BANK OF GHANA

MONETARY POLICY REPORT

May 2022

The Monetary Policy Report highlights the economic and financial sector assessments that the Monetary Policy Committee considered prior to the policy decision during the 106th meeting held in May 2022.

Monetary Policy in Ghana

The primary objective of the Bank of Ghana is to pursue sound monetary policies aimed at price stability and creating an enabling environment for sustainable economic growth. Price stability, in this context, is defined as a medium-term inflation target of 8±2 percent. This implies that headline inflation should be aligned within the medium-term target band for the economy to grow at its full potential without excessive inflation pressures. Other tasks for the Bank of Ghana include promoting and maintaining a sound financial sector with efficient payment systems through effective regulation and supervision. This is important for intermediation since risks associated with financial markets are also considered in the monetary policy formulation process.

Monetary Policy Strategy

To achieve the objective of price stability, Bank of Ghana was granted operational independence to use whichever policy tools were deemed appropriate to stabilise inflation around the target band. The Bank of Ghana's framework for conducting monetary policy is Inflation Targeting (IT), in which the central bank uses the Monetary Policy Rate (MPR) as the primary policy tool to set the monetary policy stance and anchor inflation expectations in the economy.

The MPC Process

The MPC is a statutorily constituted body by the Bank of Ghana (Amendment) Act, Act 2016 (Act 918) to formulate monetary policy. The MPC consists of seven members – five from the Bank of Ghana (including the Governor who is the Chairman) and two external members appointed by the Board of the Bank. The MPC meeting dates are determined at the beginning of each year. The MPC meets bi-monthly to assess economic conditions and risks to the inflation outlook, after which a policy decision is made on positioning the MPR. Each decision signals a monetary policy stance of tightening (increase), easing (decrease) or no change (stay put). The policy decision is arrived at by consensus with each member stating reasons underlying a preferred MPR decision. Subsequently, the decision is announced at a press conference held after each MPC meeting and a press release issued to financial markets and the general public.

Table of Contents

Overview

Global headwinds have intensified, underpinned by spillovers from the Russia-Ukraine war and China's zero-COVID policy. The war has worsened pre-existing global supply chain disruptions, triggered food and energy price shocks, and further heightened uncertainty about global growth prospects. The quick turnaround from accommodative policies that characterised monetary policy conduct in Advanced Economies over the past two years, and the slowdown in China's growth, are expected to adversely impact the macroeconomic outlook for most Emerging Market and Developing Economies. In view of these downside risks, the IMF, during the 2022 Spring Meetings, revised the 2022 global growth projection downwards from 4.4 percent to 3.6 percent, compared with 6.1 percent growth in 2021.

Domestic growth prospects remain positive, and the Bank's high frequency indicators point to continued and increased momentum in economic activities, with private sector credit showing some improvement in real terms despite the increased price pressures. The banking sector remains robust, with sustained growth in total assets, investments, and deposits. However, business and consumer confidence have dipped, reflecting the sharp depreciation of the currency and the general high inflationary environment, which has resulted in higher input costs for businesses. A quick turnaround, with more confidence building measures to counter these conditions, would provide further boost to the real economy.

On fiscal implementation, execution of the 2022 budget for the first quarter was broadly in line with targets, although with some deviation in the deficit target due to revenue shortfalls. It is expected that fiscal consolidation will take hold gradually and the mid-year budget review will provide further fiscal fine-tuning to ensure that the fiscal consolidation efforts stay on track.

The external sector has weakened somewhat due to developments in the capital and financial account. The increased repatriation from dividend payments and profits, as well as the net portfolio reversals, have resulted in a widened balance of payments outturn and loss of reserves. The prevailing tight global financing conditions and further policy rate hikes in Advanced Economies continue to pose risks to the external outlook.

Headline inflation surged in April 2022, far above the upper limit of the medium-term target band. Recent inflation trends have weighed heavily on the domestic economy, and significantly dampened business and consumer sentiments. While food inflation has accounted for the increases in inflation over the past year, the recent jump in April showed an acceleration of relative price increases in the non-food sector, which provides information on the extent to which prices are becoming embedded.

The Bank's latest forecast indicated continued elevated inflation profile in the near term, with a prolonged horizon for inflation to return to the medium-term target band. Inflation expectations of consumers, businesses and the banking sector have all heightened. The risks to the inflation outlook are clearly on the upside, and the second-round effects of possible utility tariffs alongside wage pressures would further amplify inflation pressures in the outlook.

These considerations revealed that the balance of risk to the outlook was clearly on inflation, and, at the May 2022 MPC meeting, the Committee raised the policy rate by 200 basis points to 19.0 percent to address the current inflationary pressures, re-anchor inflation expectations, and help foster macroeconomic stability.

1. Global Economic Developments

1.0 Highlights

- *Global economic prospects have worsened, reflecting the spill over effects from the Russia-Ukraine war.*
- *Price pressures have built up in several advanced and emerging market economies, primarily due to escalating energy and commodity prices, as well as supply chain bottlenecks.*
- *Global financial conditions have tightened in recent months on the back of policy rate hikes, and resulted in volatility in equity valuations, higher government bond yields, and a stronger U.S. dollar, exerting currency pressures in some emerging market and developing economies.*

1.1 Global Growth Developments

The global economic environment has remained challenging since the March 2022 MPC, reflecting the spill over effects of the Russia-Ukraine war and China's "zero-COVID Policy". The global economy was projected to recover from the impact of the surge in the Omicron variant of the COVID-19 virus in 2022Q2. However, Russia's invasion of Ukraine has led to a deterioration in the near-term outlook for global growth. The war has weighed down consumer and business confidence in the economic and policy outlook. More recently, the sharp rise in energy and commodity prices has raised the cost of living for households and production costs for firms. Also, the re-imposition of pandemic-related restrictive movements in Asia has exacerbated the supply chain disruptions.

Table 1.1. Overview of the *World Economic Outlook* Projections
(Percent change, unless noted otherwise)

		Projections		Difference from January 2022 WEO *Update*[1]		Difference from October 2021 WEO[1]	
	2021	2022	2023	2022	2023	2022	2023
World Output	**6.1**	**3.6**	**3.6**	**–0.8**	**–0.2**	**–1.3**	**0.0**
Advanced Economies	**5.2**	**3.3**	**2.4**	**–0.6**	**–0.2**	**–1.2**	**0.2**
United States	5.7	3.7	2.3	–0.3	–0.3	–1.5	0.1
Euro Area	5.3	2.8	2.3	–1.1	–0.2	–1.5	0.3
Germany	2.8	2.1	2.7	–1.7	0.2	–2.5	1.1
France	7.0	2.9	1.4	–0.6	–0.4	–1.0	–0.4
Italy	6.6	2.3	1.7	–1.5	–0.5	–1.9	0.1
Spain	5.1	4.8	3.3	–1.0	–0.5	–1.6	0.7
Japan	1.6	2.4	2.3	–0.9	0.5	–0.8	0.9
United Kingdom	7.4	3.7	1.2	–1.0	–1.1	–1.3	–0.7
Canada	4.6	3.9	2.8	–0.2	0.0	–1.0	0.2
Other Advanced Economies[2]	5.0	3.1	3.0	–0.5	0.1	–0.6	0.1
Emerging Market and Developing Economies	**6.8**	**3.8**	**4.4**	**–1.0**	**–0.3**	**–1.3**	**–0.2**
Emerging and Developing Asia	7.3	5.4	5.6	–0.5	–0.2	–0.9	–0.1
China	8.1	4.4	5.1	–0.4	–0.1	–1.2	–0.2
India[3]	8.9	8.2	6.9	–0.8	–0.2	–0.3	0.3
ASEAN-5[4]	3.4	5.3	5.9	–0.3	–0.1	–0.5	–0.1
Emerging and Developing Europe	6.7	–2.9	1.3	–6.4	–1.6	–6.5	–1.6
Russia	4.7	–8.5	–2.3	–11.3	–4.4	–11.4	–4.3
Latin America and the Caribbean	6.8	2.5	2.5	0.1	–0.1	–0.5	0.0
Brazil	4.6	0.8	1.4	0.5	–0.2	–0.7	–0.6
Mexico	4.8	2.0	2.5	–0.8	–0.2	–2.0	0.3
Middle East and Central Asia	5.7	4.6	3.7	0.3	0.1	0.5	–0.1
Saudi Arabia	3.2	7.6	3.6	2.8	0.8	2.8	0.8
Sub-Saharan Africa	4.5	3.8	4.0	0.1	0.0	0.0	–0.1
Nigeria	3.6	3.4	3.1	0.7	0.4	0.7	0.5
South Africa	4.9	1.9	1.4	0.0	0.0	–0.3	0.0

Source: IMF WEO January 2022 Update

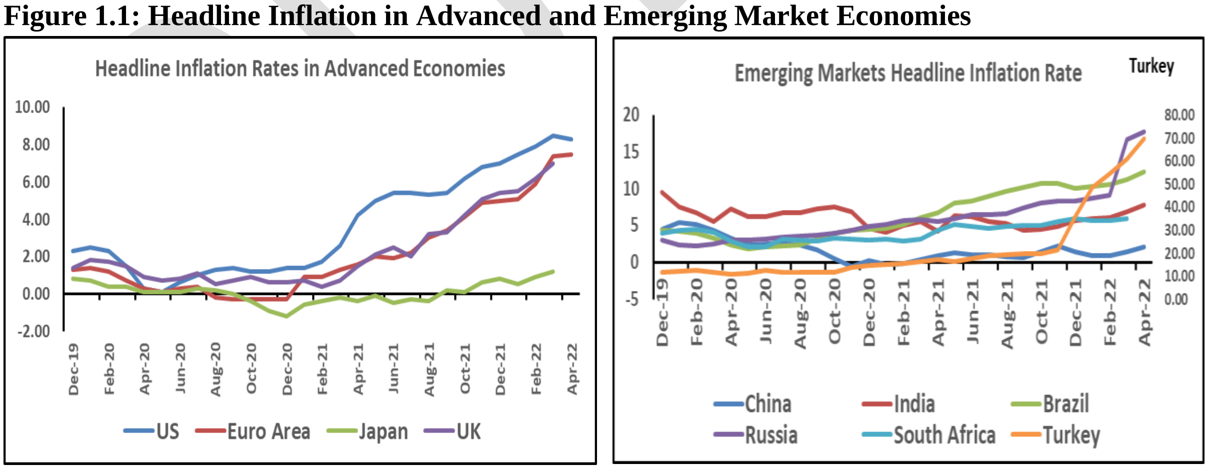
The growth slowdown in China is also expected to moderate global activity, as the country remains a key supplier of production inputs and consumer of major commodities, with wider ramifications for Asia and commodity exporting countries. In addition, the worsening price pressures are expected to instigate further tightness of policy rates in Advanced and Emerging Markets and Developing Economies (EMDEs). The latest high frequency data point to a slowdown in economic activity in the near term, but more so in emerging markets.

In the outlook, the effects of supply chain disruptions and rising commodity prices due to the war has led to a downward revision of global growth by the IMF from 4.4 percent projected in January 2022 to 3.6 percent in April. (Table 1.1). Risks to the growth outlook are broadly tilted to the downside. Firstly, worsening of the Russia-Ukraine war will increase supply chain bottlenecks and further distort trade flows, leading to higher prices and increased volatility in commodity markets. And, secondly, the pandemic may worsen, as seen in China and more recently in North Korea, which can materially exacerbate production shortages, with further global supply chain disruptions.

1.2 Global Price Developments

Headline inflation has remained elevated in several advanced and emerging market economies on account of rising energy and food prices. Also, the COVID-19 related lockdowns in China and war in Ukraine have worsened supply chain disruptions with additional pressures on prices. The sharp increase in headline inflation across advanced countries has been broadly driven by high energy and food prices. Underlying inflation also picked up, driven by indirect effects of energy prices, supply constraints, recovery in consumer demand, and past exchange rate depreciation. The rise in inflation was also accompanied by a steady pickup in inflation expectations. In the outlook, inflation is expected to remain elevated in advanced economies, reflecting higher energy and food prices, increased prices of goods due to continued supply chain bottlenecks. Across EMDEs, price pressures are expected to intensify based on the pass-through effects of weaker currencies, supply bottlenecks, and rising commodity prices.

Figure 1.1: Headline Inflation in Advanced and Emerging Market Economies



Source: BOG/Trading Economics

1.3 Global Financial Markets Developments

Financial conditions in advanced economies have tightened in recent months, on account of policy rate hikes by some major central banks to rein in persistent inflationary pressures. Also, longer-term interest rates have increased substantially due to rising inflation expectations, while the uncertainty about the

Russia-Ukraine war has weighed on equity prices in recent months. Meanwhile, emerging market securities recorded a net outflow of US$4 billion in April 2022, reflecting the heightened uncertainty over geopolitical events, tighter monetary conditions, and rising inflation amid slower growth prospects. In the outlook, financial conditions are expected to tighten in 2022, as persistent price pressures push up policy rates and long-term bond yields.

Table 1.2: Monetary Policy Stance of Selected Central Banks

	Key Rate	Previous (%)	Current (%)	Forecast	Inflation Rate (April 2022)	Real rate	Infl Target	Overall Fiscal Deficit (2021,% of GDP)	GDP Growth (Dec.2021)	Gross Debt/GDP (2021,%)
U.S	Federal Funds Rate	0.5	1	1	8.3	-7.3	2%	-10.2	5.7	132.6
Euro Area	Refinancing Rate	0	0	0	7.5	-7.5	< 2%	-5.5	5.3	96
UK	Bank Rate	0.75	1	1	7	-6	2%	-8.0	7.4	95.3
Japan	short term policy rate	-0.1	-0.1	-0.1	1.2	-1.3	2%	7.6	1.6	263.1
Russia	Benchmark rate	17	14	15	17.8	-3.8	4%	0.7	4.7	17.0
India	Benchmark rate	4	4.5	4.5	7.79	-3.29	4±2%	-10.4	8.9	86.8
Brazil	Selic rate	11.75	12.75	12.75	12.3	0.45	4.5±1.5%	-4.4	4.6	93.0
Turkey	One week repo rate	14	14	14	69.97	-55.97	5±2%	-3.5	11	41.6
Malaysia	Policy Rate	1.75	1.75	1.75	2.2	-0.45	3% - 4%	-5.5	3.1	69
Indonesia	Policy Rate	3.5	3.5	3.5	3.74	-0.24	3.5% ± 1%	-4.6	3.7	42.8
Chile	Benchmark Interest Rate	7	8.25	8	10.5	-2.25	3±1%	-7.5	11.7	36.3
Ghana	Monetary Policy Rate	14.5	17		23.6	-6.6	8±2%	-9.2	5.4	76.6
South Africa	Repo Rate	4	4.25	4.25	5.9	-1.65	3% -6%	-6.4	4.9	69.1
Nigeria	Monetary Policy Rate	11.5	11.5	11.5	16.82	-5.32	6% -9%	-6.0	3.6	37
Kenya	Policy Rate	7	7	7	6.47	0.53	2.5-7.5%	-8.1	7.2	68.1
Zambia	Policy Rate	9	9	9	11.5	-2.5	9%	-8.7	4.3	123.2
Morocco	Policy Rate	1.5	1.5	1.5	5.3	-3.8		-6.5	7.2	76.3

Source: Growth rate(World Bank); Debt/GDP (IMF); Policy Rates (Trading Economics), April inflation in red

1.4 Currency Markets

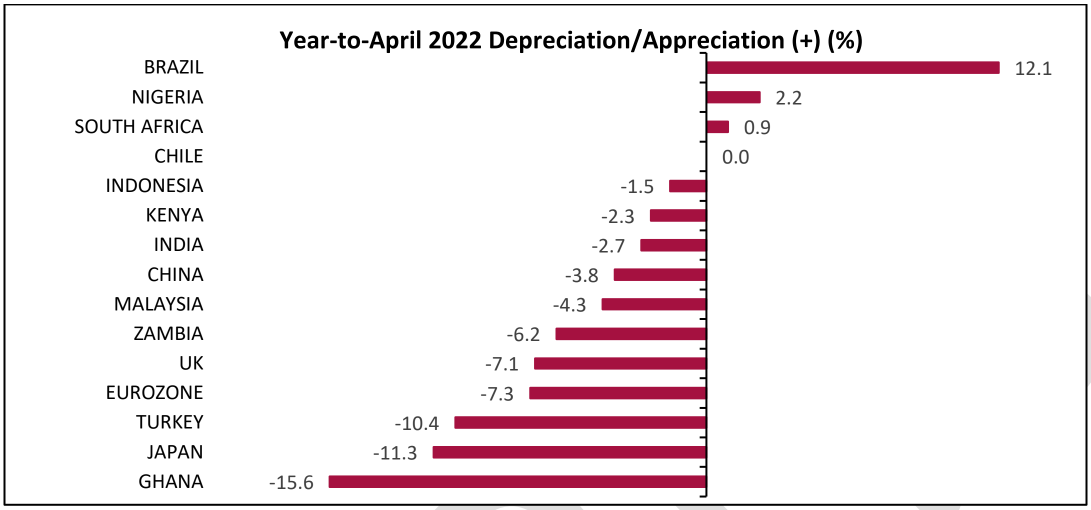
On the international currency market, the US Dollar Index firmed up after US inflation came in higher-than-expected, which affirmed expectations that the Federal Reserve would tighten monetary policy aggressively. Recent inflation readings, however, suggest that inflation may have peaked in the US, but it is unlikely to ease rapidly and obstruct the Fed's current tightening plans. The US Dollar has also been buoyed recently by safe-haven demand due to economic uncertainties in Europe and China, with Russia's war in Ukraine and COVID-induced lockdowns in China clouding the outlook. The strength of the US Dollar continues to weigh on other currencies (Figure 2).

In the domestic currency market, the pressure on the Ghana Cedi from the beginning of the year moderated significantly during the review period on the back of policy rate hikes and the reversal of the macroprudential regulatory reliefs in the banking sector. Also, forex demand moderated, which lowered pressures amid improving market sentiments.

In the interbank market, the Ghana Cedi cumulatively depreciated by 15.6 percent, 9.0 percent, and 8.9 percent against the US Dollar, British Pound, and the Euro, respectively, on a year-to-date basis. This compared with an appreciation of 0.5 percent and 2.4 percent against the US Dollar, and the Euro, respectively, and a depreciation of 0.6 percent against the British Pound, during the same period in 2021 (Table 3).

In relation to Ghana's major trading partners' currency movements, the Ghana Cedi depreciated by 10.9 percent in nominal trade weighted terms and 17.6 percent in nominal forex transactions weighted terms, on a year-to-date basis (Table 4). This compares with an appreciation of 1.6 percent and 0.6 percent in nominal trade weighted terms and nominal foreign exchange transaction weighted terms over the same period in 2021.

Figure 1.2: Performance of Selected Currencies against the US Dollar



Source: Bank of Ghana and Bloomberg

Table 1.3: Interbank movement of the Ghana Cedi against the major trading currencies

	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
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	-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
Sep	5.8663	-0.2	-1.81	7.9140	1.7	-0.50	6.7952	1.6	3.96
Oct	5.9009	-0.6	-2.38	8.0816	-2.1	-2.57	6.8231	-0.4	3.54
Nov	5.9172	-0.3	-2.65	7.9054	2.2	-0.39	6.7346	1.3	4.90
Dec	6.0061	-1.5	-4.09	8.1272	-2.7	-3.11	6.8281	-1.4	3.46
2022									
Jan	6.0236	-0.3	-0.29	8.0882	0.5	0.48	6.7506	1.1	1.15
Feb	6.6004	-8.7	-9.00	8.8568	-8.7	-8.24	7.4100	-8.9	-7.85
Mar	7.1122	-7.2	-15.55	9.3515	-5.3	-13.09	7.8986	-6.2	-13.55
Apr	7.1128	0.0	-15.56	8.9333	4.7	-9.02	7.4963	5.4	-8.91

Source: Bank of Ghana Staff Calculations

Table 1.4: Nominal Effective Exchange Rate

Month	2018=100		Monthly CHG(%)		Year-to-Date (%)	
	FXTWI	TWI	FXTWI	TWI	FXTWI	TWI
			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	-0.18
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
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
Nov-21	25.79	29.28	-0.07	1.47	-2.08	3.29
Dec-21	25.39	28.73	-1.56	-1.89	-3.68	1.47
			2022			
Jan-22	25.34	28.94	-0.18	0.72	-0.18	0.72
Feb-22	23.13	26.44	-9.56	-9.44	-9.76	-8.65
Mar-22	21.50	24.85	-7.59	-6.43	-18.10	-15.64
Apr-22	21.60	25.90	0.46	4.07	-17.56	-10.93

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.

In real bilateral terms, the Ghana Cedi depreciated by 11.84 percent, 9.91 percent, and 7.65 percent, respectively against the Dollar, the Euro, and the Pound Sterling on a year-to-date basis. Comparatively, for the corresponding period in 2021, the Ghana Cedi's real exchange rate appreciated by 2.0 percent, 5.7 percent, and 2.1 percent against the Dollar, the Euro, and the Pound Sterling, respectively, over the same period in 2021.

