



Bank of Ghana Monetary Policy Report

Real Sector Developments

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September 2021

1.0 Overview

Domestic economic activity continued to show strong signs of recovery from the adverse effects of the COVID-19 pandemic. The latest high frequency indicators recorded broad-based improvement in July 2021 compared to same period last year. Domestic VAT collections, retail sales, port activity, private sector contributions to social security, vehicle registration and passenger arrivals at the airport all improved in the review period.

2.0 Economic Growth

Developments in the domestic economy continue to point to sustained recovery in economic activity following the downturn at the peak of the pandemic. The latest data from Ghana Statistical Service indicate a strong pick up in the annual GDP growth to 3.9 percent in the second quarter of 2021, from the 3.1 percent recorded in the first quarter, and a 5.7 percent contraction recorded in the same period of 2020. Non-oil GDP, for the same period, also grew by 5.2 percent, compared with a contraction of 5.8 percent recorded for the same period in 2020. In terms of sectors, Agriculture and Services recorded growth of 5.5 percent and 11.0 percent respectively, while Industry contracted by 4.3 percent.

The growth performance in the second quarter reflects the sharp rebound in the cocoa sub-sector, which grew by 27.6 percent, supported by 18.7 percent growth in Hotels & Restaurants, 13.8 percent in Real Estate and 10.7 percent in trade. This performance was however, moderated by a contraction of 18.9 percent in the mining and quarrying sub-sector, due to a 10.8 percent contraction in the production of oil and gas.

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

Consumer Spending

Consumer spending, as measured by domestic VAT collections and retail sales, posted a positive performance in July 2021, compared with the corresponding period in 2020. Domestic VAT collections increased by 26.1 percent on a year-on-year basis to GH¢577.93 million in July 2021, from GH¢458.48 million recorded a year ago. On a month-on-month basis, domestic VAT collections improved by 1.8 percent. Cumulatively, total domestic VAT for the first seven months of 2021 went up by 32.6 percent to GH¢3,874.18 million compared with GH¢2,921.12 million for the same period of last year.

Retail sales increased by 18.6 percent (year-on-year) to GH¢111.02 million in July 2021, up from the GH¢93.59 million recorded in the same period in 2020. In the first seven months of 2021, retail sales grew by 33.0 percent to GH¢780.85 million, due largely to increased household consumption during the review period.

Manufacturing Activities

Activities in the manufacturing sub-sector, gauged by trends in the collection of direct taxes and private sector workers' contributions to the Social Security and National Insurance Trust (SSNIT) Pension Scheme (Tier-1), improved in July 2021. Total Direct Taxes collected increased by 4.8 percent (year-on-year) to GH¢1,558.78 million in July 2021, relative to GH¢1,486.71 million recorded in a similar period in 2020. Cumulatively, total Direct Taxes collected for the first seven months of 2021 went up by 29.1 percent to GH¢13,709.29 million. In terms of contributions of the various sub-tax categories, Income tax (PAYE and self-employed) accounted for 55.1 percent, Corporate tax accounted for 39.3 percent, while "Other Tax Sources" contributed 5.7 percent.

Total private sector workers' contribution to the SSNIT Pension Scheme (Tier-1) increased by 34.1 percent in year-on-year terms to GH¢237.13 million in July 2021, from GH¢176.84 million collected during the corresponding period in 2020. In cumulative terms, the contribution for the first seven months of 2021 improved by 8.9 percent to GH¢1,458.65 million.

Construction Sector Activities

Activity in the construction sub-sector, measured by the volume of cement sales, dipped by 5.7 percent (year-on-year) in July 2021 to 331,732.65 tonnes, down from 351,608.35 tonnes recorded a year ago. On a month-on-month basis, total cement sales decreased by 4.4 percent in July 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 seven months of 2021 went up by 19.4 percent to 2,451,905.89 tonnes.

