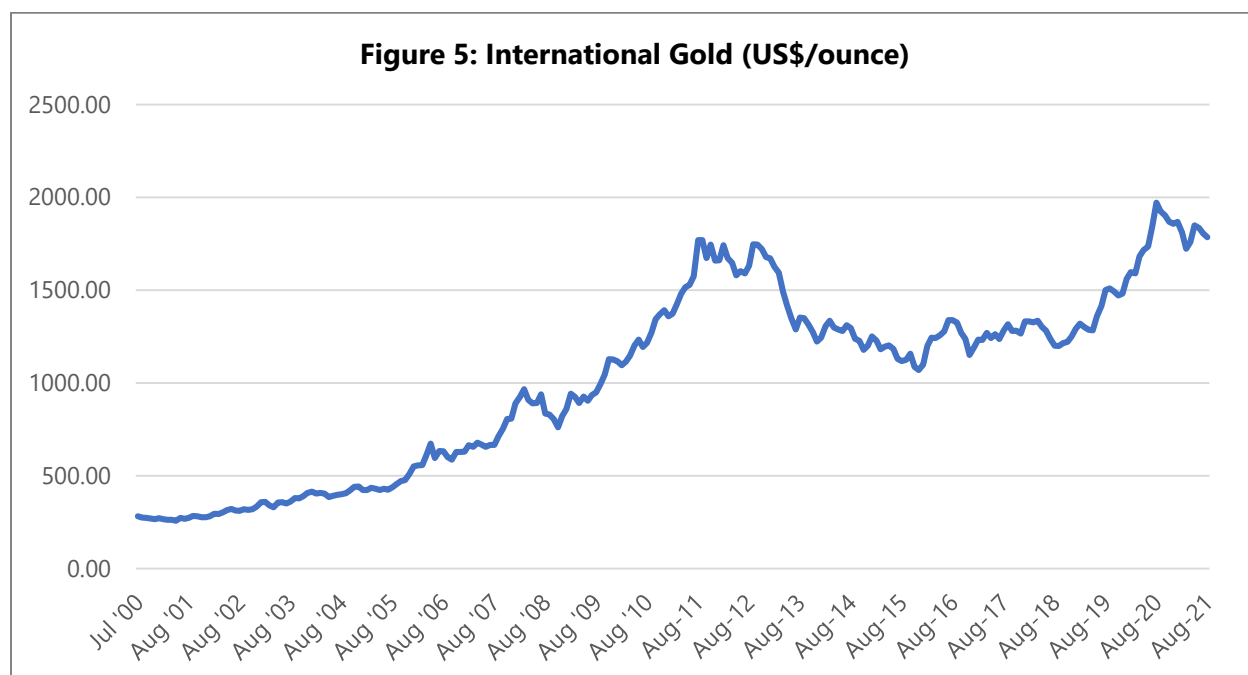
Source: BOG/Trading Economics

International benchmark Brent crude oil prices posted some losses in August. Investors expressed worry about the outlook for fuel demand as COVID-19 cases surged worldwide causing Brent crude oil prices to decline by 5.1 percent from the previous month and settled at US\$70.5 per barrel. This notwithstanding, brent crude prices have risen by 56.5 percent this year resulting from increasing demand after the easing of lock downs and restrictions on movement caused by the COVID 19 pandemic.



Source: BOG/Trading Economics

Spot gold prices inched lower for the third successive month into August 2021. An uptick in real yields along with expectations of Fed's tapering weighed on bullion overshadowing concerns of the rapid spread of the Delta coronavirus variant and the threat it posed to global economic recovery. The yellow metal lost 1.08 percent from its spot in July to settle at an average price of US\$1,785.67 per fine ounce during the month. Compared with prices the same time in 2020, gold has shed 9.41 percent of its value as the stronger US dollar pulled the yellow metal's safe haven appeal.



Source: BOG/Trading Economics

## 6.1 Trade Balance

Developments in the prices of these key commodities impacted on the export performance for the first eight months of 2021. Total export receipts for the period recorded a growth of 2.36 percent on a year-on-year basis to US\$9,857.22 million supported by higher prices realised from the three major exports: gold, cocoa and crude oil. Price increases of 6.20 percent for gold, 58.09 percent for crude oil and 4.22 percent for Cocoa beans were recorded during the period. However, the impact of these higher prices on export performance was moderated by a sharp decline in the volume of gold and crude oil exports by 20.9 and 20.1 percent, respectively. By contrast, the volume of cocoa beans exports during the period increased by 23.9 percent.

On the other hand, merchandise imports over the period increased by 8.6 percent to US\$8,982.41 million owing mainly to increased demand for refined petroleum products as economic activity picks up. Oil imports (including crude, gas, refined products, and other oil products) improved by 36.8 percent while non-oil merchandise imports bill grew by 3.8 percent. The higher import bill relative to export receipts resulted in a narrowed trade surplus of US\$874.82 million compared with US\$1,358.08 million same time a year ago.

## **6.2 International Reserves**

Gross International Reserves stood at US\$11,442.51 million equivalent to 5.2 months of import cover at the end of August 2021. This compares with 4.0 months of import cover recorded at the end of August and December 2020.