Table 1.5: Real Bilateral Exchange Rates

	RER Index (Jan.18=100)			Monthly Change (Index)			Year-to-Date (%)		
	EUR	GBP	USD	EUR	GBP	USD	EUR	GBP	USD
				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
Oct-21	102.09	97.38	92.06	-0.4	-2.3	-0.6	8.4	4.9	1.9
Nov-21	104.81	100.57	92.40	2.6	3.2	0.4	8.0	2.7	1.3
Dec-21	103.81	98.13	91.75	-1.0	-2.5	-0.7	10.4	5.8	1.6
				2022					
Jan-22	106.65	100.67	92.81	2.7	2.5	1.1	2.7	2.5	1.1

Source: Bank of Ghana Staff Calculations

Table 1.6 shows the real effective exchange rate movements of the Ghana Cedi against the three major currencies (i.e. US Dollar, the Euro and Pound). In March 2022, the Ghana Cedi depreciated by 10 percent in real trade weighted terms and 11.6 percent in real forex transaction weighted terms on year-to-date basis. These compares with an appreciation of 4.9 percent and 2.3 percent in real trade weighted terms and real FX transaction weighted terms respectively for the same period in 2021.

Table 1.6: Real Trade Weighted Exchange Rate

	RER Index (Jan.18=100)			MONTHLY CHANGE (Index)			Year-to-Date (%)		
Month	EUR	GBP	USD	EUR	GBP	USD	EUR	GBP	USD
				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	97.3	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
Sep-21	102.5	99.6	92.6	1.6	1.8	-0.4	8.4	4.9	1.9
Oct-21	102.09	97.38	92.06	-0.4	-2.3	-0.6	8.0	2.7	1.3
Nov-21	104.81	100.57	92.40	2.6	3.2	0.4	10.4	5.8	1.6
Dec-21	103.78	98.10	91.72	-1.0	-2.5	-0.7	9.5	3.4	0.9
				2022					
Jan-22	106.65	100.67	92.81	2.70	2.55	1.17	2.70	2.55	1.17
Feb-22	98.84	93.52	86.01	-7.91	-7.64	-7.90	-5.00	-4.90	-6.64
Mar-22	94.42	91.14	82.01	-4.68	-2.62	-4.88	-9.91	-7.65	-11.84

Source: Bank of Ghana Staff Calculations

1.5 Global Economic Outlook and Risks

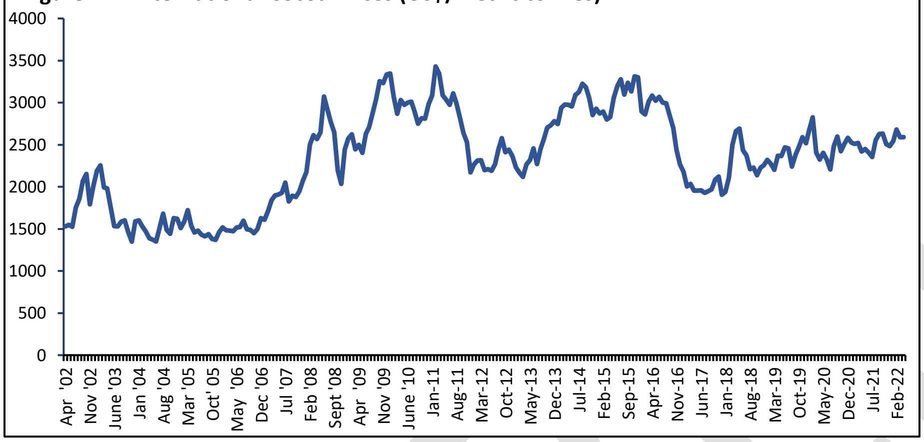
The Russia-Ukraine war has worsened global growth prospects. Headline inflation is expected to remain elevated globally in the near term, as upward price pressures have broadened beyond volatile items such as energy and food. Elevated price pressures in advanced economies may lead to further increases in imported inflation. Reflecting the inflationary pressures, policy rates are expected to tighten in both advanced and emerging market economies in the months ahead. Expectations of tighter monetary policy may push up long-term bond yields and further tighten global financial conditions. The war and related sanctions will continue to lower investor risk appetite and induce flight to safety, putting pressures on EMDE currencies. Vulnerable EMDEs, with large foreign currency debt and financing needs, would be particularly challenged.

2. External Sector Developments

2.0 Commodity Price Trends

Cocoa futures were relatively stable in April, losing just 0.1 percent of its value to close the month at an average price of US$2,588 per tonne. Fears that the Russia-Ukraine conflict could slow global growth and weaken demand for the beans weakened prices. Compared to the same period last year, the commodity gained 7.0 percent on the back of poor weather patterns across West Africa and low port arrivals in Ghana.

Figure 2.1: International Cocoa Prices (US$/metric tonnes)



Source: Reuters

Brent Crude retreated in April 2022, ending the month at an average price of US$105.8 per barrel compared to US$112.5 per barrel in the previous month. The prospect of weaker global growth, higher interest rates and COVID-19 lockdowns in China were some of the headwinds that affected oil prices. Over the past year, Brent crude has gained 62 percent amid tight supply, largely due to output restraint by OPEC members.

Figure 2.2: International Brent Crude Oil Prices (US$ per barrel)

Source: Reuters

Spot gold lost 0.73 percent of its value in April to settle at an average price of US$1,935.2 per fine ounce. Gold lost on grounds of expectations of faster policy tightening by the Federal Reserve and a strengthening dollar. Compared to the same period last year, however, gold prices have gained 10 percent, spurred by safe-haven demand and global inflation concerns.

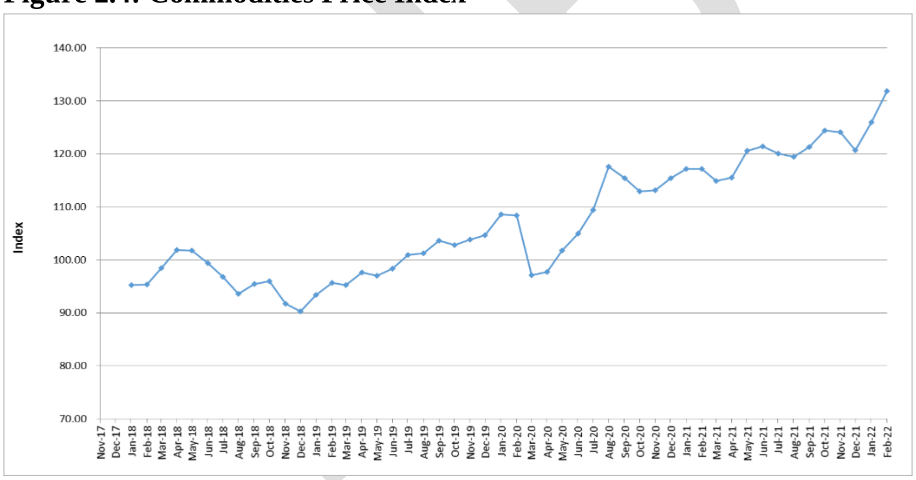
Figure 2.3: International Gold (US$/ounce)

Source: Reuters

2.1 Commodities Price Index

The weighted average price of the three major commodities exported by Ghana (cocoa, gold and crude oil) continued the uptrend, increasing by 4.7 percent in February 2022. The rise in the overall index was led by crude oil (10.3%), followed by cocoa (5.3%) and gold (2.2%).

Figure 2.4: Commodities Price Index



Source: BOG Staff Computation

2.2 Trade Balance

In the first four months of 2022, the trade account recorded significant improvement. The trade surplus improved to US$1.3 billion in the first four months, compared with US$0.8 billion in the same period of 2021, largely driven by higher crude oil prices and non-traditional exports. Crude oil export receipts recorded significant growth of 61.0 percent, and gold earnings increased by 3.6 percent, all driven by higher prices. Earnings from non-traditional exports increased by over 33.5 percent to US$1.0 billion. These developments impacted positively on export performance with total exports up by 17.1 percent to US$6.1 billion, while imports increased by 7.7 percent to US$4.8 billion.

2.3 Balance of Payments

Current Account

Despite the significant improvement in the trade surplus, the current account recorded a deficit mainly due to investment income outflows and net services payments. The current account deficit of US$127 million for the first quarter of 2022 was, however, lower than the deficit of US$197 million recorded same period last year.

Capital and Financial Accounts

In the first quarter of the year, there were significant outflows of US$690 million from the capital and financial account, compared with an outflow of US$293 million recorded in the same period last year. The higher capital outflow was driven by net portfolio reversals and net private capital outflows.

Overall Balance of Payments

These developments resulted in an overall balance of payments deficit of US$934 million at the end of the first quarter of 2022, compared with a deficit of US$430 million recorded in the corresponding period of 2021.

2.4 International Reserves

The stock of Gross International Reserves at the end of April 2022 was US$8.3 billion, equivalent to 3.7 months of import cover. This compares with US$9.6 billion at end-December 2021, equivalent to 4.3 months cover for imports of goods and services.

2.5 Commodity Prices Outlook

July cocoa futures prices were forecast to average between $2,445 and $2,500 per tonne, which reflects ample supplies, largely from Ivory Coast. The April-to-September mid-crop was boosted by a mix of abundant rain and sunny spells in most of Ivory Coast's cocoa-growing regions and this is expected to improve supply and dampen prices somewhat. The U.S. Energy Information Administration (EIA) raised the forecast for the Brent crude oil price to US$116 per barrel for the second quarter of 2022, based on the intensification of the Ukraine war, fear of a ban on energy imports from Russia, and expected recovery in oil demand, among others. Gold is projected to trade higher, between $1,800 and $1,950 per ounce in the near term, on heightened uncertainties such as high persistent inflation, market volatility related to geopolitics, and uncertainties surrounding COVID-19.

Appendix Table 2.1: Trade Balance (US$ million)

Table 1	2019 Jan - Apr	2020 Jan - Apr	2021 Jan - Apr	Prov 2022 Jan - Apr	Abs Y/Y Chg	Rel Y/Y Chg
Trade Balance ($'M)	**642.4**	**1,006.3**	**778.0**	**1,330.6**	**552.6**	**71.0**
Trade Bal (% GDP)	***1.0***	***1.5***	***1.1***	***1.9***		
Total Exports ($'M)	**4,017.5**	**5,139.0**	**5,209.9**	**6,103.3**	**893.4**	**17.1**
Gold ($'M)	1,435.9	2,061.8	1,808.2	1,873.5	**65.3**	**3.6**
Volume (fine ounces)	1,102,296	1,282,396	1,011,193	998,006	-13,186	-1.3
Unit Price ($/fine ounce)	1,302.6	1,607.8	1,788.2	1,877.2	89.0	5.0
Cocoa Beans ($'M)	627.9	859.5	955.2	797.0	**-158.2**	**-16.6**
Volume (tonnes)	274,971	346,744	359,977	322,574	-37,403	-10.4
Unit Price ($/tonne)	2,283.7	2,478.9	2,653.4	2,470.8	-182.6	-6.9
Cocoa Products ($'M)	204.5	341.6	338.4	316.7	**-21.7**	**-6.4**
Volume (tonnes)	70,180	106,285	99,190	103,709	4,519	4.6
Unit Price ($/tonne)	2,913.3	3,213.9	3,411.6	3,053.9	-357.7	-10.5
Crude Oil ($'M)	1,054.1	1,016.5	1,149.5	1,850.8	**701.2**	**61.0**
Volume (barrels)	16,417,037	23,108,671	18,281,432	18,091,788	-189,644	-1.0
Unit Price ($/bbl)	64.2	44.0	62.9	102.3	39.4	62.7
Other Exports	695.1	859.6	958.6	1,265.3	306.7	32.0
o/w Non-Tradional Exports	647.0	725.7	777.7	1,038.1	**260.4**	**33.5**
Total Import ($'M)	**3,375.1**	**4,132.7**	**4,431.9**	**4,772.6**	**340.8**	**7.7**
Non-Oil	2,699.2	3,463.2	3,667.2	3,495.6	-171.6	-4.7
Oil and Gas	675.9	669.5	764.7	1,277.1	512.4	67.0
of which: Products	541.2	512.3	692.8	1,197.1	504.3	72.8
Crude Oil ($'M)	100.4	100.2	19.4	24.2	4.9	25.1
Volume (barrels)	1,516,549	2,468,041	300,548	233,300	-67,249	-22.4
Unit Price ($/bbl)	66.2	40.6	64.4	103.8	39.4	61.2
Gas ($'M)	34.4	57.0	52.5	55.7	3.2	6.1
Volume (MMBtu)	4,744,008	7,771,785	7,112,480	7,203,079	90,599	1.3
Unit Price ($/mmBtu)	7.3	7.3	7.4	7.7	0.4	4.8

Source: Bank of Ghana

3. Real Sector Developments

3.0 Highlights

Domestic economic activity continued to pick up in the review period. The latest high frequency indicators recorded broad-based improvement in key real sector indicators in March 2022 compared to a year ago. Domestic VAT collections, private sector contributions to social security, industrial consumption of electricity and tourist arrivals all improved in the review period. Cement sales and port activity, however, contracted in the review period.

3.1 Trends in Real Sector Indicators

Consumer Spending

Consumer spending, proxied by domestic VAT collections and retail sales, posted a mixed performance in March 2022, compared with the corresponding period in 2021. Domestic VAT collections increased by 21.5 percent on a year-on-year basis to GH¢649.93 million, from GH¢534.80 million. On a month-on-month basis, domestic VAT improved by 10.8 percent in March 2022 from GH¢586.65 million in the preceding month. Cumulatively, total domestic VAT for the first quarter of 2022 went up by 14.7 percent to GH¢1,808.04 million, compared with GH¢1,576.61 million for the corresponding period of last year. The relative improvement in domestic VAT collections largely reflected increased household consumption during the review period.

Retail sales, on the other hand, dipped marginally by 2.9 percent (year-on-year) to GH¢114.05 million in March 2022, down from the GH¢117.46 million recorded in the same period in 2021. Compared to February 2022, retail sales declined by 5.6 percent.

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 March 2022. Total Direct Taxes collected increased by 25.6 percent (year-on-year) to GH¢3,478.67 million in March 2022, relative to GH¢2,769.94 million recorded in a similar period in 2021. Cumulatively, total Direct Taxes collected for the first quarter of 2022 went up by 14.1 percent to GH¢6,529.91 million, from GH¢5,721.46 million for the same period in 2021. In terms of contributions of the various sub-tax categories, Corporate tax accounted for 64.0 percent, Income tax (PAYE and self-employed) accounted for 28.0 percent, while "Other Tax Sources" contributed 8.0 percent.

Total private sector workers' contribution to the SSNIT Pension Scheme (Tier-1) increased by 23.8 percent in year-on-year terms to GH¢258.80 million in March 2022, from GH¢208.99 million collected during the corresponding period in 2021. Cumulatively, for the first quarter of 2022, the contribution grew by 26.4 percent to GH¢733.45 million, relative to GH¢580.37 million recorded in the same period in 2021.

Construction Sector Activities

Activity in the construction sub-sector, proxied by the volume of cement sales, declined by 5.1 percent (year-on-year) in March 2022 to 366,056.20 tonnes, down from 385,640.92 tonnes recorded a year ago. On a month-on-month basis, total cement sales increased by 14.2 percent in March 2022 compared with the 320,548.91 tonnes recorded in February 2022. However, cement sales for the first quarter of 2022 went down by 5.8 percent to 1,001,259.90 tonnes, from 1,062,902.24 tonnes for the same period of 2021. The decline in total cement sales was due to a slowdown in construction activities during the review period.

Vehicle Registration

Transport sector activities, gauged by new vehicle registrations by the Driver and Vehicle Licensing Authority (DVLA), declined marginally by 1.4 percent to 22,978 in March 2022, from 23,307 vehicles registered during the corresponding period of 2021. Cumulatively, vehicles registered by the DVLA within the first quarter of 2022 rose by 3.6 percent to 99,508 from 96,093 recorded a year ago.

Industrial Consumption of Electricity

Consumption of electricity by industries went up by 3.8 percent on a year-on-year basis during the period under review. Industries consumed 266.51 gigawatts of power in March 2022, as against 256.74 gigawatts recorded for the corresponding period in 2021. In cumulative terms, electricity consumed by industries for the first quarter of 2022 increased by 9.7 percent to 812.29 gigawatts from 740.19 gigawatts for the corresponding period a year ago. The improvement in power consumption was mainly due to increased industrial activity by manufacturing companies during the review period.

Passenger Arrivals at the Airport

International passenger arrivals increased in March 2022 by 82.8 percent to 64,358 compared to a similar period in 2021. Similarly, compared to February 2022, arrivals went up by 27.4 percent. For the first quarter of 2022, there were 171,145 arrivals compared with 98,950 for the corresponding period in 2021, representing a growth of 73.0 percent. The sharp year-on-year increase in tourist arrivals reflected the easing of travel restrictions over the review period.

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, declined during the period under review. Total container traffic decreased by 13.6 percent (year-on-year) to 56,879 in March 2022, down from 65,804 for a similar period in 2021. In cumulative terms, total container traffic for the first quarter of 2022 dipped by 14.2 percent to 163,939, compared with 191,051 for the corresponding period of last year. The relative decline in port activities was due to a slowdown in international trade activities over the review period amid ongoing geopolitical tensions.

Labour Market - Advertised Jobs

The number of jobs advertised in selected print[1] and online[2] media, which partially gauges labour demand in the economy, decreased marginally in April 2022 relative to what was observed in the corresponding period a year ago. In total, 2,777 job adverts were recorded as compared with 2,806 for the same period in 2021, indicating a marginal decline of 1.0 percent (year-on-year). On a month-on-month basis, the number of job vacancies in April 2022 dipped by 3.6 percent from the 2,882 jobs advertised in March 2022. Cumulatively, 11,029 advertised jobs were recorded for the first four months of 2022, compared with 11,646 jobs advertised during the same period in 2021.

---

[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

Private Sector Pension Contributions

Total number of private sector-SSNIT contributors, which partially gauges employment conditions, marginally improved by 1.0 percent to 861,121 (year-on-year) in March 2022, compared with 852,732 for the same period in 2021. On a month-on-month basis, total number of private sector SSNIT contributors decreased by 3.0 percent from the 887,441 individuals recorded in February 2022. Cumulatively, for the first quarter of 2022, the total number of private sector contributors increased to 2,637,883 from 2,514,756 recorded over the corresponding period in 2021.

3.2 Composite Index of Economic Activity (CIEA)

The Bank's updated Composite Index of Economic Activity (CIEA) recorded an annual growth of 4.6 percent in March 2022, compared with a growth of 26.8 percent and a contraction of 1.9 percent in the corresponding periods of 2021 and 2020 respectively.

3.3 Consumer and Business Surveys

The consumer and business confidence surveys conducted in April 2022 showed some easing of sentiments. The Consumer Confidence Index dipped from 87.4 in February to 81.8 in April 2022. The Index declined on account of increases in fuel prices and transportation costs, as well as rising inflation. The Business Confidence Index also eased from 88.8 in February to 85.9 in April 2022 on concerns that price pressures and currency depreciation would adversely impact industry prospects.

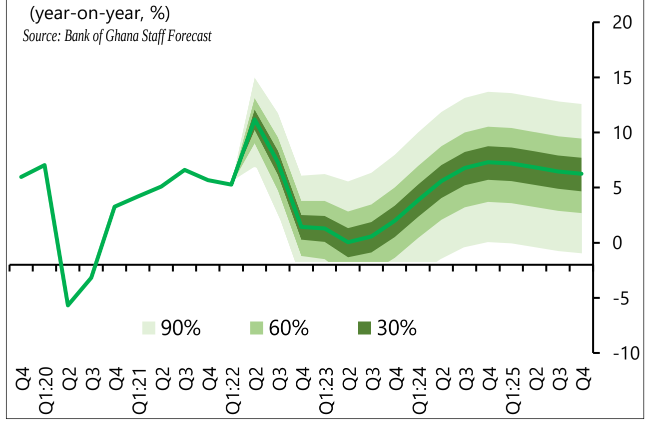
3.4 Real Sector Outlook

Real sector activity is expected to recover close to its potential in the near term, on account of improving growth expectations, accommodative monetary conditions, and increasing foreign demand. However, the recent tightening of monetary conditions to address inflationary pressures and support the fiscal consolidation are likely to moderate the recovery momentum over the medium term.

3.4.1 Risks to the Growth Outlook

According to the IMF's World Economic Outlook (April 2022), global growth is projected to moderate in 2022 as the ongoing war in Ukraine along with China's zero-COVID policy continue to heighten global supply chain constraints with dire ramifications on global energy, metal, and agricultural inputs prices in the outlook. On the domestic front, growth prospects remain upbeat, and the Bank's high frequency indicators indicate continued and increased momentum in economic activity, with private sector credit showing some improvement in real terms.

Figure 3.1: GDP Fan Chart
(year-on-year, %)
Source: Bank of Ghana Staff Forecast

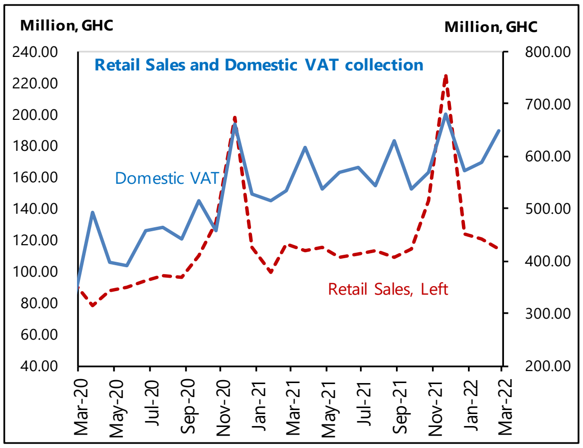


However, the latest Bank of Ghana survey results showed some easing in consumer and business confidence, reflecting the recent currency depreciation and the general high inflationary environment, which has resulted in higher input costs for businesses. A quick turnaround, with more confidence-building measures to counter these conditions, would provide further boost to the real economy.