Vehicle Registration

Transport sector activities, measured by vehicle registration by the Driver and Vehicle Licensing Authority (DVLA), improved by 10.0 percent to 20,143 in July 2021, from 18,320 vehicles registered during the corresponding period of 2020. Cumulatively, vehicles registered by DVLA within the first seven months of 2021 rose by 38.7 percent to 183,426.

Industrial Consumption of Electricity

Consumption of electricity by industries went up marginally by 1.4 percent on a year-on-year basis, during the period under review. Industries consumed 267.63 gigawatts of power in July 2021, as against 263.98 gigawatts recorded for the corresponding period in 2020. In cumulative terms, electricity consumption by industries for the first seven months of 2021 increased by 11.8 percent to 1,807.01 gigawatts from 1,616.70 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.

International Passenger Arrivals

International passenger arrivals surged in July 2021 to 63,713 compared with 6,633 in July 2020, due to the COVID-19 lockdown measures which were in place at the time. On a month-on-month basis, passenger arrivals increased by 23.7 percent. The sharp year-on-year increase reflected some base-drift effects as well as the easing of travel restrictions over the review period. Cumulatively, passenger arrivals for the first seven months of 2021 went up by 32.2 percent to 294,568 arrivals.

Ports and Harbours Activity

The pace of economic activities at the country's two main harbours (Tema and Takoradi), as measured by container traffic for imports and exports, improved during the period under review. Total container traffic grew by 18.9 percent, year-on-year, to 66,431 in July 2021, up from 55,881 for a similar period in 2020. In cumulative terms, total container traffic for the first seven months of 2021 rose by 23.9 percent to 457,152 compared with 368,832 for the corresponding period of last year. The relative improvement in port activities was attributed to an uptick in international trade activities as global COVID-restrictions eased over the review period.

Advertised Jobs

The number of jobs advertised in selected print¹ and online² media, which partially gauges labour demand in the economy, increased in August 2021 relative to the corresponding period a year ago. In total, 4,051 job adverts were recorded as compared with 2,352 for the same period in 2020, indicating a growth of 72.2

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.

percent (year-on-year). On a month-on-month basis, the number of job vacancies in August 2021 increased by 47.3 percent. The rise in the number of jobs advertised reflected businesses' gradual recovery from the adverse effects of the coronavirus pandemic. Cumulatively, 23,892 advertised jobs were recorded for the first eight months of 2021, compared with 23,901 jobs advertised during the same period in 2020.

Private Sector Pension Contributors

Total number of SSNIT contributors (private sector), which partially gauges employment conditions, improved to 833,069 (up by 18.5% year-on-year) in July 2021 compared with 702,826 for the same period in 2020. Cumulatively, for the first seven months of 2021, the total number of private sector contributors increased by 9.7 percent to 5,864,616 from 5,347,670 recorded over the corresponding period in 2020.

4.0 Composite Index of Economic Activity (CIEA)

The Bank's updated Composite Index of Economic Activity (CIEA) registered a strong annual growth of 20.0 percent in July 2021, compared to a growth of 3.9 percent recorded in the corresponding period of 2020.

5.0 Consumer and Business Surveys

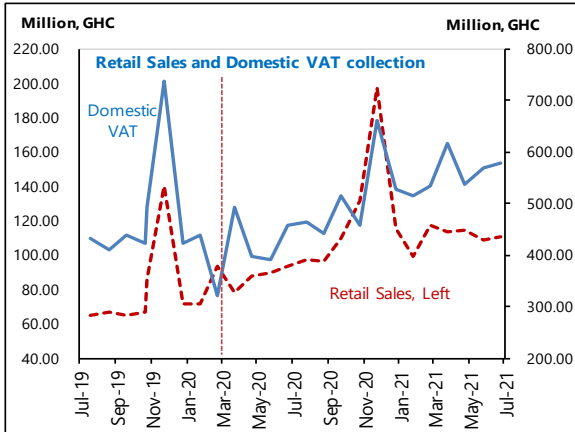
The consumer and business confidence surveys conducted in August 2021 reflected mixed sentiments. Consumer confidence improved while business confidence softened over the review period.