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

Cocoa arrivals in Ivory Coast at the end of August 2021 were up 4.7 percent from the same period last year while Ghana's Graded & Sealed cocoa arrivals were up 33.4 percent from the previous season. World cocoa production for 2021/22 season is estimated to decline by 3.0 percent from the previous season; Ivory Coast's cocoa production is expected to decline by 3.0 percent and Ghana's production to decline by 10.0 percent. The third quarter cocoa grindings are expected to be up 3.3 percent from the previous year. The larger cocoa grindings will underpin cocoa futures prices in the months ahead while ample global carryover stocks will weigh on futures prices in upcoming months. Nearby cocoa futures prices in September-December are forecast to average US\$2,450-US\$2,525 per tonne compared with \$2,556 per tonne a year earlier.

Brent crude oil spot prices averaged US\$71 per barrel in August, down US\$4 per barrel from July. However, compared to the same time in 2020, crude has rallied by US\$25 Brent prices have risen over the past year as result of steady draws on global oil inventories mainly due to increase mobility. The effects of the COVID-19 pandemic especially the new Delta variants continue to cast some uncertainty, though market fundamentals have strengthened. The production decisions of OPEC+ given an evolving demand outlook will also be a key price driver in the coming months. Brent prices are expected to remain near current levels for the remainder of 2021, averaging US\$71 per barrel during the fourth quarter of 2021.

Spot gold prices averaged US\$1,785.67 per fine ounce in August, a decline of 1.1 percent below July's average price of US\$1,805.15 per fine ounce. Gold performance was driven primarily by higher interest rates. While jewellery demand continued to recover from the ramifications of COVID-19, it remained well below pre-pandemic levels. The yellow metal was hurt by a stronger dollar as investors cautiously looked forward to US inflation data that could influence the Federal Reserve's timeline for easing its bond purchases. Global economic recovery and the recent price pullback should support consumer demand. However, surges in COVID-19 cases due to new

variants may pose as downside risk. Gold's performance in the coming months could be heavily influenced by the movement of interest rates, the strength of the US dollar and the success of vaccination campaigns around the world. The bullion is expected to trade between US\$1,720 per fine ounce and US\$1,850 per fine ounce.

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

	<b>2019 Jan - Aug</b>	<b>2020 Jan - Aug</b>	<b>Prov 2021 Jan - Aug</b>	<b>Abs Y/Y Chg</b>	<b>Rel Y/Y Chg</b>
<b>Trade Balance</b>	<b>1,421.0</b>	<b>1,358.1</b>	<b>874.8</b>	<b>-483.3</b>	<b>-35.6</b>
<i>Trade Bal (% GDP)</i>	<i>2.1</i>	<i>1.9</i>	<i>1.2</i>		
<b>Total Exports</b>	<b>10,570.6</b>	<b>9,629.7</b>	<b>9,857.2</b>	<b>227.5</b>	<b>2.4</b>
<b>Gold ( \$'M)</b>	4,106.4	4,332.5	3,427.3	-905.2	-20.9
Volume (fine ounces)	3,061,370	2,546,992	1,897,167	-649,825	-25.5
Unit Price (\$/fine ounce)	1,341.4	1,701.0	1,806.5	105.5	6.2
<b>Cocoa Beans ( \$'M)</b>	950.8	1,068.5	1,379.3	310.8	29.1
Volume (tonnes)	407,329	433,812	537,306	103,494	23.9
Unit Price (\$/tonne)	2,334.3	2,463.0	2,567.0	104.0	4.2
<b>Cocoa Products ( \$'M)</b>	556.6	652.2	724.1	71.9	11.0
Volume (tonnes)	189,975	207,179	211,270	4,090	2.0
Unit Price (\$/tonne)	2,929.8	3,148.1	3,427.4	279.3	8.9
<b>Crude Oil ( \$'M)</b>	3,073.1	1,928.6	2,435.7	507.1	26.3
Volume (barrels)	47,160,037	45,350,897	36,229,440	-9,121,457	-20.1
Unit Price (\$/bbl)	65.2	42.5	67.2	24.7	58.1
<b>Other Exports</b>	1,883.6	1,647.9	1,890.9	243.0	14.7
<b><i>o/w Non-Traditional Exports</i></b>	<b>1,295.2</b>	<b>1,323.7</b>	<b>1,516.7</b>	<b>193.0</b>	<b>14.6</b>
<b>Total Import</b>	<b>9,149.6</b>	<b>8,271.6</b>	<b>8,982.4</b>	<b>710.8</b>	<b>8.6</b>
Non-Oil	7,418.3	7,067.6	7,334.8	267.2	3.8
Oil and Gas	1,731.3	1,204.0	1,647.6	443.6	36.8
<i>of which: Products</i>	1,351.2	947.5	1,501.7	554.2	58.5
Crude Oil ( \$'M)	263.7	135.8	45.0	-90.8	-66.9
Volume (barrels)	4,128,419	3,585,791	660,127	-2,925,664	-81.6
Unit Price (\$/bbl)	63.9	37.9	68.2	30.3	79.9
Gas ( \$'M)	116.4	120.7	100.9	-19.8	-16.4
Volume (MMBtu)	16,270,688	16,624,397	13,499,190	-3,125,207	-18.8
Unit Price (\$/mmBtu)	7.2	7.3	7.5	0.2	3.0

Source: Bank of Ghana