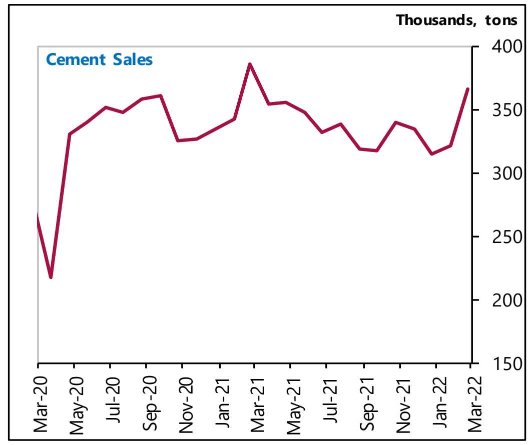
Figure 3.2a: Indicators of Economic Activity

Panel 1:
Ghana's Leading Indicators of Economic Activity

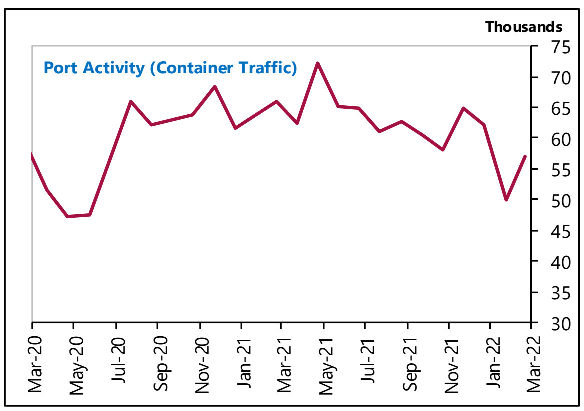
...Domestic VAT collections increased while retail sales declined in March 2022...



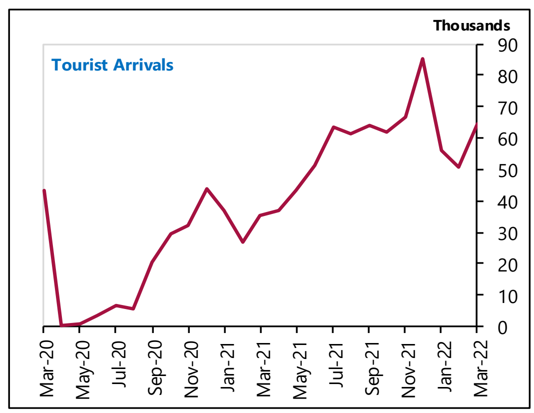
...Construction activities, proxied by cement sales, improved in March 2022...



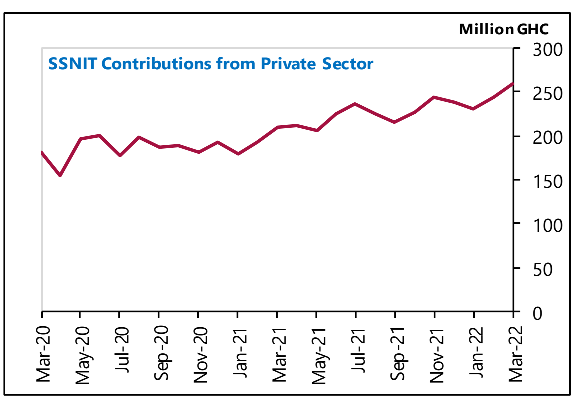
...Port activity picked up in March 2022...



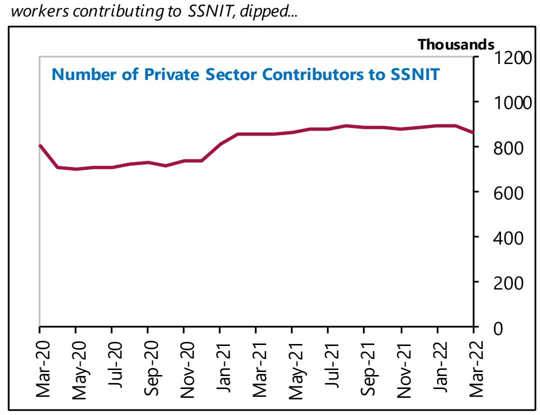
...Tourist arrivals went up in March 2022...



...Labour market conditions improved in March 2022...



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

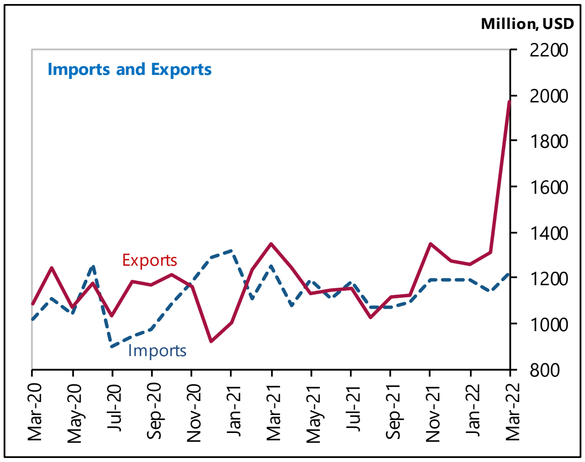


Sources: Bank of Ghana, Various Stakeholders

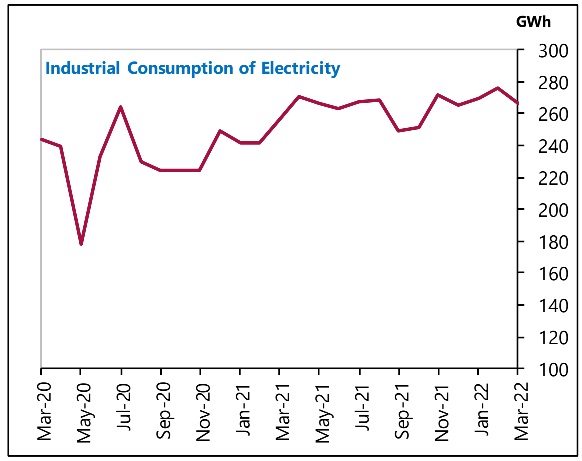
Figure 3.2b: Indicators of Economic Activity

Panel 2:
Ghana's Leading Indicators of Economic Activity

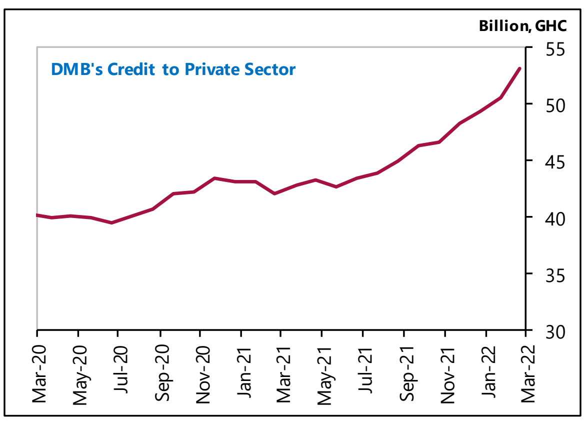
...Exports increased significantly while imports also picked up in March 2022...



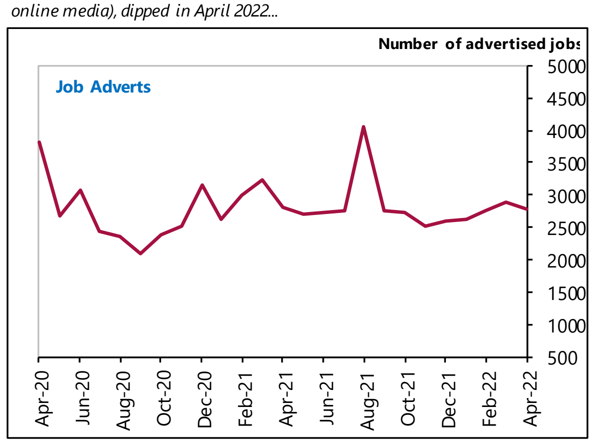
...Industrial activity, proxied by industrial consumption of electricity, declined...



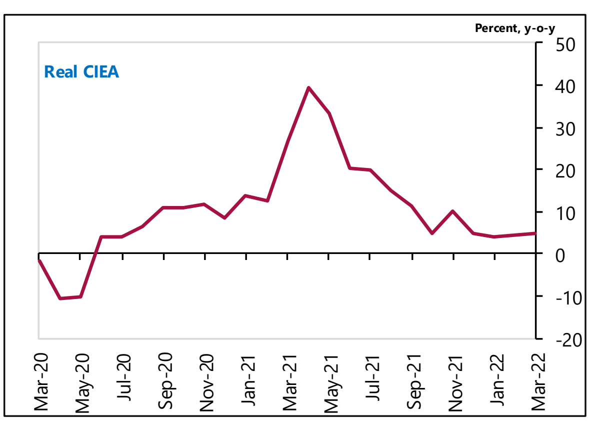
...Commercial banks' credit to the private sector improved in March 2022...



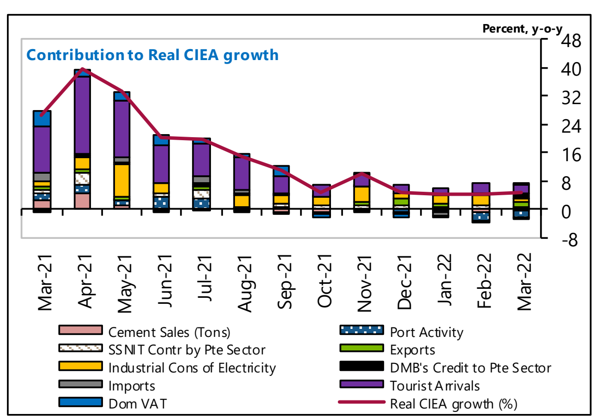
...Demand for labour, proxied by the number of job adverts (in print and online media), dipped in April 2022...



...On a year-on-year basis, the real CIEA grew by 4.6 percent in March 2022, compared with 26.8 percent in March 2021...



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

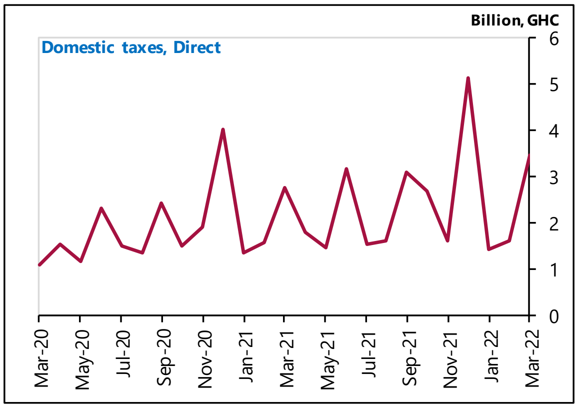


Source: Bank of Ghana, Various Stakeholders

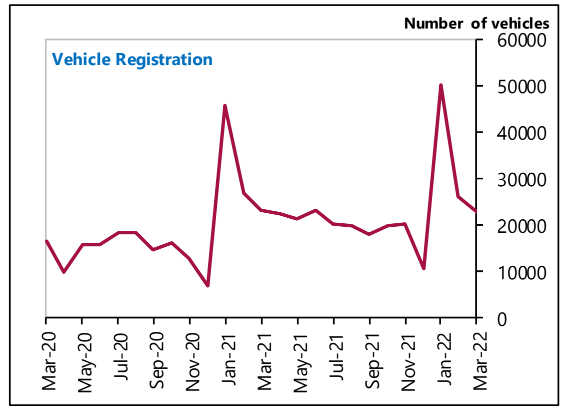
Figure 3.2c: Indicators of Economic Activity

Panel 3:
Ghana's Leading Indicators of Economic Activity

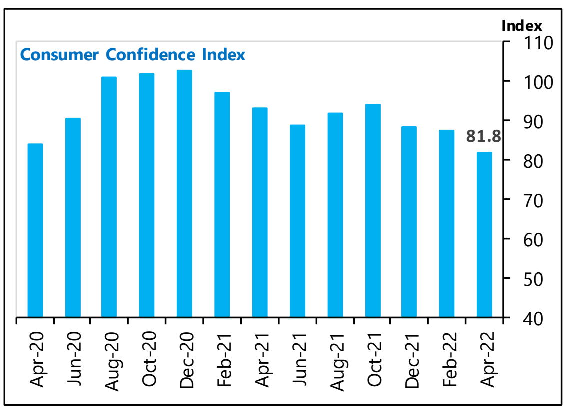
...Domestic tax collection improved in March 2022...



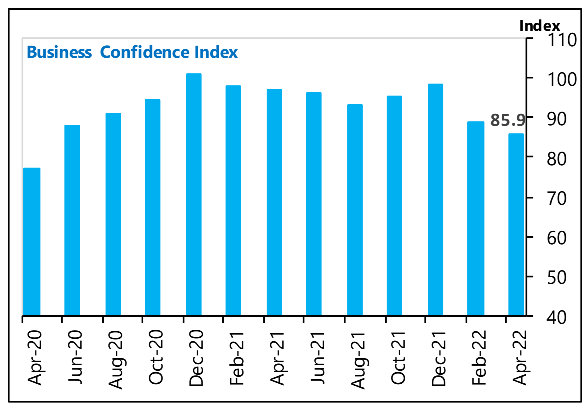
...Vehicle registration decreased in March 2022...



...Consumer confidence declined on account of increases in fuel prices and transportation costs, as well as rising inflation...



...Business confidence dipped on concerns that price pressures and currency depreciation would adversely impact industry prospects...



Source: Bank of Ghana, Various Stakeholders

4. Monetary and Financial Developments

4.0 Highlights

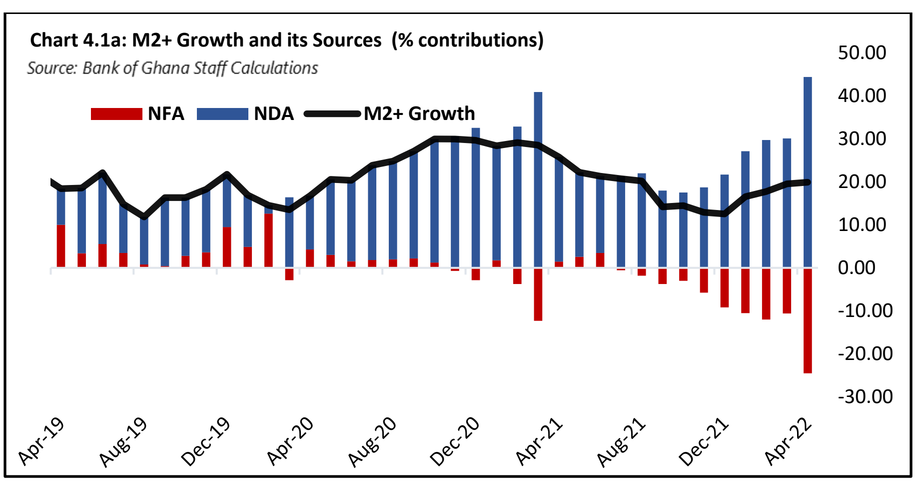
Developments in monetary aggregates showed significant moderation in growth of broad money supply (M2+) in April 2022, mainly driven by contraction in the Net Foreign Assets of the depository corporations' sector; the Net Domestic Assets, however, expanded significantly. Developments on the money market broadly showed upward trends across the spectrum of the yield curve, reinforced by the moderation in liquidity in the various market segments. The Ghana Stock Exchange Composite Index fell marginally, on a year-to-date basis, driven by different factors including increased investments in fixed income securities instigated by the relatively higher yields, uncertainty induced by inflation and exchange rate pressures, as well as portfolio reversals.

4.1 Developments in Monetary Aggregates

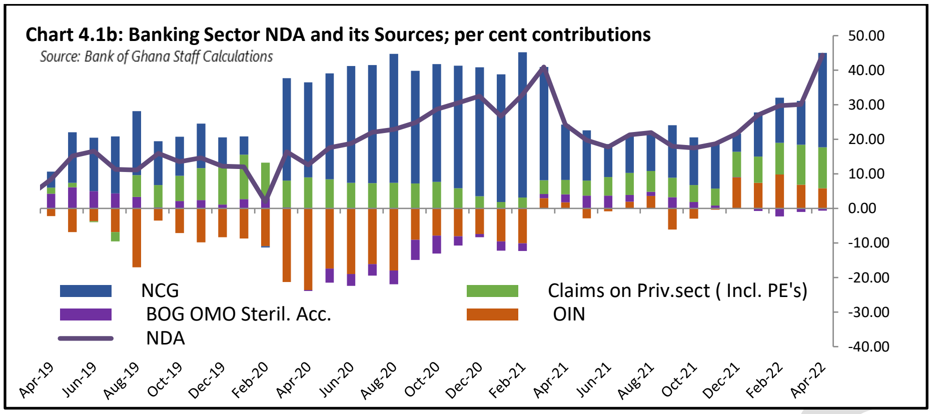
Money Supply

Growth in broad money supply (M2+) showed significant moderation in April 2022, mainly driven by contraction in the Net Foreign Assets (NFA) of the depository corporations' sector. Growth in M2+ declined to 19.87 percent in April 2022 from 25.78 percent in April 2021. The contribution of NFA in the growth of M2+ decreased from 1.47 percent to negative 24.50 percent, while the contribution of the NDA increased from 24.31 percent to 44.37 percent over the same comparative period. In terms of annual growth rates, NFA contracted by 104.11 percent in April 2022 relative to 5.24 percent growth in April 2021, while NDA expanded by 58.02 percent compared with 33.82 percent over the same comparative period (Chart 1a and Appendix Table 1).

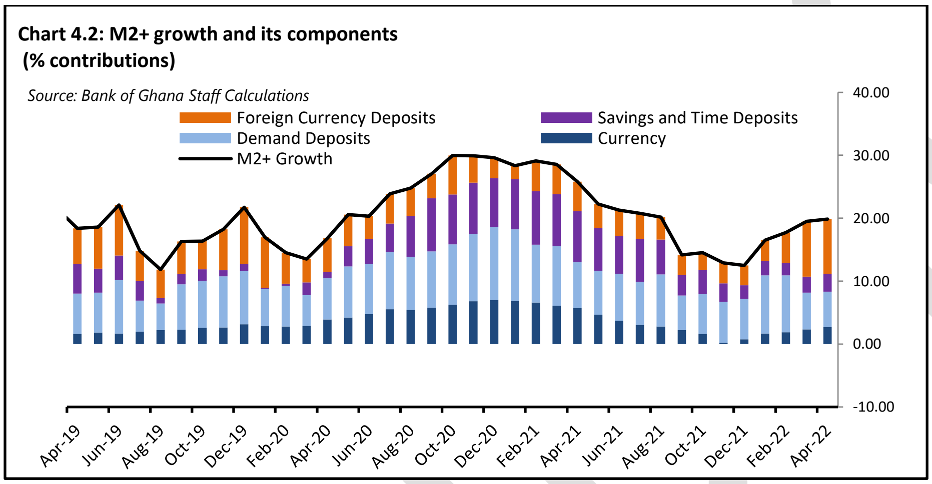
The increase in the contribution of the NDA in the growth of M2+ was mainly driven by a faster pace of growth of Net Claims on Government (NCG), claims on private and public sectors, and outflows through the Other Items (Net) (OIN). On the other hand, the contribution of stock of BOG bills held by Deposit Money Banks (DMBs) decreased, albeit marginally, 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 distributions to currency outside banks, demand deposits, and savings and time deposits, relative to same period in 2021. Distribution to foreign currency deposits, however, increased over the same comparative period (Chart 2; Appendix Table 1).