The Consumer Confidence Index increased from 88.8 in June to 91.8 in August 2021, reflecting optimism about current and future economic conditions. The Business Confidence Index, on the other hand dipped, from 96.3 in June to 93.2 in August 2021. Business sentiments softened as businesses were unable to meet their short-term company targets due to high input costs, unavailability of raw materials, weak consumer demand and rising labour costs.

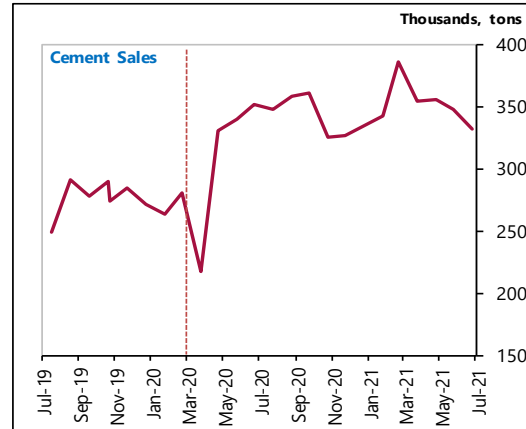
Appendix

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

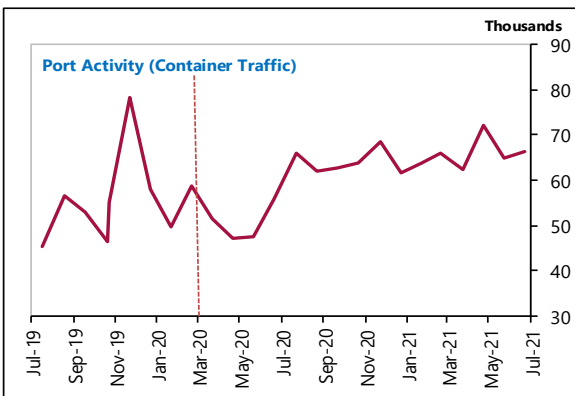
...Domestic consumption, proxied by retail sales and domestic VAT collections, improved in July 2021...



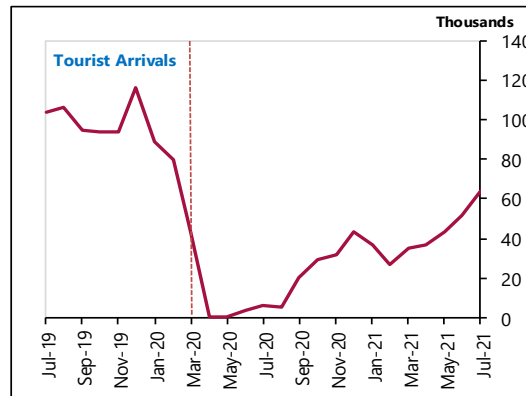
...Construction activities, proxied by cement sales, declined in July 2021...



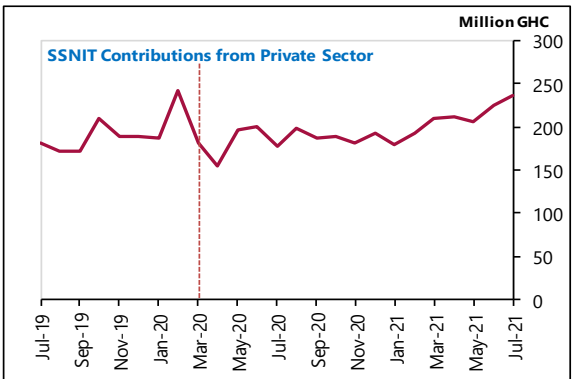
...Port activity increased in July 2021...