Source: Bank of Ghana Staff Calculations



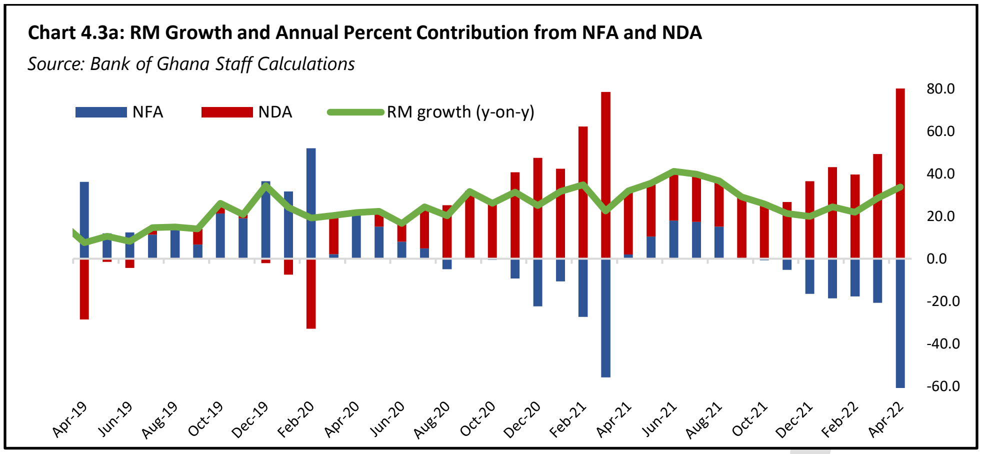
Source: Bank of Ghana Staff Calculations

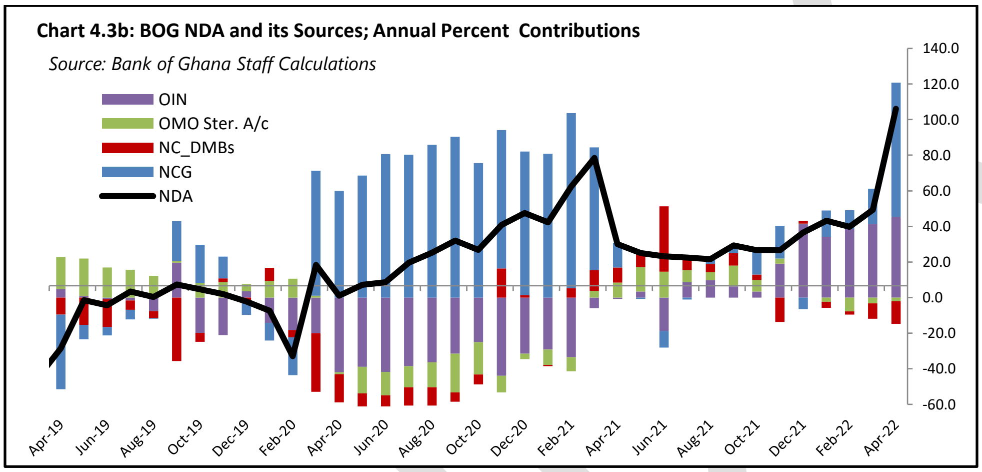


Source: Bank of Ghana Staff Calculations

4.2 Reserve Money

Annual growth in Reserve Money (RM) increased marginally to 33.8 percent in April 2022, from 32.0 percent recorded in the corresponding period of 2021. The increased pace of growth in RM was mainly due to expansion in the NDA of the Central Bank, reflecting increased Net Claims on Government (NCG) and outflows through the OIN, during the comparative period. OMO sterilization, however, declined, reflecting portfolio rebalancing by Deposit Money Banks (DMBs) to shore up liquid buffers in response to the increase in the Cash Reserve Ratio (CRR), which had induced moderation in interbank liquidity. The NDA accounted for 106.1 percent of the growth in RM in April 2022, relative to 30.0 percent for the same time last year.





Source: Bank of Ghana Staff Calculations

4.3 Deposit Money Banks Credit Developments

DMBs’ credit to the private sector and public institutions increased significantly by GH¢12,341.32 million (25.8%) in April 2022 compared with GH¢3,115.21 million (6.96%) recorded in April 2021. Credit to the private sector increased by GH¢11,351.95 million (26.5%) in April 2022 compared with GH¢2,766.85 million (6.9%) recorded in the corresponding period of 2021. The significant increase in the growth in private sector credit reflects the rebound in economic activities. Private sector credit accounted for 91.98 percent of total flow of credit extended to both private and public institutions in April 2022, relative to 88.82 percent recorded in the corresponding period of 2021. Credit flow to the private sector remained concentrated in four sectors: services; commerce and finance; construction; and manufacturing (Chart 4.4a).

Outstanding credit to the private sector at the end of April 2022 was GH¢54,168.75 million, compared with GH¢42,816.79 million recorded in April 2021. In real terms, private sector credit grew marginally by 2.3 percent in April 2022 compared with a 1.5 percent contraction recorded in the corresponding period of 2021 (Chart 4.4b).

Chart 4.4a: Shares in Annual Flow of Credit to the Private sector (%)

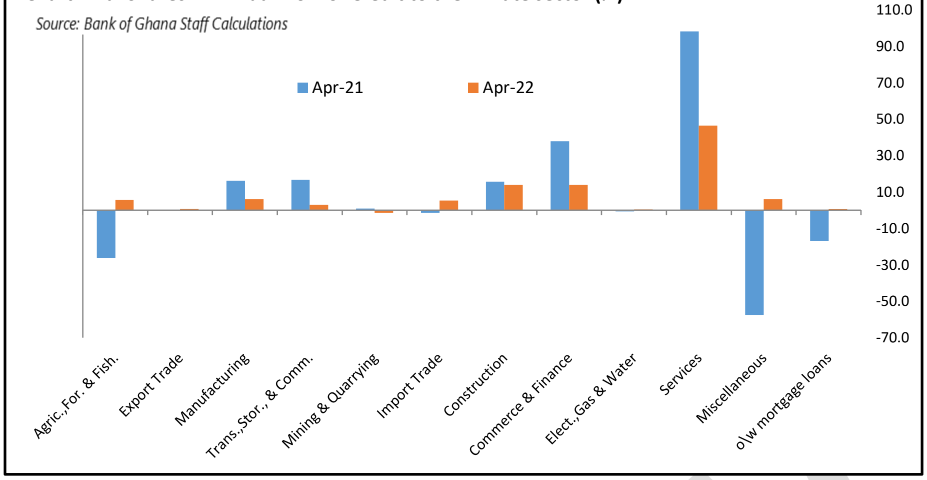
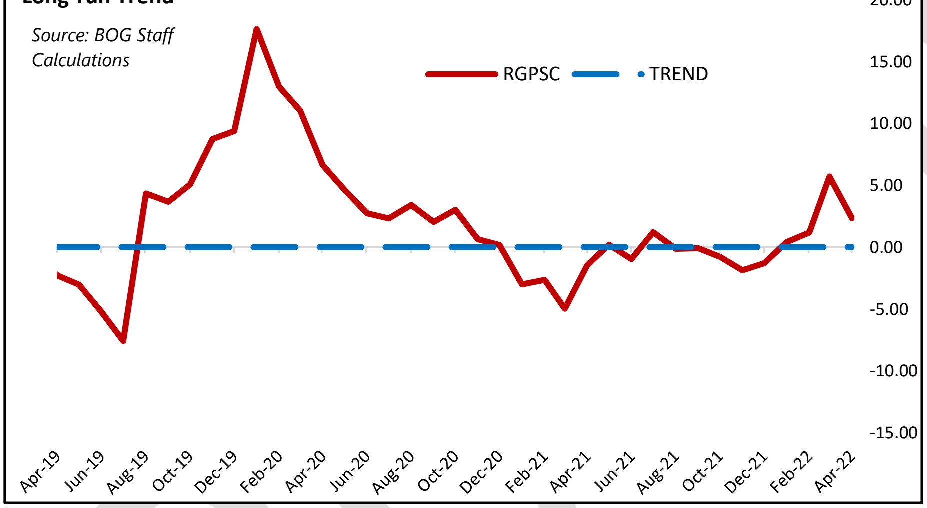


Chart 4.4b: Annual Growth in Real Private Sector Credit (RGPSC) below Long-run Trend



Source: Bank of Ghana Staff Calculations

4.5 Money Market Developments

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

Developments in interest rates broadly showed upward trends across the spectrum of the yield curve, reinforced by the moderation in liquidity in the various market segments. The 91-day and 182-day Treasury bill rates increased to 16.22 percent and 16.72 percent, respectively, in April 2022, from 12.81 percent and 13.58 percent in April 2021. Similarly, the rate on the 364-day instrument increased to 18.93 percent from 16.49 percent over the same comparative period. Rates on the 2-year, 3-year, 5-year and 6-year bonds increased to 19.75 percent, 20.85 percent, 20.75 percent, and 21.75 percent, respectively, from 17.60 percent, 17.70 percent, 18.30 percent, and 19.25 while rates on the 7-year, and 10-year bonds decreased by 250bps, and 5bps, respectively, to settle at 18.10 percent, and 19.75 percent. The rates on the 15-year and 20-year bonds, however, remained unchanged at 19.75 percent and 20.20 percent, respectively, over the same comparative period.

The Interbank Weighted Average Rate (IWAR) responded swiftly to the hike in the Monetary Policy Rate (MPR) in March 2022, increasing to 16.46 percent from 13.57 percent. This transmitted to the retail-end of the market, inducing the average lending rates of banks to increase marginally to 21.61 percent in April 2022 from 20.93 percent recorded in the corresponding period of 2021. In real terms, money market interest rates declined, reflecting sustained price pressures in April 2022 (Charts 4.5, 4.6 and 4.7).

Chart 4.5: MPR, Depo, Reverse Repo, Interbank and T-bill Rates (%)

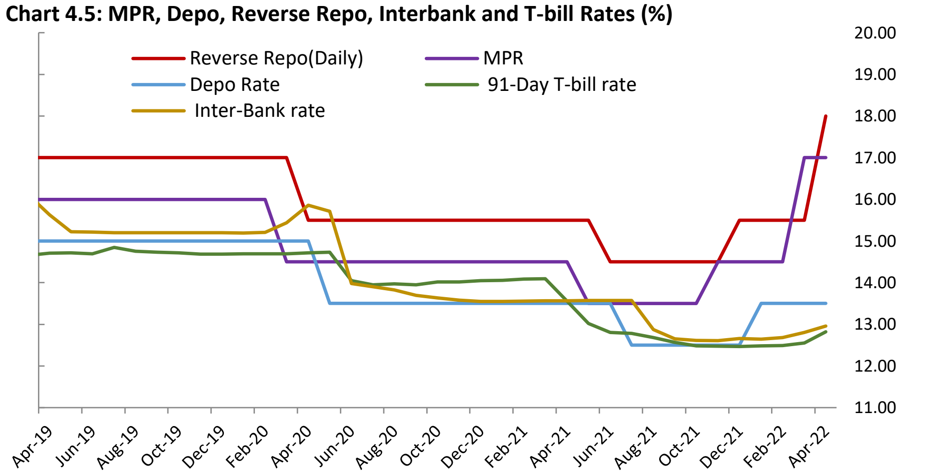


Chart 4.6: Yield Curve (y/y, %)

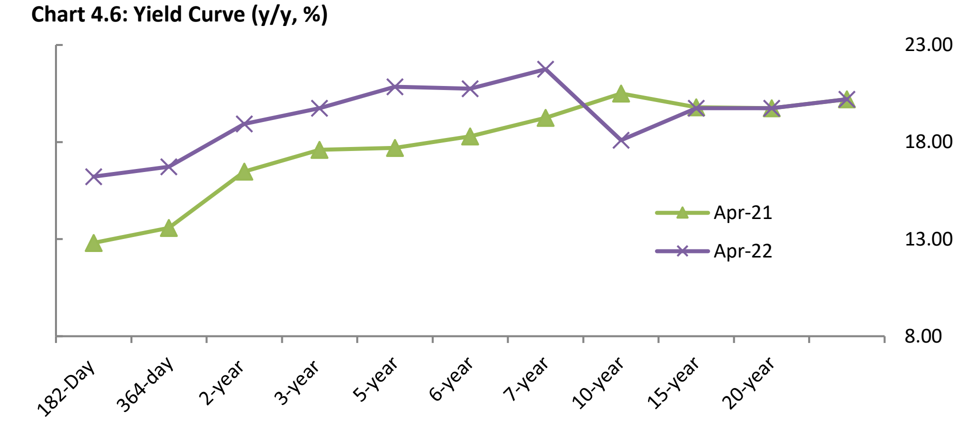
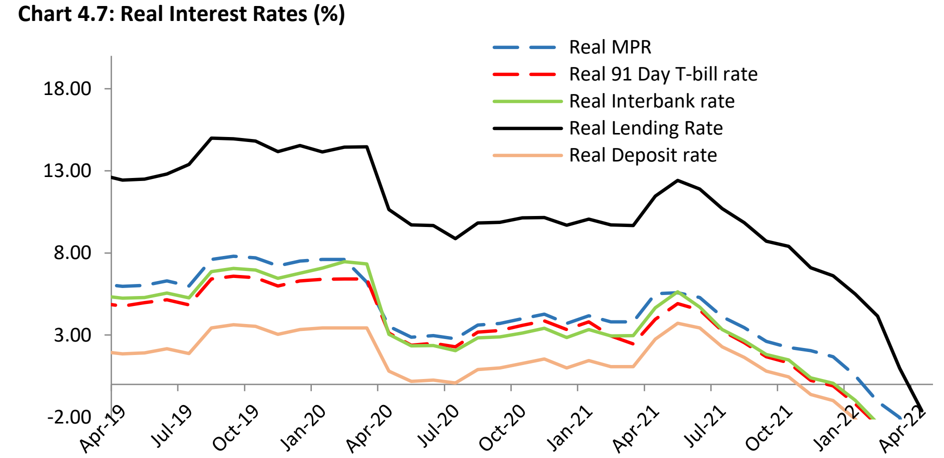


Chart 4.7: Real Interest Rates (%)



Source: Bank of Ghana

4.6 Stock Market Developments

The Ghana Stock Exchange Composite Index (GSE-CI) increased to 2691.19 points in April 2022 from 2561.45 points recorded in the corresponding period of 2021. This translates into a year-on-year gain of 5.07 percent in April 2022 compared to a gain of 21.93 percent in April 2021. The GSE-Financial Stocks Index (GSE-FSI) closed at 2209.70 points, representing a gain of 17.72 percent compared to a loss of 1.54 percent over the same comparative period in 2021. The stock market's improved performance, on a year-on-year basis, was on the back of a rebound in investor confidence, underpinned by policy support, as well as the relaxation of pandemic-related restrictions, particularly in 2021.

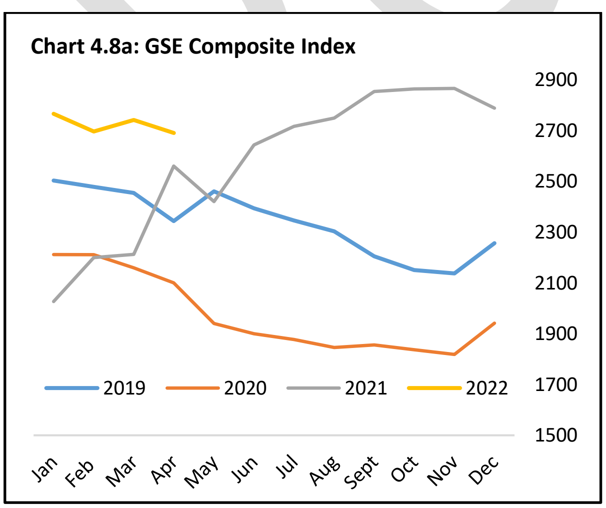
The year-to-date performance, however, showed a loss in the index of 3.52 percent. The main sectors that contributed to the year-to-date decrease were the Agriculture and IT sectors. The year-to-date loss is attributed to the imposition of capital gains tax on securities listed on the GSE, the relatively higher yields on fixed income securities, higher inflation expectations, exchange rate pressures, and portfolio reversals.

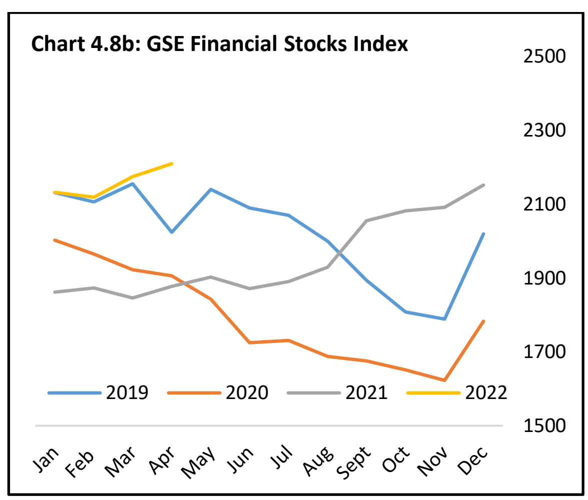
Total market capitalisation of the GSE at the end of April 2022 was GH¢63.82 billion, representing a growth of 4.96 percent (GH¢3.02 billion), compared with a growth 10.15 percent in April 2021. The year-on-year improvement in market capitalization was largely on account of capital gains. Total market capitalization, however, declined by 2.50 percent, on a year-to-date basis, driven by declines in share prices (Table 4.1, Charts 4.8a, 4.8b).

Table 4.1: Performance of GSE

Performance of Ghana Stock Exchange (Table 2)														
										Changes				
										Y-O-Y		Y-T-D	Month-On-Month (April)	
	Apr-20	Dec-20	Mar-21	Apr-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	2021	2022	2022	2021	2022
GSE CI	2100.7	1941.6	2213.3	2561.45	2789.34	2766.80	2696.45	2742.85	2691.19	21.93	5.07	(3.52)	15.73	(1.88)
GSE FI	1906.4	1782.8	1845.9	1877.07	2151.85	2131.90	2118.96	2174.96	2209.70	(1.54)	17.72	2.69	1.69	1.60
Market Capitalization	55,200.8	54,374.9	57,162.2	60801.73	64495.21	64097.80	62881.97	64029.79	63817.62	10.15	4.96	(1.05)	6.37	(0.33)

Source: Ghana Stock Exchange and Bank of Ghana Staff Calculations





Source: Ghana Stock Exchange

4.7 Conclusion

Growth in broad money supply (M2+) showed significant moderation in April 2022, mainly driven by contraction in the Net Foreign Assets (NFA) of the banking sector. Reserve money increased marginally, due mainly to the expansion in the NDA of the Central Bank, reflecting increased Net Claims on Government (NCG) and outflows through the OIN. OMO sterilization, however, declined, reflecting portfolio rebalancing by Deposit Money Banks (DMBs) to shore up liquid buffers in response to the increase in the Cash Reserve Ratio (CRR), which had moderated interbank liquidity. In contrast, the NFA of the Central Bank contracted, reflecting constrained external inflows. Growth in credit to the private sector improved significantly in nominal terms, reflecting the rebound in economic activities. Interest rates broadly trended upwards across the spectrum of the yield curve, reinforced by the moderation in liquidity in the various market segments.

Appendix Table 4.2

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

		Dec-19	Dec-20	Mar-21	Apr-21	Jun-21	Sep-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
1	Net Foreign Assets	21293.01	18598.06	15096.87	27987.31	25384.55	15199.51	10302.96	6527.59	4908.33	2415.79	(1150.85)
	Bank of Ghana	20622.55	14121.48	11740.53	26967.14	25033.84	16504.31	11018.62	9349.10	9154.33	4485.86	1453.09
	Commercial Banks	670.46	4476.57	3356.35	1020.17	350.71	(1304.80)	(715.67)	(2821.51)	(4246.00)	(2070.07)	(2603.94)
2	Net Domestic Assets	71682.47	101923.76	104348.34	90946.49	96506.78	109397.09	125295.07	130946.70	134536.04	140313.35	143714.52
3	ow: Claims on government (net)	34214.54	68965.59	72637.59	58621.99	63281.84	77648.30	75314.27	83212.36	85117.84	87787.70	91091.89
4	ow: Claims on Private sector(Incl. PE's)	49713.15	52943.18	53021.45	53538.78	55112.28	57167.35	60279.46	61542.78	64080.22	66810.38	67652.52
	BOG OMO Sterilisation Acc.	(4924.64)	(5789.95)	(5122.11)	(4155.74)	(4666.44)	(6321.65)	(5654.59)	(6779.17)	(8548.60)	(6289.35)	(4888.06)
5	Total Liquidity (M2+)	92975.47	120521.82	119445.22	118933.79	121891.32	124596.60	135598.03	137474.29	139444.38	142729.13	142563.67
6	ow: Broad Money Supply (M2)	69973.10	94491.75	93226.01	91942.98	94210.69	96838.70	105779.55	108231.31	107281.63	106050.89	105204.84
7	ow: Foreign Currency Deposits(¢million)	23002.37	26030.07	26219.21	26990.81	27680.63	27757.90	29818.48	29242.98	32162.74	36678.24	37358.83
	Change from previous year (in per cent)											
8	Net Foreign Assets	51.69	(12.66)	(43.13)	5.24	15.97	(21.27)	(44.61)	(65.61)	(74.35)	(84.00)	(104.11)
9	Net Domestic Assets	14.98	42.19	57.24	33.82	22.77	21.78	22.93	32.27	35.44	34.47	58.02
10	ow: Claims on government (net)	24.18	101.57	72.14	34.98	17.90	27.11	9.21	22.22	22.14	20.86	55.39
11	ow: Claims on Private sector(Incl. PE's)	19.73	6.50	7.45	7.89	10.90	12.12	13.86	16.87	20.39	26.01	26.36
12	ow: BOG OMO Sterilisation Acc.	14.76	(17.57)	17.55	35.11	44.29	35.93	2.34	(14.31)	(46.77)	(22.79)	(17.62)
12	**Total Liquidity (M2+)**	21.73	29.63	28.57	25.78	21.29	14.17	12.51	16.53	17.71	19.49	19.87
13	Broad Money Supply (M2)	16.13	35.04	31.12	27.80	22.43	14.11	11.95	16.85	16.52	13.76	14.42
14	Foreign Currency Deposits (FCDs)	42.65	13.16	20.23	19.35	17.55	14.37	14.55	15.35	21.85	39.89	38.41
	Cummulative change from previous year end (in per cent)											
15	Net Foreign Assets	51.69	(12.66)	(18.83)	50.47	36.48	(18.28)	(59.51)	(13.33)	(34.83)	(67.92)	(115.28)
16	Net Domestic Assets	14.98	42.19	2.38	(10.77)	(5.31)	7.33	25.61	2.28	5.09	9.60	12.26
17	o/w: Claims on government (net)	24.18	101.57	5.32	(15.00)	(8.24)	12.59	9.21	10.49	13.02	16.56	20.95
18	Broad Money(M2+)	21.73	29.63	(0.89)	(1.32)	1.14	3.38	12.47	1.42	2.87	5.29	5.17
	Annual per cent contribution to money growth											
19	Net Foreign Assets	9.50	(2.90)	(12.32)	1.47	3.48	(3.76)	(6.88)	(10.56)	(12.01)	(10.62)	(24.50)
20	NDA	12.23	32.53	40.89	24.31	17.81	17.93	19.39	27.08	29.71	30.11	44.37
21	Total Liquidity (M2+)	21.73	29.63	28.57	25.78	21.29	14.17	12.51	16.53	17.71	19.49	19.87
	Memorandum items											
22	Reserve Money	28896.02	36124.78	34904.63	35293.96	36063.64	39156.13	43300.02	44963.72	43197.72	44866.58	47215.05
23	NFA ($million)	3847.88	3228.72	2635.26	4882.47	4405.05	2590.99	1715.42	1083.67	743.64	339.67	(161.80)
24	Currency ratio	0.18	0.21	0.19	0.20	0.18	0.18	0.19	0.19	0.18	0.18	0.19
25	**FCD/M2+**	0.25	0.22	0.22	0.23	0.23	0.22	0.22	0.21	0.23	0.26	0.26
26	**FCD/Total Deposit**	0.29	0.26	0.26	0.27	0.27	0.26	0.26	0.25	0.27	0.30	0.31
27	RM multiplier	2.42	2.62	2.67	2.61	2.61	2.47	2.44	2.41	2.48	2.36	2.23

Source: Bank of Ghana Staff Caluculations

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

		Dec-19	Dec-20	Mar-21	Apr-21	Jun-21	Sep-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
1	Net Foreign Assets (NFA)	20622.55	14123.29	11740.53	26967.14	25033.84	16504.31	11018.62	9349.10	9154.33	4485.86	1453.09
2	Net Domestic Assets (NDA)	8273.47	22001.49	23164.10	8326.82	11029.80	22651.82	32281.40	35614.62	34043.39	40380.73	45761.96
	of which:											
3	ow: Claims on government (net)	8468.74	31731.12	32502.58	16537.84	19340.81	31179.41	29389.54	36255.78	35960.11	39496.69	43185.34
4	Claims on DMB's (net)	5302.04	5736.58	1069.52	1314.21	2624.76	740.36	2725.48	416.85	617.25	(1896.17)	(3158.63)
5	OMO Sterilisation Account.	(4924.64)	(5789.95)	(5122.11)	(4155.74)	(4666.44)	(6321.65)	(5654.59)	(6779.17)	(8548.60)	(6289.35)	(4888.06)
6	Reserve Money (RM)	28896.02	36124.78	34904.63	35293.96	36063.64	39156.13	43300.02	44963.72	43197.72	44866.58	47215.05
7	ow:Currency	14358.06	20889.63	19324.74	19748.36	19092.40	18812.37	21816.17	21864.93	21658.07	22090.81	23421.41
8	DMB's reserves	11850.56	11860.85	12090.54	11951.87	13360.30	16392.25	17235.93	18896.48	15757.61	18451.87	19283.12
9	Non-Bank deposits	2687.40	3374.30	3489.35	3593.73	3610.94	3951.50	4247.91	4202.31	5782.04	4323.90	4510.52
	Change from previous year (in per cent)											
10	Net Foreign Assets	61.58	(31.52)	(57.59)	1.96	22.36	(0.32)	(22.65)	(41.95)	(40.79)	(61.79)	(94.61)
11	Net Domestic Assets	(5.32)	165.93	2791.49	2695.35	116.77	64.37	47.83	77.97	70.40	74.32	449.57
12	ow: Claims on government (net)	(17.05)	274.69	152.36	28.71	(10.93)	4.38	(7.38)	17.23	11.82	21.52	161.13
13	Claims on DMB's (net)	6.32	(8.20)	147.39	236.45	410.14	153.41	(17.48)	74.42	50.79	277.29	340.34
14	OMO Sterilisation Account.	14.76	(17.57)	17.55	35.11	44.29	35.93	2.34	(14.31)	(46.78)	(22.79)	(17.62)
15	**Reserve Money (RM)**	34.39	25.02	22.53	31.95	41.17	29.07	20.00	24.49	21.89	28.54	33.78
16	ow:Currency	20.24	45.49	41.60	37.96	25.24	14.67	4.44	9.84	11.37	14.31	18.60
	Cumulative change from previous year end (in per cent)											
17	Net Foreign Assets (NFA)	61.58	(30.93)	(17.58)	90.94	75.74	15.86	(42.10)	13.36	11.00	(45.61)	(82.38)
18	Net Domestic Assets (NDA)	(5.32)	163.95	6.07	(62.15)	(49.49)	3.73	60.26	1.76	(2.73)	15.38	30.76
19	o/w: Claims on government (net)	(17.05)	274.69	2.43	(47.88)	(39.05)	(1.74)	(7.38)	23.36	22.36	34.39	46.94
20	Reserve Money (RM)	34.39	25.02	(3.38)	(2.30)	(0.17)	8.39	19.85	3.97	(0.11)	3.75	9.18
	Annual per cent contribution											
21	Net Foreign Assets	36.56	(22.49)	(55.97)	1.94	17.91	(0.18)	(8.94)	(18.71)	(17.79)	(20.78)	(72.29)
22	Net Domestic Assets (NDA)	(2.16)	47.51	78.50	30.02	23.26	29.24	28.94	43.20	39.69	49.32	106.07
23	RM growth (y-o-y)	34.39	25.02	22.53	31.95	41.17	29.07	20.00	24.49	21.89	28.54	33.78

Source: Bank of Ghana Staff Calculations

5. Banking Sector Developments

5.0 Highlights

The banking sector performance was resilient in the period under review. Data for the first four months of 2022 showed robust growth in total assets, funded by increased deposits and borrowings. Notwithstanding the net tightened credit stance on loans to enterprises and households, which reflected the recent increases in the lending rate, the rebound in credit growth continued, with growth in banks' loans and advances outpacing growth in investments.

Financial soundness indicators remained strong and healthy, underpinned by improved solvency, liquidity, and profitability. The industry's Non-Performing Loans (NPLs) ratio also declined due to the higher growth in credit. The stock of NPLs however increased during the review period, indicating that asset quality risks remain within the industry.

In the outlook, the sector is projected to remain resilient to mild-to-moderate stress conditions, supported by strong capital and liquidity buffers. However, the strong credit growth recorded this year may taper off as banks tighten their credit stance in response to the recent monetary policy tightening by the Bank of Ghana. The current macroeconomic challenges also present a risk to the outlook. The Bank of Ghana would continue to monitor developments within the sector to ensure that stability is maintained.

5.1 Banks' Balance Sheet

Total assets of the banking industry recorded a stronger year-on-year growth of 24.8 percent to GH¢194.3 billion as at April 2022, compared to a growth of 16.4 percent in April 2021. The higher growth in assets reflected in both domestic assets and foreign assets. Domestic assets increased by 25.2 percent in April 2022 from 17.2 percent in April 2021 while foreign assets grew by 18.5 percent, compared to a growth of 5.6 percent during the same comparative period. The share of foreign assets in total assets declined to 6.2 percent from 6.5 percent, while that of domestic assets increased from 93.5 percent to 93.8 percent on account of a higher growth in domestic assets during the reference period (Table 5.1).

Annual growth in investments moderated in April 2022. Investment grew by 14.5 percent to GH¢83.9 billion as at end-April 2022 compared to a growth of 34.9 percent in April 2021. However, it remained the largest component of total assets as at end-April 2022, though its share declined during the review period.

Credit growth continued to rebound strongly, outpacing the growth in investments in April 2022. The industry's gross loans and advances registered a (year-on-year) growth of 25.8 percent to GH¢60.2 billion from the modest growth of 7.0 percent recorded a year earlier. Similarly, net loans and advances (gross loans adjusted for provisions and interest in suspense) recorded a higher growth of 29.0 percent in April 2022 compared to a growth of 5.9 percent in April 2021. Growth in the foreign currency component of net advances also picked up strongly in April 2022 relative to the same period last year, reflecting in part the revaluation effect from the sharp depreciation of the Ghana Cedi, particularly at the beginning of the year, and also an increase in the volume of foreign currency loans during the review period. New Advances also increased by 57.3 percent to GH¢16.5 billion, compared with a contraction of 3.7 percent in the same period last year.

Table 5.1: Key Developments in DMBs' Balance Sheet										
	(GH ¢'million)			Y-on-Y Growth (%)		year-to-date growth (%)			Shares (%)	
	Apr-21	Feb-22	Apr-22	Apr-21	Apr-22	Apr-21	Feb-22	Apr-22	Apr-21	Apr-22
TOTAL ASSETS	**155,719.8**	**187,761.6**	**194,280.8**	**16.4**	***24.8***	**4.3**	***4.4***	***8.1***	***100.0***	***100.0***
A. Foreign Assets	10,129.7	8,667.7	12,005.9	5.6	*18.5*	(16.5)	*(17.1)*	*14.9*	*6.5*	*6.2*
B. Domestic Assets	145,590.1	179,093.9	182,274.9	17.2	*25.2*	6.1	*5.8*	*7.6*	*93.5*	*93.8*
Investments	73,258.4	88,475.5	83,866.4	34.9	*14.5*	13.7	*6.4*	*0.9*	*47.0*	*43.2*
i. Bills	20,581.8	23,369.7	17,874.0	28.5	*(13.2)*	45.0	*15.2*	*(11.9)*	*13.2*	*9.2*
ii. Securities	52,454.9	64,887.4	65,760.9	38.6	*25.4*	4.9	*3.6*	*5.0*	*33.7*	*33.8*
Advances (Net)	41,304.5	49,808.5	53,264.1	5.9	*29.0*	(1.2)	*5.7*	*13.0*	*26.5*	*27.4*
of which Foreign Currency	12,408.7	15,360.4	16,848.1	1.8	*35.8*	1.6	*11.5*	*22.3*	*8.0*	*8.7*
Gross Advances	**47,866.3**	**56,257.8**	**60,207.7**	**7.0**	***25.8***	**0.2**	***4.6***	***12.0***	***30.7***	***31.0***
Other Assets	7,187.1	9,280.2	9,624.1	25.6	*33.9*	11.2	*14.3*	*18.6*	*4.6*	*5.0*
Fixed Assets	5,037.4	5,273.1	5,356.0	7.6	*6.3*	0.5	*(0.2)*	*1.4*	*3.2*	*2.8*
TOTAL LIABILITIES AND CAPITAL	**155,719.8**	**187,761.6**	**194,280.8**	**16.4**	***24.8***	**4.3**	***4.4***	***8.1***	***100.0***	***100.0***
Total Deposits	**104,856.5**	**122,935.2**	**127,161.1**	**24.2**	***21.3***	**1.0**	***1.6***	***5.0***	***67.3***	***65.5***
of which Foreign Currency	28,379.9	31,614.6	36,794.7	27.0	*29.7*	5.4	*9.0*	*26.8*	*18.2*	*18.9*
Total Borrowings	15,554.8	25,477.6	25,853.3	(13.4)	*66.2*	7.2	*15.6*	*17.3*	*10.0*	*13.3*
Foreign Liabilities	9,775.2	13,816.3	15,688.6	1.4	*60.5*	18.7	*15.6*	*31.2*	*6.3*	*8.1*
i. Short-term borrowings	4,525.5	6,720.1	8,735.3	(25.1)	*93.0*	29.4	*24.7*	*62.1*	*2.9*	*4.5*
ii. Long-term borrowings	4,315.9	5,790.0	5,588.6	37.2	*29.5*	8.1	*5.4*	*1.7*	*2.8*	*2.9*
iii. Deposits of non-residents	933.8	1,306.3	1,364.7	106.1	*46.2*	24.9	*21.6*	*27.0*	*0.6*	*0.7*
Domestic Liabilities	122,061.5	147,377.7	151,077.6	15.7	*23.8*	1.9	*3.7*	*6.3*	*78.4*	*77.8*
i. Short-term borrowing	4,688.7	11,864.9	10,378.7	(39.3)	*121.4*	(6.2)	*18.3*	*3.5*	*3.0*	*5.3*
ii. Long-term Borrowings	2,024.7	1,102.6	1,150.7	94.7	*(43.2)*	(0.0)	*(2.7)*	*1.5*	*1.3*	*0.6*
iii. Domestic Deposits	103,922.7	121,628.9	125,796.3	23.8	*21.0*	0.8	*1.4*	*4.8*	*66.7*	*64.7*
Other Liabilities	11,640.4	13,738.8	14,710.4	(8.8)	*26.4*	19.3	*15.5*	*23.7*	*7.5*	*7.6*
Paid-up capital	10,570.3	10,166.2	10,165.1	8.3	*(3.8)*	8.3	*0.0*	*(0.0)*	*6.8*	*5.2*
Shareholders' Funds	23,668.0	25,610.1	26,556.1	26.8	*12.2*	11.4	*3.2*	*7.0*	*15.2*	*13.7*

Source: Bank of Ghana

The higher growth in industry's assets was funded by deposits, as well as liquidity flows from borrowings during the period. Deposits recorded a robust growth of 21.3 percent to GH¢127.2 billion as at end-April 2022, lower than the 24.2 percent growth recorded a year earlier. The slower growth in the industry's deposits was compensated for by a sharp increase in banks' borrowings during the period under review. Banks increased borrowings from both domestic and foreign sources, with total borrowings recording a sharp annual increase of 66.2 percent to GH¢25.9 billion in April 2022 from GH¢15.6 billion (representing a 13.4% contraction) in April 2021.

The industry's shareholders' funds recorded a decline in the annual growth rate during the review period, reflecting in part the marginal slowdown in reserves growth as well as the relaxation of restrictions on banks payment of dividends put in place at the height of the pandemic. Accordingly, shareholders' funds increased by 12.2 percent to GH¢26.6 billion as at end-April 2022, lower than the 26.8 percent growth recorded a year ago.

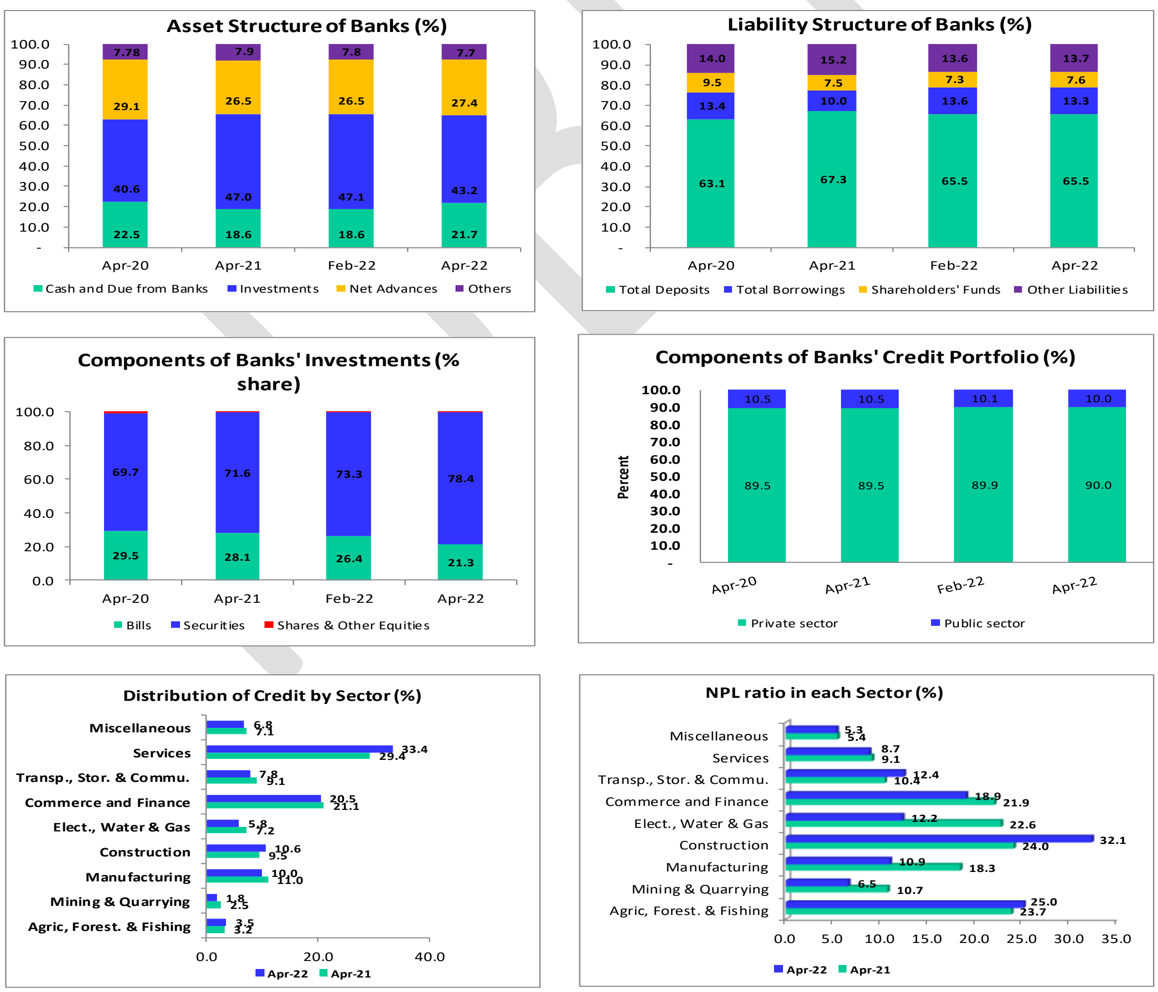
In summary, the balance sheet performance of the industry showed sustained growth in key indicators at end-April 2022. The strong credit growth recorded this year may, however, taper off as banks tighten their credit stance in response to the recent monetary policy tightening by the Bank of Ghana.

5.1.1 Asset and Liability Structure

The asset and liability structure of the banking industry remained tilted towards less risky assets at end-April 2022. However, there were some noticeable differences in the relative shares of the key components, partly a result of the recent increase in the MPR to 17 percent, and the increase in the Cash Reserve Ratio (CRR) from 8 percent to 12 percent announced by the Bank of Ghana in March 2022. Consequently, most banks increased their cash and bank balances to meet the higher CRR requirement. Investments (comprising bills, securities and equity) grew by 14.5 percent to GH¢83.9 billion as at end-April 2022 compared to a growth of 34.9 percent in April 2021. Investments continued to dominate the asset mix, but its share declined from 47.0 percent in April 2021 to 43.2 percent in April 2022 while the share of "Cash and Due from banks" increased from 18.6 percent to 21.7 percent during the same comparative period. Loans and advances (net), however, remained the second largest component of banks' assets, recording a higher share of 27.4 percent in April 2022 from 26.5 percent in the previous year on account of the stronger growth in credit in April 2022. The share of banks' non-earning assets (fixed assets and other assets) in total assets, however, moderated from 7.9 percent to 7.7 percent during the review period (Annexes Table 5.1).

Among banks' liabilities, deposits constituted the largest share of 65.5 percent at end-April 2022. Its share however, moderated from 67.3 percent in April 2021 on account of the slowdown in the growth of deposits during the period. The share of borrowings, on the other hand, increased to 13.3 percent from 10.0 percent, reflecting the sharp increase in the industry's borrowing during the reference period. The share of Shareholders' funds increased from 7.5 percent in April 2021 to 7.6 percent in April 2022 while the share of other liabilities declined from 15.2 percent to 13.7 percent over the same comparative period (Annexes Table 5.1).

Figure 5.1: Developments in Banks' Balance Sheet & Asset Quality



Source: Bank of Ghana Staff Calculations

5.1.2 Share of Banks' Investments

Banks' investment portfolio as at end-April 2022 remained in favour of long-term debt instruments (securities), a response to higher interest rates on the long-term instruments compared to rates on money market instruments. The share of securities increased to 78.4 percent in April 2022 from 71.6 percent in April 2021. The share of short-term bills in total investments, however, declined to 21.3 percent from 28.1 percent during the same comparative period. The share of bills may, however, increase as banks move to the shorter end of the market to take advantage of the increasing yields in that segment of the market following the recent hikes in the Monetary Policy Rate (MPR). The share of equity investments remained insignificant at 0.3 percent (Figure 5.1).

5.2 Credit Risk

The industry's NPL ratio declined during the review period on the back of increase in credit.

5.2.1 Credit Portfolio Analysis

Gross loans and advances increased by 25.8 percent (year-on-year) to GH¢60.2 billion at end-April 2022 compared to a growth of 7.0 percent in April 2021. The stronger growth in gross loans and advances reflected in both private and public sector credit. Private sector credit recorded a rebound in growth of 26.5 percent to GH¢54.2 billion in April 2022 compared with a growth of 6.9 percent during the corresponding period in the previous year. Public sector credit also recorded a higher growth of 19.6 percent to GH¢6.0 billion compared to a growth of 7.4 percent in the previous year. In terms of market share, the private sector continued to hold the bigger share of total credit of 90.0 percent in April 2022, a marginal increase from 89.5 percent in April 2021. Accordingly, the share of public sector credit declined marginally from 10.5 percent to 10.0 percent between the two periods (Annexes Tables 5.2 & 5.4).