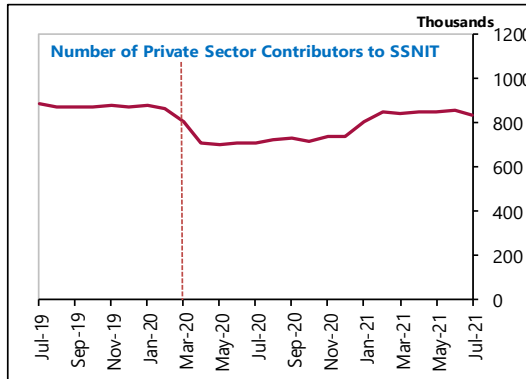
...Tourist arrivals went up in July 2021, but remains below pre-pandemic levels...



...Labour market conditions improved in July 2021...



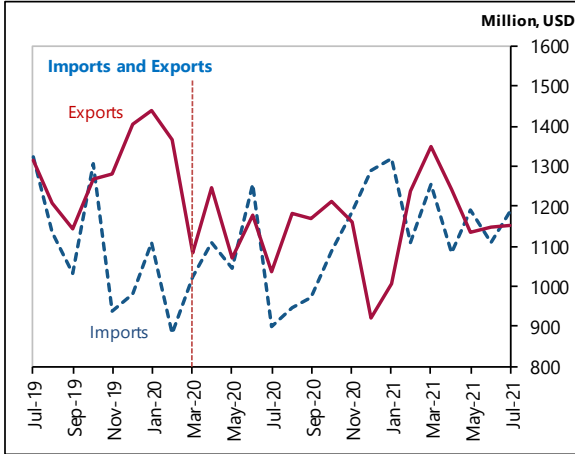
...Labour hiring conditions, proxied by the number of private sector workers contributing to SSNIT, remained flat...



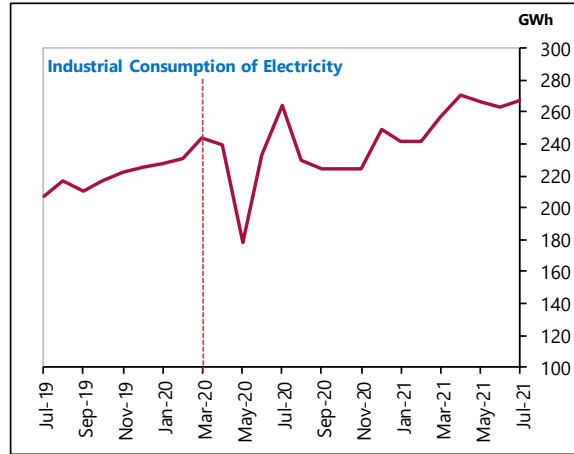
Sources: Bank of Ghana, Various Stakeholders

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

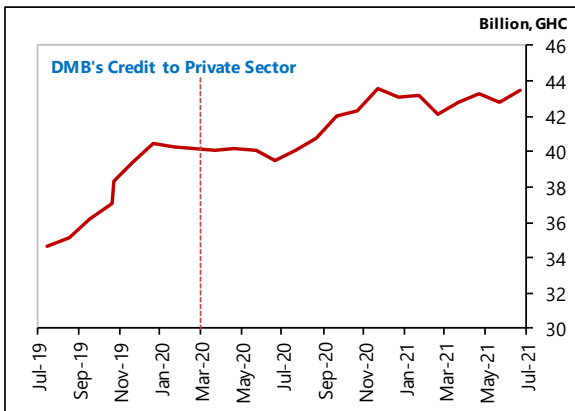
...Exports and imports went up in July 2021...



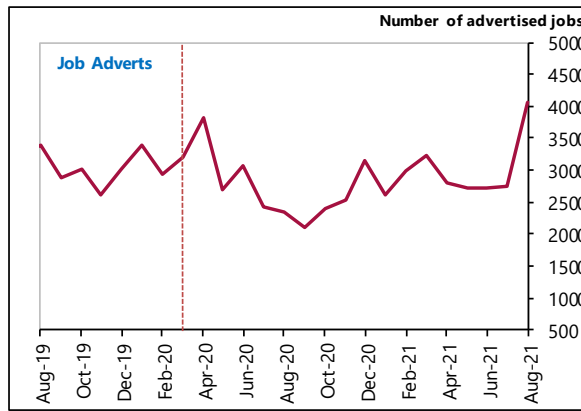
...Industrial activity, proxied by industrial consumption of electricity, increased...