Gross loans and advances increased by 11.7 percent in the year-to-April 2022, a recovery from the 0.2 percent growth recorded during the same period in 2021. The higher year-to-date growth in gross loans and advances came from a rebound in the growth of credit to the private sector (comprising private enterprises and households) to 11.6 percent in 2022 from the 1.6 percent contraction in 2021. Year-to-date growth in public sector credit, however, moderated from 19.2 percent to 12.2 percent during the same review period. The pickup in the growth of credit to the private sector between the two periods reflected in all components of private sector credit (Annexes Table 5.2).

The sector breakdown of loans indicated that the services sector continued to hold the highest share of credit, followed by the commerce and finance sector and the construction sector with respective shares of 33.4 percent, 20.5 percent, and 10.6 percent at end-April 2022 (Figure 5.1). These three sectors accounted for 64.4 percent of total credit at end-April 2022 compared with 59.9 percent during the corresponding period in 2021. The other economic sectors accounted for the remaining 35.6 percent in various proportions in April 2022 (Figure 5.1). The mining and quarrying sector remained the lowest recipient of industry credit, with its share declining further to 1.8 percent at end-April 2022, from 2.5 percent in April 2021 (Figure 5.1).

5.2.2 Off Balance Sheet Activities

Banks increased their off-balance sheet transactions (comprising largely trade finance and guarantees) during the period under review in response to the rebound in economic activity and the corresponding increase in trade finance related activities. Off-balance sheet transactions (contingent liabilities) amounted to GH¢20.1billion as at end-April 2022, representing a 41.9 percent annual growth, compared to a growth of 26.7 during the same period in 2021. As a result, banks' contingent liabilities as a percentage of total liabilities increased to 12.0 percent from 10.5 percent during the review period (Annexes Table 5.3).

5.2.3 Asset Quality

The industry's asset quality improved (year-on-year), evidenced by the decline in the NPL ratio from 15.5 percent in April 2021 to 14.3 percent in April 2022. When adjusted for the fully provisioned loan loss category, the industry's adjusted NPL ratio also declined sharply from 6.5 percent to 4.2 percent (Figure 5.2). The decline in the NPL ratio was on the back of a higher growth in the stock of loans from 7.0 percent to 25.8 percent during the review period. The stock of NPLs, on the other hand, increased to GH¢8.6 billion in April 2022 from GH¢7.4 billion in April 2021, representing a growth of 15.8 percent (comparative growth of 11.1% in April 2021). The increase in the NPL stock indicates that some asset quality risks still remain within the banking sector. The extension of the loan repayment moratoria deadline by the Bank of Ghana to December 31, 2022 is expected to provide relief to customers adversely impacted by the pandemic and help moderate the growth in non-performing loans within the banking sector.

In terms of sectorial performance, all but three sectors recorded improvements in their NPL ratios during the period under review. These are: electricity, water and gas (from 22.6% to 12.2%); manufacturing (from 18.3% to 10.9%); mining and quarrying (from 10.7 % to 6.5%); commerce and finance (from 21.9% to 18.9%); and the services sectors (from 9.1% to 8.7%). On the other hand, the sectors that recorded increases in their NPL ratio were: construction (from 24.0% to 32.1%); transportation, storage and communication (from 10.4% to 12.4%); and the agriculture, forestry and fishing sectors (from 23.7% to 25.0%). The sector with the lowest NPL ratio was the mining and quarrying sector while the construction sector had the largest proportion of its loans impaired (Figure 5.1).

5.3 Financial Soundness Indicators

The banking sector remains sound as evidenced by the strong financial soundness indicators (FSIs) of the sector as at April 2022. Key FSIs such as liquidity, solvency, efficiency, and profitability remained broadly healthy during the review period.

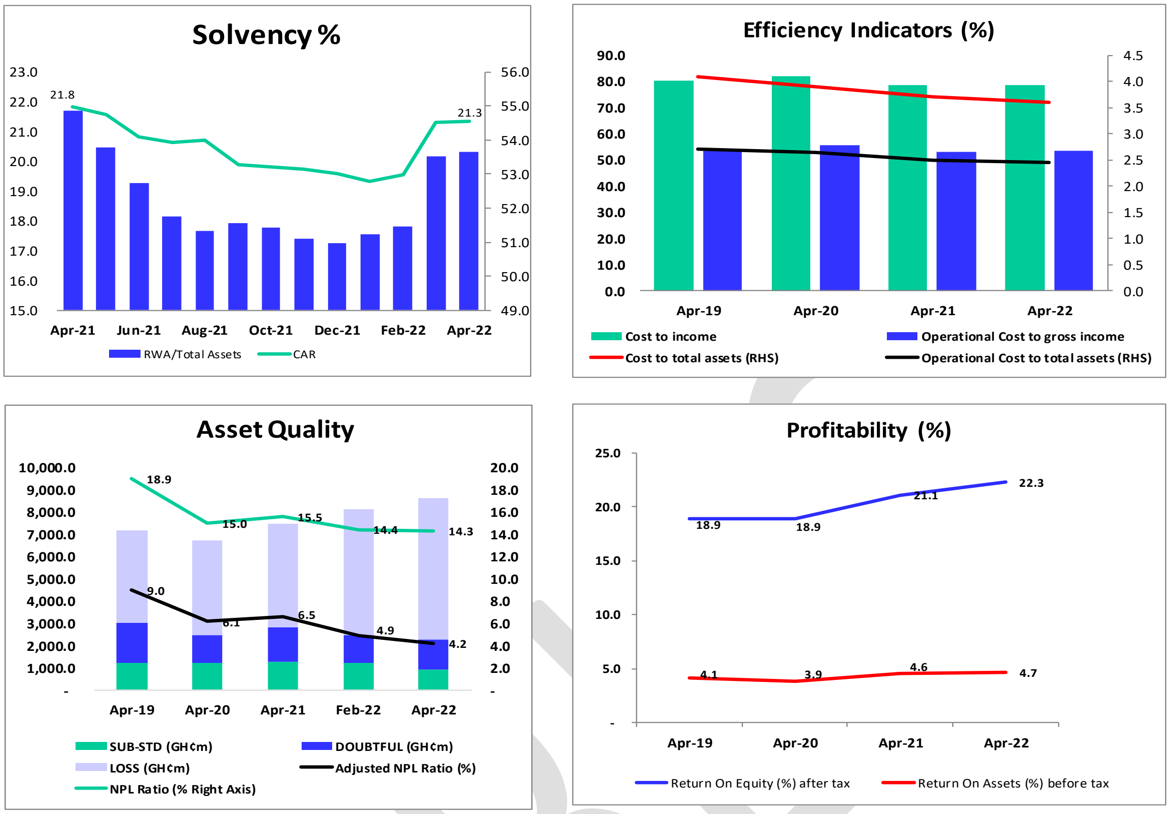
5.3.1 Liquidity Indicators

The industry maintained adequate liquidity levels during the period under review with improvements recorded in the core measures following the introduction of the higher CRR requirement of 12 percent which took effect in April 2022. The ratio of core liquid assets (mainly cash and due from banks) to total deposits increased to 33.2 percent in April 2022 from 27.6 percent in April 2021, while the ratio of core liquid assets to total assets increased to 21.7 percent from 18.6 percent during the same reference period (Annexes Table 5.5). Similarly, the ratio of broad liquid assets to total deposits rose to 98.9 percent from 97.2 percent during the review period. The broad liquid assets to total assets ratio, however, declined to 64.7 percent from 65.5 percent following the stronger growth in assets (which forms the base of the ratio) in April 2022 (Annexes Table 5.5).

5.3.2 Capital Adequacy Ratio (CAR)

The Capital Adequacy Ratio (CAR) of the banking industry stood at 21.3 percent in April 2022, well above the revised regulatory minimum of 13.0 percent, pointing to a highly solvent sector. This implies that banks have the capacity to further deepen intermediation and absorb any potential losses from such increased lending, even in this uncertain operating environment.

Figure 5.2: Key Financial Soundness Indicators (FSIs)



Source: Bank of Ghana Staff Calculations

5.3.4 Profitability

The banking industry remained profitable during the first four months of the year, although the growth in profit-before-tax and profit-after-tax slowed this year compared with the same period last year.

Net interest income moderated in growth from 18.4 percent in April 2021 to 12.2 percent in April 2022 on the back of a higher growth in interest expense from 12.0 percent to 19.0 percent as well as a moderation in growth in interest income from 16.3 percent to 14.4 percent. The increase in the interest expense of banks during the period under review is explained by the increase in the share of borrowings (which are usually more expensive relative to savings and demand deposits) in the funding mix of banks. On the other hand, the decline in the growth of interest income is attributable to the lower growth in investments this year relative to the same period last year.

Net fees and commissions income recorded a slower growth of 17.7 percent from 26.5 percent a year ago, whereas other income recorded a sharp increase of 117.5 percent compared to a contraction of 7.9 percent in the previous year. Operating income in the review period grew from 16.8 percent to 22.1 percent. Growth in operating expenses picked up strongly to 23.0 percent in April 2022 from 1.7 percent in the previous year, attributable to increases in administrative and staff costs. These developments (including a moderation in growth in total provisions) culminated in a profit-before-tax growth of 26.3 percent to GH¢2.9 billion for the first four months of 2022 compared to a (year-on-year) growth of 39.6 percent in April 2021. Similarly, growth in profit-after-tax (PAT) recorded a lower growth of 21.5 percent to GH¢1.9 billion from GH¢1.6 billion (38.2% growth) during the same period a year ago (Annexes Table 5.7 and Figure 5.3).

Figure 5.3: Composition of Income, Cost and Borrowings

Source: Bank of Ghana Staff Calculations

(a) Return on Assets and Return on Equity

Despite the lower growth in the industry's profit before tax and profit after tax this year compared to the same period last year, the sector's key profitability indicators such as Return on Equity (ROE) and Return on Assets (ROA), recorded marginal increases during the period under review. Return on Equity (ROE) increased to 22.3 percent in April 2022 from 21.1 percent in April 2021 while Return on Assets (ROA) increased marginally to 4.7 percent from 4.6 percent during the same reference period (Figure 5.2 and Annexes Table 5.6).

(b) Interest Margin and Spread

Notwithstanding the marginal decline in interest payable from 1.8 percent to 1.7 percent, banks' interest spread narrowed marginally to 3.5 percent in April 2022 from 3.8 percent in April 2021, on the back of a decline in gross yields (from 5.6% to 5.2%) during the review period. Following this, the sector's interest margin to total assets also dipped marginally from 2.6 percent to 2.4 percent, while the interest margin to gross income ratio declined to 51.5 percent from 55.7 percent during the period under review. The ratio of gross income to total assets (asset utilisation) also moderated to 4.6 percent in April 2022 from 4.7 percent in the previous year, while the profitability ratio remained flat at 21.6 percent between the two periods (Annexes Table 5.6).

(c) Composition of Banks' Income

Investment income remained the largest component of banks' income as at April 2022, although its share moderated to 46.8 percent from 50.9 percent a year ago following the slowdown in growth in investments. Interest income from loans constituted the second largest source of banks' income but its share declined marginally from 30.3 percent to 29.8 percent. The share of other income increased from 6.3 percent to 11.3 percent following stronger growth in other income this year compared to last year. The share of banks' income from fees and commissions on the other hand moderated to 12.1 percent from 12.5 percent, in line with the slower growth of fees and commissions (Figure 5.3).

5.3.5 Operational Efficiency

The industry remained broadly cost efficient during the period under review. The cost-to-total-assets ratio of the industry improved marginally to 3.6 percent in April 2022 from 3.7 percent in April 2021, while the cost-to-income ratio was flat at 78.4 percent between the two periods. Following the increase in operating expenses during the reference period, the ratio of operational cost to total income increased marginally to 53.4 percent from 52.9 percent. However, the operational-cost-to-total-assets ratio declined marginally to 2.4 percent from 2.5 percent following a strong growth in the base (total assets) during the review period (Figure 5.2).

5.3.6 Banks' Counterparty Relationships

Banks recorded an increase in counterparty risk in April 2022 relative to April 2021. Total offshore balances increased by 19.6 percent in April 2022, compared to a contraction of 2.6 percent a year earlier. Nostro balances grew by 5.9 percent compared with a growth of 3.5 percent in April 2021, while industry placements with foreign counterparties recording a sharper growth of 35.9 percent from the 9.0 percent contraction recorded a year earlier. Following these increases, the ratio of offshore balances to net worth increased to 38.9 percent from 36.5 percent recorded in April 2021 (Annexes Table 5.8).

The share of banks' external borrowings in total borrowings moderated to 55.4 percent in April 2022 from 56.8 percent in April 2021, while that of domestic borrowing increased to 44.6 percent from 43.2 percent during the review period. Banks' external borrowings were largely short-term in nature, with the share of short-term borrowings in total external borrowing increasing to 61.0 percent from 51.2 percent, while that of long-term borrowings declined to 39.0 percent from 48.8 percent over the review period (Figure 5.3).

5.4 Credit Conditions Survey

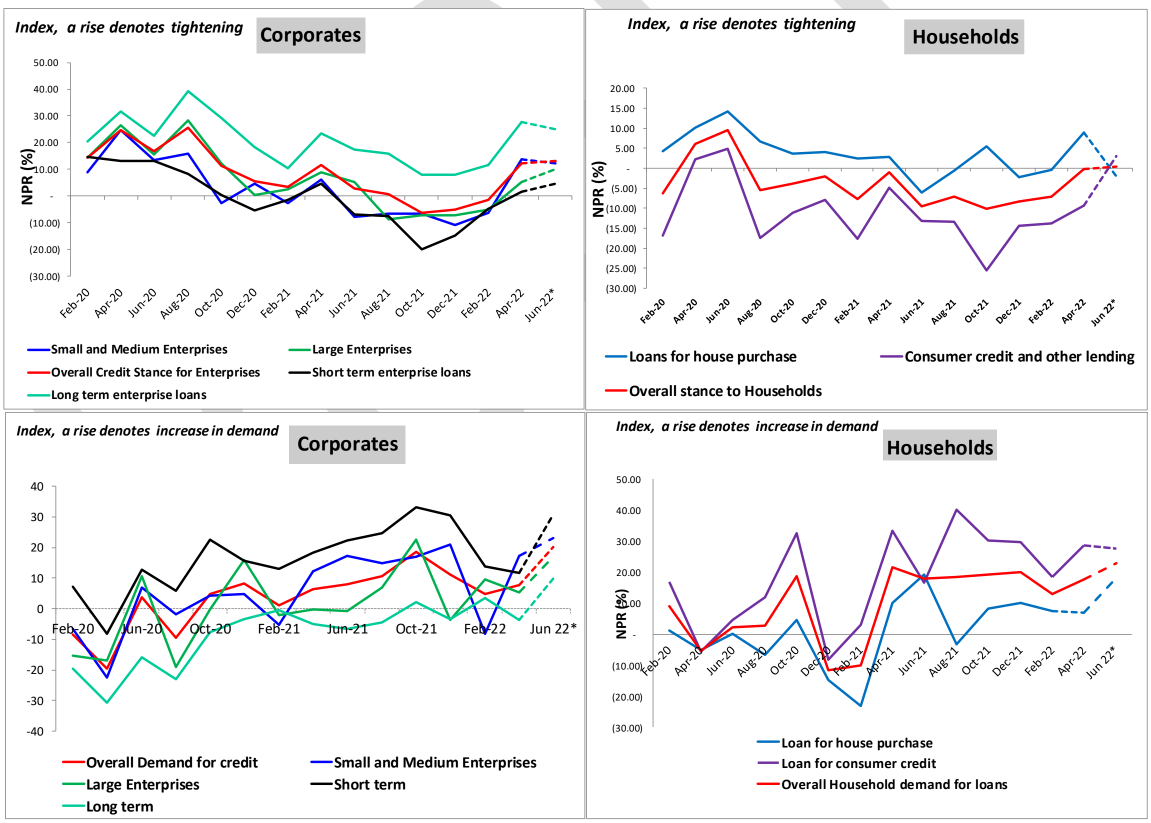
The credit stance on loans to enterprises and households tightened further between February and April 2022 with projections of further net tightening in the next two months. The net tightened stance, among others, reflected the increase in lending rates and general uncertainty surrounding the performance of the economy, stemming from the sharp depreciation of the Ghana Cedi and the rise in the inflation rate. Results from the April 2022 credit conditions survey indicated that the net tightened credit stance on enterprise loans reflected in all components. However, projections of a marginal net tightening on loans to enterprises is expected to reflect in banks' credit stance on short-term loans and loans to large enterprises while the credit stance on long-term loans and loans to SMEs are projected to ease in the next two months.

The net tightening in the overall credit stance on household loans was on the back of a net tightening in banks' stance on mortgages and consumer credit. Projections of a marginal net tightening in the credit stance on household loans is expected to reflect in the stance on consumer credit while banks' stance on mortgages is projected to ease in the next two months.

Following the marginal decline in demand for loans by enterprises and households in the first two months of the year, demand for loans by both enterprises and households picked up in the subsequent two months. Demand for loans by enterprises increased between February and April 2022 from a sharp increase in loan demand by SMEs with projections of a further increase in demand for loans in the following two months, driven by increases in demand for both short-term and long-term loans by SMEs and large enterprises. Credit demand by households, however, inched up on the back of strong consumer credit demand. Demand for credit by households is projected to pick up in May and June 2022 from a net increase in demand for consumer credit (Figure 5.4).

The latest survey showed an increase in banks' inflation expectations for the next six months, attributable to the increase in inflationary pressures as well as general uncertainties regarding the performance of the economy. Banks' expectations of lending rates six months ahead also increased, influenced by the observed increase in banks' actual lending rate and other money market rates since the beginning of the year.

Figure 5.4: Credit Conditions Survey Results



Source: Bank of Ghana Staff Calculations

5.5 Conclusion and Outlook

The banking sector has witnessed sustained growth in deposits, total assets and a rebound in credit growth. Financial performance of the banking sector was strong during the first four months of the year and the key

Financial Soundness Indicators (FSIs) of the banking industry remained healthy in April 2022. The outlook for the banking industry therefore remains positive although asset quality risks persist.

Annexes

Table 5.1: Asset and Liability Structure of the Banking Sector

	Apr-19	Apr-20	Apr-21	Feb-22	Apr-22
Components of Assets (% of Total)					
Cash and Due from Banks	22.5	22.5	18.6	18.6	21.7
Investments	40.4	40.6	47.0	47.1	43.2
Net Advances	29.9	29.1	26.5	26.5	27.4
Others	7.2	7.8	7.9	7.8	7.7
Components of Liabilities and Shareholders' Funds (% of Total)					
Total Deposits	66.5	63.1	67.3	65.5	65.5
Total Borrowings	13.3	13.4	10.0	13.6	13.3
Shareholders' Funds	6.1	9.5	7.5	7.3	7.6
Other Liabilities	14.1	14.0	15.2	13.6	13.7

Bank of Ghana Staff Calculations

Table 5.2: Credit Growth

Economic Sector	GH¢million				y/y growth (%)		year-to-date growth(%)	
	Apr-20	Apr-21	Feb-22	Apr-22	Apr-21	Apr-22	Apr-21	Apr-22
Public Sector	**4,701.19**	**5,049.55**	**5,664.48**	**6,038.92**	**7.4**	**19.6**	**19.2**	**12.2**
Private Sector	**40,049.94**	**42,816.79**	**50,615.39**	**54,168.75**	**6.9**	**26.5**	**-1.6**	**11.6**
- Private Enterprises	29,630.46	31,784.09	36,868.78	39,077.81	7.3	22.9	-3.0	12.5
o/w Foreign	3,888.09	4,054.27	5,127.72	5,390.06	4.3	32.9	5.5	9.6
Indigeneous	25,742.37	27,729.82	31,741.06	33,687.76	7.7	21.5	-4.1	13.0
- Households	9,126.83	9,910.98	12,285.53	13,186.98	8.6	33.1	3.7	6.6
Gross Loans	**44,751.1**	**47,866.3**	**56,279.9**	**60,207.7**	**7.0**	**25.8**	**0.2**	**11.7**

Bank of Ghana Staff Calculations

Table 5.3: Contingent Liability

	Apr-19	Apr-20	Apr-21	Feb-22	Apr-22
Contingent Liabilities (GH¢)	9,032.3	10,958.9	13,870.0	19,109.3	20,116.1
Growth (y-o-y)	2.2	14.9	26.7	41.2	41.9
% of Total Liabilities	9.6	9.5	10.5	11.8	12.0

Bank of Ghana Staff Calculations

Table 5.4: Distribution of Loans and NPLs By Economic Sector (Percent)

	Apr-20		Apr-21		Feb-22		Apr-22	
	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	**10.5**	**2.2**	**10.5**	**1.9**	**10.1**	**4.5**	**10.0**	**4.3**
i. Government	3.8	0.3	4.6	0.5	5.1	1.9	5.5	1.8
ii. Public Institutions	2.8	0.2	2.8	0.0	1.9	0.0	1.7	0.0
iii. Public Enterprises	4.0	1.8	3.2	1.4	3.1	2.5	2.9	2.5
b. Private Sector	**89.5**	**97.8**	**89.5**	**98.1**	**89.9**	**95.5**	**90.0**	**95.7**
i. Private Enterprises	66.2	83.4	66.4	88.0	65.5	86.5	64.9	86.0
o/w Foreign	8.7	9.9	8.5	3.9	9.1	8.6	9.0	8.6
Indigeneous	57.5	73.5	57.9	84.1	56.4	78.0	56.0	77.5
ii. Households	20.4	8.3	20.7	8.5	21.8	7.4	21.9	7.6
iii. Others	2.9	6.0	2.3	1.5	2.6	1.6	3.2	2.0

Bank of Ghana Staff Calculations

Table 5.5: Liquidity Ratios

	Apr-19	Apr-20	Apr-21	Feb-22	Apr-22
Liquid Assets (Core) - (GH¢'million)	24,725.55	30,065.3	28,902.69	34,872.54	42,150.61
Liquid Assets (Broad) -(GH¢'million)	68,698.07	83,932.7	101,939.42	123,129.55	125,785.51
Liquid Assets to total deposits (Core)-%	33.8	35.6	27.6	28.4	33.1
Liquid Assets to total deposits (Broad)- %	94.0	99.4	97.2	100.2	98.9
Liquid assets to total assets (Core)- %	22.5	22.5	18.6	18.6	21.7
Liquid assets to total assets (Broad)- %	62.5	62.7	65.5	65.6	64.7

Source: Bank of Ghana Staff Calculations

Table 5.6: Profitability Indicators (%)

	Apr-19	Apr-20	Apr-21	Apr-22
Gross Yield	5.6	5.7	5.6	5.2
Interest Payable	1.9	1.9	1.8	1.7
Spread	3.7	3.8	3.8	3.5
Asset Utilitisation	5.1	4.8	4.7	4.6
Interest Margin to Total Assets	2.6	2.6	2.6	2.4
Interest Margin to Gross income	52.1	54.3	55.7	51.5
Profitability Ratio	19.5	18.0	21.6	21.6
Return On Equity (%) after tax	18.9	18.9	21.1	22.3
Return On Assets (%) before tax	4.1	3.9	4.6	4.7

Source: Bank of Ghana Staff Calculations

Table 5.7: DMBs' Income Statement Highlights

	Apr-19	Apr-20	Apr-21	Apr-22	Apr-20	Apr-21	Apr-22
	(GH ¢'million)				Y-on-y Growth (%)		
Interest Income	4,417.3	5,128.2	5,963.8	6,819.8	16.1	16.3	14.4
Interest Expenses	(1,510.04)	(1,674.15)	(1,874.66)	(2,230.67)	10.9	12.0	19.0
Net Interest Income	**2,907.2**	**3,454.1**	**4,089.2**	**4,589.1**	**18.8**	**18.4**	**12.2**
Fees and Commissions (Net)	666.6	725.4	917.6	1,080.0	8.8	26.5	17.7
Other Income	491.7	504.8	464.7	1,010.9	2.7	(7.9)	117.5
Operating Income	4,065.4	4,684.3	5,471.5	6,679.9	15.2	16.8	22.1
Operating Expenses	(2,010.60)	(2,369.13)	(2,409.01)	(2,963.07)	17.8	1.7	23.0
Staff Cost (deduct)	(1,103.02)	(1,258.46)	(1,309.92)	(1,604.15)	14.1	4.1	22.5
Other operating Expenses	(907.58)	(1,110.67)	(1,099.09)	(1,358.92)	22.4	(1.0)	23.6
Net Operating Income	**2,054.8**	**2,315.1**	**3,062.5**	**3,716.9**	**12.7**	**32.3**	**21.4**
Total Provision (Loan losses, Depreciation & others)	(499.85)	(643.07)	(728.10)	(768.29)	28.7	13.2	5.5
Income Before Tax	**1,555.0**	**1,672.1**	**2,334.4**	**2,948.6**	**7.5**	**39.6**	**26.3**
Tax	(468.34)	(524.95)	(749.05)	(1,022.22)	12.1	42.7	36.5
Net Income	**1,086.7**	**1,147.1**	**1,585.3**	**1,926.3**	**5.6**	**38.2**	**21.5**
Gross Income	5,575.5	6,358.4	7,346.2	8,910.6	14.0	15.5	21.3

Source: Bank of Ghana Staff Calculations

Table 5.8: Developments in Offshore Balances

	Apr-19	Apr-20	Apr-21	Feb-22	Apr-22
Offshore balances as % to Networth	54.2	47.6	36.5	28.6	38.9
Annual Growth in Offshore balances (%)	20.1	5.7	-2.6	-25.8	19.6
Annual Growth in Nostro Balances (%)	-5.8	19.8	3.5	-25.4	5.9
Annual Growth in Placement (%)	55.2	-5.8	-9.0	-26.4	35.9

Source: Bank of Ghana Staff Calculations

6. Fiscal Developments

6.0 Highlights of Government Budgetary Operations (Broad Coverage)

Government fiscal operations for the first quarter of 2022 indicated that:

- *Revenue mobilisation remained below the expected target.*
- *Government expenditure and arrears clearance was broadly within the programmed target.*
- *The fiscal deficit at the end of the first quarter of the year was 2.6 percent of GDP, against the target of 2.3 percent of GDP.*
- *The primary balance recorded a deficit of 0.5 percent of GDP, above the expected deficit target of 0.3 percent of GDP.*
- *The overall fiscal deficit was financed from both domestic and external sources.*
- *The stock of public debt at the end of March 2022 was equivalent to 78 percent, compared with 76.7 percent of GDP at the end of December 2021.*

6.1 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 three months of 2022 amounted to GH¢16,708.9 million (3.3% of GDP), lower than the target of GH¢19,338.8 million (3.9% of GDP). This outturn represented 13.6 percent of the January to March 2022 target and recorded a year-on-year growth of 25.1 percent. During the review period, domestic revenue amounted to GH¢16,624.3 million (3.3% of GDP), below the target of GH¢19,183.6 million (3.8% 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¢12,864.2 million (2.6% of GDP), lower than the target of GH¢14,680.6 million (2.9% of GDP). This represented a negative deviation of 12.4 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, other revenue, and airport taxes, amounted to GH¢5,916.2 million (1.2% of GDP). This outturn was 16.3 percent below the target of GH¢7,066.7 million (1.4% of GDP) with all the key tax components missing their respective targets.

- **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 quarter of 2022 was GH¢5,825.8 million (1.2% of GDP), and about 6.2 percent lower than the target. On year-on-year terms, the outturn represented a growth of 34.7 percent.

- **Taxes on International Trade**, comprising mainly import duties, amounted to GH¢1,863.4 million (0.4% of GDP) and was below the target of GH¢2,047.5 (0.4% of GDP) by 9 percent. This tax type also recorded a year-on-year growth of 26.5 percent.

Table 6.1: Total Revenue and Grants

Million Ghana Cedis	2020 Prov Q1	2021 Prov Q1	2022 Prov. Q1	2022 Prog Q1	DEVIATION Prov/Prog 2022 Q1	CHANGE YR-ON-YR GROWTH
TAX REVENUE	**9,481.39**	**10,409.81**	**12,864.21**	**14,680.61**	**-12.37**	**23.58**
(percent of GDP)	*2.47*	*2.27*	*2.56*	*2.92*	-12.37	12.93
TAXES ON INCOME & PROPERTY	**4,781.03**	**5,168.56**	**5,916.15**	**7,066.71**	**-16.28**	**14.46**
Personal	1,700.90	1,913.51	1,902.54	2,423.72	-21.5	-0.57
Self employed	80.26	75.4	101.97	274.46	-62.85	35.24
Companies	1,929.95	2,418.81	2,916.31	3,093.48	-5.73	20.57
Company taxes on oil	278.04	237.01	91.08	338.72	0	
Others	791.87	523.82	904.25	936.33	-3.43	72.62
Airport Tax	117.13	28.2	45.47	121.35	-62.53	61.22
TAXES ON DOMESTIC GOODS AND SERVICES	**3,977.91**	**4,325.50**	**5,825.77**	**6,211.20**	**-6.21**	**34.68**
Excises	1,067.40	1,034.29	1,292.78	1,388.82	-6.92	24.99
Excise Duty	114.99	93.57	147.69	160.47	-7.96	57.84
Petroleum tax	952.4	940.72	1,145.08	1,228.35	-6.78	21.72
VAT	**2,026.70**	**2,284.98**	**2,918.68**	**3,191.10**	**-8.54**	**27.73**
Domestic	1,210.85	1,173.19	1,585.77	1,783.92	-11.11	35.17
External	815.85	1,111.79	1,332.91	1,407.18	-5.28	19.89
National Health Insurance Levy (NHIL)	**388.17**	**443.6**	**609.72**	**713.71**	**-14.57**	**37.45**
Customs Collection	155.64	201.96	237.26	301.78	-21.38	17.48
Domestic Collection	232.52	241.64	372.46	411.93	-9.58	54.14
GET Fund Levy	**393.07**	**444.15**	**609.98**	**591.51**	**3.12**	**37.34**
Customs Collection	160.28	202.5	237.52	227.34	4.48	17.29
Domestic Collection	232.79	118.49	372.46	364.17	2.28	214.35
Communication Service Tax	**102.58**	**118.49**	**109.91**	**143.41**	**-23.36**	**-7.24**
Covid-19 Health Levy	0	0	284.7	182.65	55.87	
TAXES ON INTERNATIONAL TRADE	**1,189.43**	**1,472.71**	**1,863.35**	**2,047.53**	**-9**	**26.52**
Imports	**1,189.43**	**1,472.71**	**1,863.35**	**2,047.53**	**-9**	**26.52**
Import duty	1,189.43	1,472.71	1,863.35	2,047.53	-9	26.52
Tax Refunds	**-466.97**	**-556.97**	**-741.06**	**-644.83**	**14.92**	**33.05**
SOCIAL CONTRIBUTIONS	**45.72**	**0**	**0**	**193.11**		
SSNIT Contribution to NHIL	45.72	0	0	193.11		
NON-TAX REVENUE	**1,483.21**	**1,646.89**	**2,431.20**	**3,225.16**	**-24.62**	**47.62**
Retention	**1,067.12**	**1,128.31**	**1,455.69**	**2,076.33**	**-29.89**	**29.02**
Lodgement	**416.1**	**518.59**	**975.51**	**1,148.83**	**-15.09**	**88.11**
Fees & Charges	137.1	166.07	975.51	268.03	263.95	487.4
Dividend/Interest & profits (Others)	2	120.68	86.72	101.23	-14.34	-28.14
Dividend/Interest & profits from Oil	243.17	197.96	653.33	717.89	-8.99	
Surface Rentals from Oil	5.11	1.33	0.06	1.53	-96.21	
Yield from Capping Policy	28.71	32.55	55.77	36.74	51.8	71.36
OTHER REVENUE	**620.34**	**745.32**	**1,328.86**	**1,084.74**	**22.51**	**78.29**
ESLA Proceeds	620.34	745.32	962.02	1,084.74	-11.31	29.08
Energy Debt Recovery Levy	481.13	573.31	157.11	728.33	-78.43	-72.6
Public Lighting Levy	36.48	28.03	0	55.85		
National Electrification Scheme Levy	25.31	18.74	0	37.16		
Price Stabilisation & Recovery Levy	77.42	125.25	438.07	130.59	235.45	249.76
Delta Fund	0	0	249.47	90.51	175.63	
Pollution and Sanitation Levy	0	0	117.37	42.3	177.44	
DOMESTIC REVENUE	**11,630.67**	**12,802.02**	**16,624.27**	**19,183.61**	**-13.34**	**29.86**
GRANTS	**356.76**	**559.33**	**84.61**	**155.23**	**-45.5**	**-84.87**
Project grants	356.76	559.33	84.61	155.23	-45.5	-84.87
TOTAL REVENUE & GRANTS	**11,987.43**	**13,361.35**	**16,708.88**	**19,338.84**	**-13.6**	**25.05**

Source: Ministry of Finance

- **Tax refunds** amounted to GH¢741.1 million, higher than the target of GH¢644.8 million for the period and registering a year-on-year growth of 33.1 percent.

- **Non-Tax revenue** amounted to GH¢2,431.2 million for the period under review, representing 24.6 percent of the target. The outturn represented a year-on-year growth of 47.6 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 target also contributed to this development.

- **Other revenue measures**, made up of ESLA proceeds, raked in a total of GH¢1,328.9 million. This exceeded the target of GH¢1,084.7 million by 22.5 percent.

- Government received **project grants** in the sum of GH¢84.6 million, lower than the envisaged target of GH¢155.2 million by 45.5 percent. This outturn was also significantly lower than the GH¢559.3 million recorded in the corresponding period of 2021, thus reflecting a year-on-year decline of 84.9 percent.

6.2 Total Expenditures

Total expenditures & arrears clearance for the first three months of 2022 amounted to GH¢26,953.3 million (5.4% of GDP), below the target of GH¢30,524.2 million (6.1% of GDP). This outturn represented a year-on-year growth of 16.1 percent. The outturn was also 11.7 percent below the target.

- **Compensation of Employees** (including wages and salaries, pensions & gratuities, and other wage related expenditure) was GH¢7,555.9 million, 15.7 percent lower than the target of GH¢8,960.3 million. In terms of fiscal flexibility, compensation of employees constituted 45.5 percent of domestic revenue mobilized at the end of the first three months of 2022, lower than the 54.2 percent recorded in the corresponding period of 2021.

- **Use of Goods and Services** for the period under review amounted to GH¢163.5 million, lower than the expected target of GH¢1,842.4 million. The outturn was 91.1 percent below the target.

- **Total Interest Payments** amounted to GH¢10,608.4 million over the review period, higher than the envisioned target of GH¢10,037.3 million. Domestic interest payments accounted for 82.7 percent of the total interest payments, while external interest payments constituted the remaining 17.3 percent. Total interest payments constituted 63.8 percent of domestic revenue, down from 64.6 percent recorded in the corresponding period of 2021.

- **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¢4,459.6 million, lower than the target of GH¢5,596.1 million. This represented a shortfall of 20.3 percent from the target, but recorded a year-on-year growth of 34.8 percent.

- **Other Expenditure**, made up of ESLA transfers, COVID-19 related expenditure, and other critical spending, for the first three months of 2022, amounted to GH¢2,225.3 million. ESLA transfers amounted to GH¢786.8 million, lower than the expected target of GH¢1,032.5 million. Other Expenditure was 80.4 percent below the target of GH¢1,233.7 million for the review period.

- **Capital expenditures** for the period under review amounted to GH¢1,940.6 million (0.4% of GDP), lower than the programmed target of GH¢2,751.4 million (0.6% of GDP) by 29.5 percent. This outturn represented a year-on-year decline of 46.2 percent. Foreign-financed capital expenditure accounted for 98 percent of the total, with domestic financed capital expenditure making up the remaining 2 percent.

Table 6.2: Total Expenditures

Million Ghana Cedis	2020 Prov Q1	2021 Prov Q1	2022 Prov. Q1	2022 Prog Q1	DEVIATION Prov/Prog 2022 Q1	CHANGE YR-ON-YR GROWTH
Compensation of Employees	**6,499.81**	**6,934.38**	**7,555.90**	**8,960.31**	**-15.67**	**8.96**
Wages & Salaries	5,721.21	6,551.47	7,127.04	7,724.24	-7.73	8.79
Social Contributions	778.59	382.92	428.86	1,236.07	-65.3	12
Pensions	306.75	309.78	351.53	463.45	-24.15	13.48
Gratuities	53.59	73.13	77.33	76.34	1.3	5.74
Social Security	418.26	0.00	0.00	696.28		
Use of Goods and Services	**1,677.33**	**21.06**	**163.51**	**1,842.36**	**-91.13**	**676.52**
o/w Recurrent Expenditure share of ABFA from Oil (30% of ABFA)	464.33	0.71	0	178.1		
Interest Payments	**6,409.14**	**8,266.48**	**10,608.39**	**10,037.31**	**5.69**	**28.33**
Domestic	5,259.55	6,705.43	8,771.95	8,327.19	5.34	30.82
External (Due)	1,149.59	1,561.04	1,836.44	1,710.11	7.39	17.64
Subsidies	**48.67**	**49.68**	**0**	**52.24**		
Subsidies to Utility Companies	0	0	0	0		
Subsidies on Petroleum products	48.67	49.68	0	52.24		
Grants to Other Government Units	**3,427.83**	**3,309.02**	**4,459.58**	**5,596.13**	**-20.31**	**34.77**
National Health Fund (NHF)	508.78	355.47	416.44	668.34	-37.69	17.15
Education Trust Fund	386.78	268.99	446.58	476.26	-6.23	66.02
Road Fund	300.00	222.20	312.55	356.69	-12.37	40.66
Energy Fund	0.00	0.00	0.00	0.00		
Petroleum Related Fund	4.74	0.00	6.38	7.28		
Dist. Ass. Common Fund	646.38	436.17	514.33	607.82	-15.38	17.92
o/w ABFA	0.00	15.68	0.00	0.00		
Ghana Infrastructure Fund	0.00	43.90	55.99	83.11		
o/w ABFA	0.00	0.00	20.00	29.68		
Retention of Internally-generated funds (IGFs)	1067.12	1128.31	1455.69	2076.33	-29.89	29.02
Transfer to GNPC from Oil Revenue	141.04	144.00	413.04	308.20		
Other Earmarked Funds	**372.98**	**704.44**	**838.58**	**1012.08**	**-17.14**	**19.04**
Social Benefits	**37.37**	**0.00**	**0.00**	**50.77**		
Lifeline Consumers of Electricity	37.37	0.00	0.00	50.77		
Other Expenditure	**1620.34**	**1032.40**	**2225.34**	**1233.72**	**80.38**	**115.55**
ESLA Transfers	620.34	695.22	786.79	1032.50	-23.80	13.17
Covid-Related Expenditure	0.00	337.18	0.00	0.00		
Financial Sector Cost (Cash) / Other Critical spending	1000.00	0.00	1438.55	201.21		
Acquisition of Non-Financial Assets	**3,257.44**	**3,604.18**	**1,940.58**	**2,751.37**	**-29.47**	**-46.16**
Domestic financed	667.88	462.59	38.11	1,375.27	-97.23	-91.76
Foreign financed	2,589.56	3,141.59	1,902.47	1,376.10	38.25	-39.44
TOTAL EXP. & NET LENDING	**22,977.92**	**23,217.20**	**26,953.30**	**30,524.20**	**-11.7**	**16.09**

Source: Ministry of Finance

6.3 Budget Balance and Financing

The fiscal deficit for the first quarter of 2022 was equivalent to 2.6 percent of GDP, above the expected target of 2.3 percent of GDP.

Government budgetary operations resulted in an overall budget deficit of GH¢12,929.5 million (2.6% of GDP) at the end of the first three months of 2022. This was higher than the expected target of GH¢11,470.4 million (2.3% of GDP). In addition, the primary balance for the period under review recorded a deficit of 0.5 percent of GDP, above the estimated deficit target of 0.3 percent of GDP.

The overall fiscal deficit of GH¢12,929.5 million was financed from both domestic and external sources. Domestic financing (net) for the period under review was GH¢14,614.5 million (2.9% of GDP), substantially higher than the expected target of GH¢12,100.3 million (2.4% of GDP). Foreign financing on the other hand, amounted to a net inflow of GH¢1,513.6 million (0.3% of GDP), higher than the target of GH¢464.6 million (0.1 % of GDP).