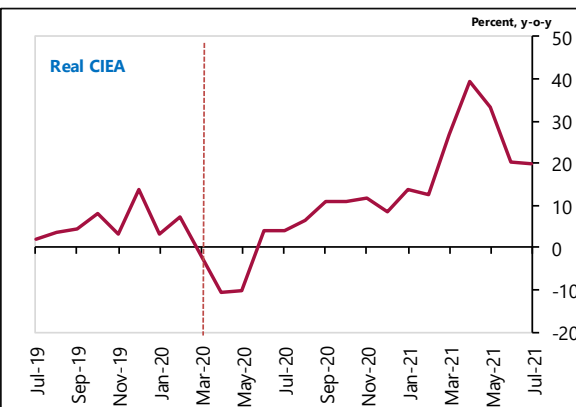
...Commercial banks' credit to the private sector improved in July 2021...



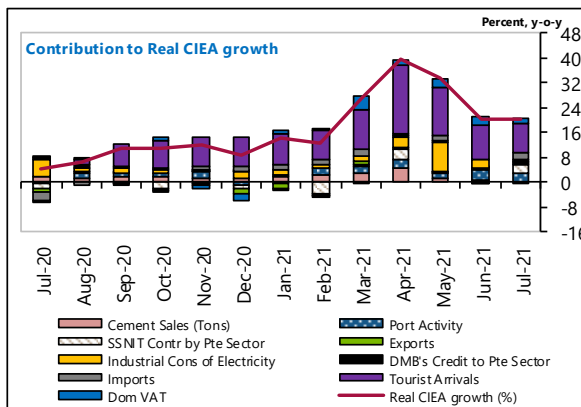
...Demand for labour, proxied by the number of job adverts (in print and online media), picked up in August 2021...



...On a year-on-year basis, the real CIEA grew by 20.0 percent in July 2021, compared with 20.2 percent in June 2021, and 3.9 percent growth in July 2020.



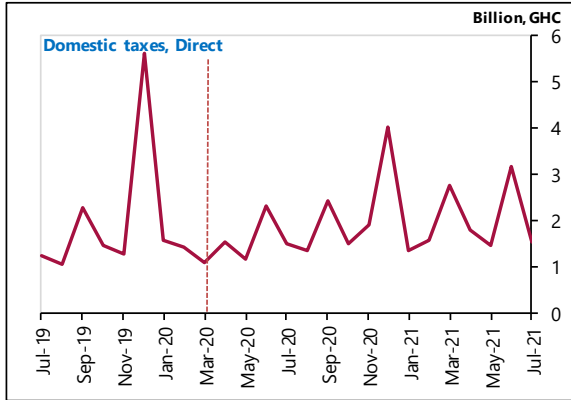
...The growth in the real CIEA was mainly driven by a pick-up in Tourist Arrivals, Port Activity, SSNIT Contributions from the Private Sector, Imports, Domestic VAT, Exports and Industrial Consumption of Electricity...



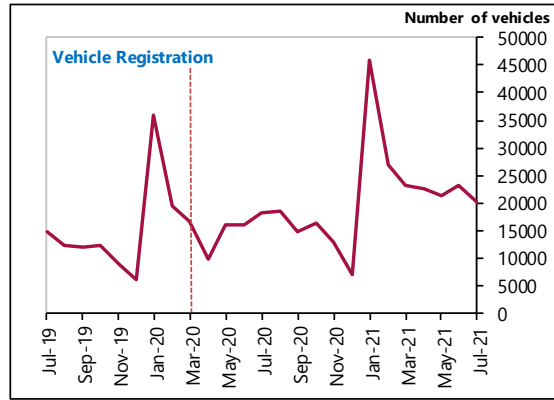
Source: Bank of Ghana, Various Stakeholders

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

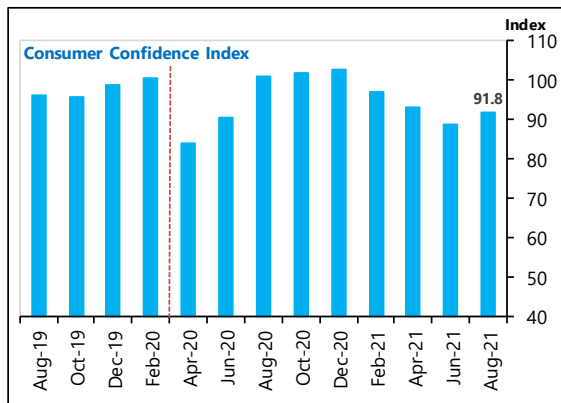
...Domestic tax collection declined in July 2021...



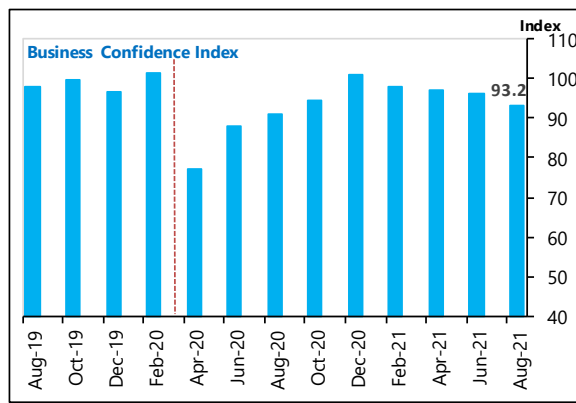
...Vehicle registration dipped in July 2021...



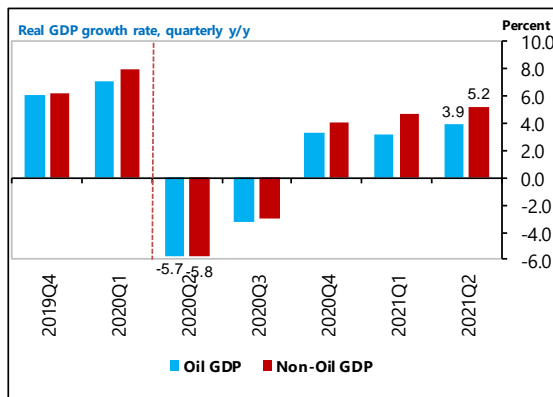
...Consumer confidence improved, reflecting optimism about current and future economic conditions...



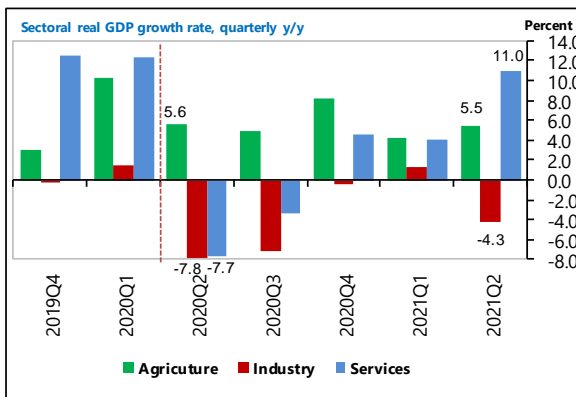
...Business confidence softened as businesses' were unable to meet their short-term company targets due to high input costs, unavailability of raw materials, weak consumer demand and rising labour costs...



...Real Oil and Non-Oil GDP grew by 3.9 percent and 5.2 percent respectively in 2021Q2, compared with contractions of 5.7 percent and 5.8 percent respectively in the corresponding period of 2020...



...The Services sector was the main driver of growth in 2021Q2, recording a growth rate of 11.0 percent...



Source: Bank of Ghana, Various Stakeholders