Table 6.3: Budget Balance and Financing

Million Ghana Cedis	2020 Prov Q1	2021 Prov Q1	2022 Prov. Q1	2022 Prog Q1	DEVIATION Prov/Prog 2022 Q1	CHANGE YR-ON-YR GROWTH
Revenue & Grants	**11,987.43**	**13,361.35**	**16,708.88**	**19,338.84**	**-13.6**	**25.05**
Expenditure	**22977.92**	**23,217.20**	**26,953.30**	**30,524.20**	**-11.7**	**16.09**
Overall balance (commitment)	**-10,990.49**	**-9,855.85**	**-10,244.42**	**-11,185.36**	**-8.41**	**3.94**
(percent of GDP)	*-2.87*	*-2.15*	*-2.04*	*-2.23*		
Road Arrears (net change)	-795.59	-326.34	0	285		
Overall balance (cash)	**-11,786.09**	**-10,182.18**	**-10,244.42**	**-11,470.36**	**-10.69**	**0.61**
(percent of GDP)	*-3.07*	*-2.22*	*-2.04*	*-2.28*	-10.69	-8.06
Discrepancy	-2,430.23	-1,781.07	-2,685.09	0		50.76
Overall balance (incl. Divestiture and Discrepancy)	**-14,216.32**	**-11,963.25**	**-12,929.51**	**-11,470.36**	**12.72**	**8.08**
(percent of GDP)	*-3.71*	*-2.61*	*-2.57*	*-2.28*	12.72	-1.24
Financing	**14,216.32**	**11,963.25**	**12,929.51**	**11,470.36**	**12.72**	**8.08**
Foreign (net)	**5,034.50**	**578.38**	**-1,513.59**	**-464.59**	**225.79**	**-361.7**
Borrowing	9,889.24	3,002.57	1,818.00	1,220.87	48.91	-39.45
Project loans	2,232.80	2,582.26	1,817.86	1,220.87	48.9	-29.6
Sovereign Bond	7,656.44	0	0	0		
Amortisation (due)	-4,854.73	-2,424.19	-3,331.59	-1,685.46	97.67	37.43
Exceptional financing	**0**	**0**	**0**	**0**		
IMF SDR	0	0	0	0		
Domestic (net)	**9,435.57**	**11,519.26**	**14,614.51**	**12,100.33**	**20.78**	**26.87**
Banking	3,982.12	3,671.99	13,340.16	3,283.45	306.29	263.29
Bank of Ghana	4,410.91	771.45	10,107.15	0		1210.14
Comm. Banks	-428.79	2,900.54	3,233.01	3,283.45	-1.54	11.46
Non-banks	3,177.99	7,847.26	1,274.36	8,727.84	-85.4	-83.76
o/w Non-residents	828.6	4,082.71	0	0		
Other Domestic	2,275.46	0	0	89.05		
Other Financing	-16.03	0	0	0		
Other domestic financing	-16.03	0	0	0		
Ghana Petroleum Funds	**251.19**	**-134.39**	**-171.41**	**-76.33**		
Transfer to Ghana Petroleum Funds	-237.73	-134.39	-171.41	-254.43		
o/w Stabilisation Fund	-166.41	-94.07	-119.99	-178.1		
o/w Heritage Fund	-71.32	-40.32	-51.42	-76.33		
Transfer from Stabilisation Fund	488.91	0	0	178.1		
Sinking Fund	**-488.91**	**0**	**0**	**-**		
Contingency Fund	**0**	**0**	**0**	**-89.05**		
Nominal GDP (Including Oil)	**383,486.09**	**459,130.92**	**502,429.68**	**502,429.68**		
Nominal GDP (Excluding oil)	**353,705.15**	**437,975.17**	**488,054.81**	**488,054.81**		

Source: Ministry of Finance

6.4 Public Debt

The stock of public debt was GH¢391.9 billion, equivalent to 78 percent of GDP at the end of March 2022, compared with a stock of GH¢352.1 billion, 76.7 percent of GDP at the end of December 2021.

Table 6.4: Public Debt

	2021 DECEMBER	2022 JANUARY	2022 FEBRUARY	2022 MARCH	Y-T-D CHANGE
TOTAL DOMESTIC DEBT (GH¢m)	**181,782.00**	**181,933.10**	**185,361.20**	**189,994.20**	**8,212.20**
SHORT TERM	22,617.00	23,151.70	23,812.10	22,854.20	237.3
MEDIUM-TERM	115,074.30	113,757.70	116,525.30	122,116.20	7,042.00
LONG-TERM	43,710.10	44,643.70	44,643.70	44,643.70	933.6
STANDARD LOANS	380.6	380	380	380	-0.6
HOLDINGS OF DOMESTIC DEBT (GH¢m)	181,782.00	181,933.10	184,981.20	189,994.20	8,212.20
BANKING SYSTEM	91,416.00	92,019.90	94,112.60	95,715.20	4,299.20
NON-BANK	61,170.40	62,595.80	63,633.40	65,160.10	3,989.60
FOREIGN SECTOR (Non-Resident)	29,195.50	27,317.40	27,235.10	29,119.00	-76.5
TOTAL EXTERNAL(US$m)	**28,339.20**	**28,179.60**	**28,290.40**	**28,379.10**	**39.9**
MULTILATERAL	8,192.40	8,156.50	8,167.80	8,150.00	-42.4
BILATERAL	3,912.00	3,792.60	3,831.40	3,900.00	-12.1
COMMERCIAL	16,234.70	16,230.50	16,291.20	16,329.10	94.4
TOTAL EXTERNAL(GH¢m)	**170,293.20**	**169,798.70**	**186,821.40**	**201,945.40**	**31,652.30**
TOTAL PUBLIC DEBT (GH¢m)	**352,075.10**	**351,731.80**	**372,182.60**	**391,939.60**	**39,864.50**
EXCHANGE RATE (End Period Selling MOF)	**6.0091**	**6.0256**	**6.6037**	**7.116**	
MEMORANDUM ITEMS					
NOMINAL GDP (GH¢m)	459,130.90	502,429.70	502,429.70	502,429.70	
TOTAL DEBT /GDP RATIO (%)	**76.7**	**70.0**	**74.1**	**78.0**	
EXTERNAL DEBT/GDP	*37.1*	*33.8*	*37.2*	*40.2*	
DOMESTIC DEBT/GDP	*39.6*	*36.2*	*36.9*	*37.8*	
EXTERNAL DEBT/TOTAL DEBT	*48.4*	*48.3*	*50.2*	*51.5*	
DOMESTIC DEBT/TOTAL DEBT	*51.6*	*51.7*	*49.8*	*48.5*	

Source: Ministry of Finance

The domestic component of total public debt was GH¢189.9 billion (37.8% of GDP), representing a year-to-date increase of 4.5 percent. Domestic debt also accounted for 48.5 percent of the total public debt at the end of March 2022, lower than the 51.6 per cent recorded in December 2021. The increase in domestic debt was driven by increases of GH¢237.3 million, GH¢7 billion and GH¢933.6 million respectively in the short, medium-, and long-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¢39.9 billion from GH¢352.1 billion (37.1% of GDP) at end-December 2021 to GH¢391.9 billion (40.2% of GDP) at end-March 2022. External debt also constituted 51.5 percent of total public debt at end-March 2022, compared 48.4 percent at end-December 2021.

6.5 Conclusion and Outlook

The fiscal data shows that revenue outturn was behind target at the end of March 2022, while expenditures was broadly on target, despite concerns about the accumulation of arrears, particularly with regards to some statutory payments. The deficit at the end of the period was a little higher than the target. Aggressive revenue mobilization and strengthened commitment controls in the ensuing quarters of 2022 will contribute massively to achieving the end-year budget deficit of 7.4 percent of GDP and primary surplus of 0.1 percent of GDP.

Appendix: Budget Balance and Financing

Million Ghana Cedis	2020 Prov Q1	2021 Prov Q1	2022 Prov. Q1	2022 Prog Q1	DEVIATION PROV/PROG 2022 Q1	CHANGE YR-ON-YR GROWTH
Taxes on income and property	**4,781.03**	**5,168.56**	**5,916.15**	**7,066.71**	**-16.28**	**14.46**
per cent of GDP	2.47	1.13	1.18	1.41		
Taxes on goods and services	**3,977.91**	**4,325.50**	**5,825.77**	**6,211.20**	**-6.21**	**34.68**
per cent of GDP	1.04	0.94	1.16	1.24		
Taxes on international trade	**1,189.43**	**1,472.71**	**1,863.35**	**2,047.53**	**-9**	**26.52**
per cent of GDP	0.4	0.32	0.37	0.41		
Tax revenue including oil	**9,481.39**	**10,409.81**	**12,864.21**	**14,680.61**	**-12.37**	**23.58**
per cent of GDP	2.77	2.27	2.56	2.92		
Tax revenue excluding oil	**8,796.22**	**10,096.42**	**12,533.18**	**14,074.05**	**-10.95**	**24.13**
per cent of GDP	2.47	2.31	2.57	2.88		
Nontax revenue	**1,483.21**	**1,646.89**	**2,431.20**	**3,225.16**	**-24.62**	**47.62**
per cent of GDP	0.39	0.36	0.48	0.64		
Domestic revenue including oil	**11,630.67**	**12,802.02**	**16,624.27**	**19,183.61**	**-13.34**	**29.86**
per cent of GDP	3.03	2.79	3.31	3.82		
Domestic revenue excluding oil	**10,945.50**	**12,488.63**	**16,293.25**	**18,577.06**	**-12.29**	**30.46**
per cent of GDP	2.96	2.85	3.34	3.81		
Grants	**356.76**	**559.33**	**84.61**	**155.23**	**-45.5**	**-84.87**
per cent of GDP	0.09	0.12	0.02	0.03		
Total revenue and grants	**11,987.43**	**13,361.35**	**16,708.88**	**19,338.84**	**-13.6**	**25.05**
per cent of GDP	3.13	2.91	3.33	3.85		
Compensation of Employees	**6,499.81**	**6,934.38**	**7,555.90**	**8,960.31**	**-15.67**	**8.96**
per cent of GDP	1.69	1.58	1.5	1.5		
Goods and services	**1,677.33**	**21.06**	**163.51**	**1,842.36**	**-91.13**	**676.52**
per cent of GDP	0.44	0	0.03	0.37		
Interest payments	**6,409.14**	**10,372.62**	**10,608.39**	**10,037.31**	**5.69**	**2.27**
per cent of GDP	1.67	2.36	2.11	2		
Subsidies	**48.67**	**-**	**0**	**52.24**		
per cent of GDP	0.01	-	0	0.01		
Non-Financial Assets (Capital Expenditure)	**3,257.44**	**3,604.18**	**1,940.58**	**2,751.37**	**-29.47**	**-46.16**
per cent of GDP	0.85	0.79	0.39	0.55		
Total expenditure & net lending	**22,977.92**	**23,217.20**	**26,953.30**	**30,524.20**	**-11.7**	**16.09**
per cent of GDP	5.99	5.06	5.36	6.08		
Overall Budget Balance	**-14,216.32**	**-11,963.25**	**-12,929.51**	**-11,470.36**	**12.72**	**8.08**
per cent of GDP	-3.71	-2.61	-2.57	-2.28		
Domestic Expenditure	**16,409.45**	**13,590.20**	**17,127.53**	**19,110.80**	**-10.38**	**26.03**
per cent of GDP	4.28	2.96	3.41	3.8		
Domestic Primary Balance	**-4,778.78**	**-788.18**	**-503.26**	**72.81**	**-791.18**	**-36.15**
per cent of GDP	-1.25	-0.17	-0.1	0.01		
Primary Balance	**-7,807.18**	**-3,696.77**	**-2,321.12**	**-1,433.06**	**61.97**	**-37.21**
per cent of GDP	-2.04	-0.81	-0.46	-0.29		
Stock of Domestic Debt	**135,145.78**					
per cent of GDP	35.24	-	-			
Nominal GDP (Including Oil)	**383,486.09**	**459,130.92**	**502,429.68**	**502,429.68**		
Nominal GDP (Excluding oil)	**353,705.15**	**437,975.17**	**488,054.81**	**488,054.81**		

Source: Ministry of Finance

7. Inflation Outlook and Analysis

7.0 Highlights

Global price pressures remain elevated, primarily due to escalating energy and other commodity prices, as well as the persistent and broadened supply chain bottlenecks. As a result, headline inflation has not only breached the set targets across several Advanced and Emerging Market and Developing Economies, but also reached record high levels, not seen in several decades. These trends have prompted swift and coordinated monetary policy responses by major central banks. The US Federal Open Market Committee and the Bank of England have hiked interest rates and signalled further rate increases to address inflationary pressures, while the European Central Bank is expected to curtail the net asset purchase programme by the third quarter. Similarly, policymakers in several Emerging Market and Developing Economies have moved towards policy tightening in response to rising inflation and currency pressures.

The shift towards less accommodative monetary policy stances to contain inflationary pressures has resulted in tighter global financing conditions with negative spill over effects to emerging market and frontier economies. The strengthening of the US Dollar and rising long-term bond yields, have led to widened sovereign bond spreads, and capital flow reversals as well as currency pressures, especially for Emerging Market and Developing Economies with weaker fundamentals and less buffers.

On the domestic front, data from the Ghana Statistical Service showed that the economy has rebounded strongly from the impact of the COVID-19 pandemic, stemming largely from all the policy measures that were put in place to forestall a recession. This is evidenced by the strong real GDP growth outturn of 5.4 percent reported for 2021, compared with 0.5 percent in 2020. Non-oil GDP grew at a stronger pace by 6.9 percent in 2021, significantly up from 1.0 percent in 2020. The strong pick-up in economic activity was largely driven by the services and agriculture sectors. The Bank of Ghana's updated leading indicator, the Composite Index of Economic Activity (CIEA), showed that the observed strong growth momentum will likely persist in the first quarter of 2022. The CIEA recorded an annual growth of 4.6 percent in March 2022, compared to 4.2 percent and 4.4 percent in January and February 2022, respectively.

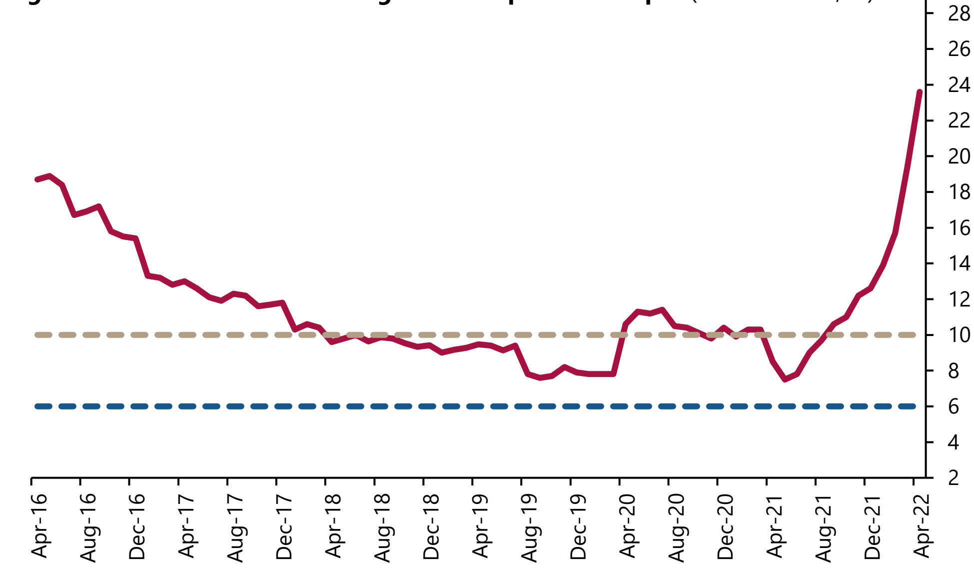
7.1 Domestic Price Developments

Recent price developments indicate elevated pressures arising from the sharp increase in global energy and commodity prices, and the consequential effects on rising domestic ex-pump petroleum prices and transportation costs, food prices, as well as the pass-through effects of the recent exchange rate depreciation in the first quarter of 2022. The two inflation readings since the last MPC showed that headline inflation rose sharply from 15.7 percent in February 2022 to 19.4 percent in March, and 23.6 percent in April. The trends suggest that price pressures were increasingly becoming broad-based, reflected in almost all components of the consumer basket, from both domestic and imported sources. Non-food inflation went up significantly from 17.0 percent in March to 21.3 percent in April 2022, while food inflation also rose from 22.4 percent to 26.6 percent over the same comparative period (Table 7.1).

In line with the trends in headline inflation, underlying inflation pressures also firmed, signalling broad-based price pressures. The Bank's core inflation measure, which excludes energy and utility prices, picked up from 15.4 percent in February 2022 to 18.5 percent in March, and further up to 22.3 percent in April (Figure 7.2).

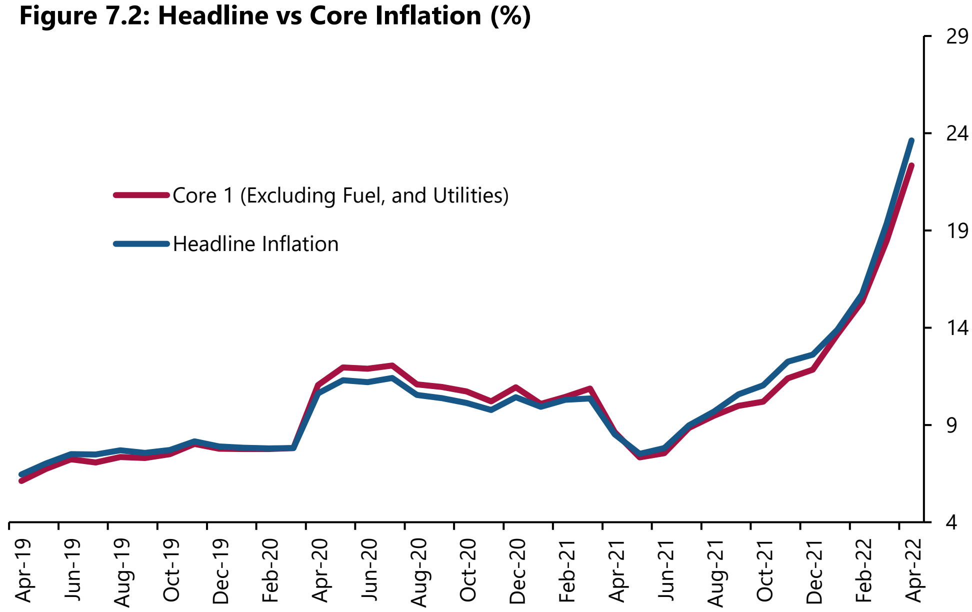
On a month-on-month basis, prices surged by 5.1 percent in April 2022, from 4.0 percent in March 2022 and 2.4 percent in February 2022. The April 2022 monthly inflation compares to 1.5 percent registered during the same period in 2021 (Table 7.1). Monthly food inflation rose to 5.8 percent in April, up from 4.5 percent recorded in March 2022 while the monthly non-food inflation also picked up to 4.6 percent from 3.7 percent. For the same period last year, food inflation increased by 3.5 percent, while non-food inflation jumped by 3.7 percent (Table 7.1).

Figure 7.1: Headline Inflation surges to 23.6 percent in April (Year-on-Year, %)



Source:Bank of Ghana and Ghana Statistical Service (GSS)

Figure 7.2: Headline vs Core Inflation (%)



Source: Bank of Ghana Staff Calculations

Figure 7.3: Monthly Headline Inflation
(month-on-month, %)

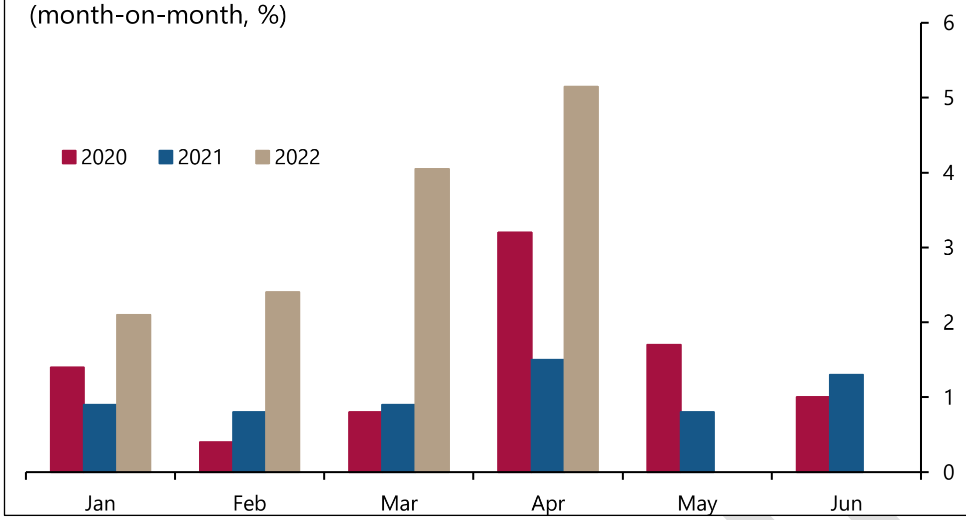
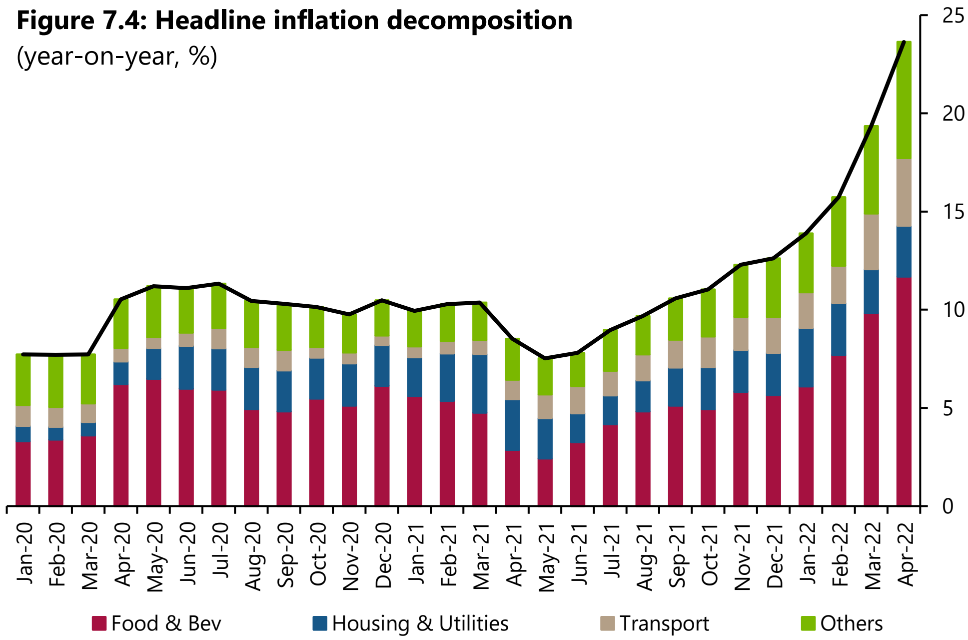


Figure 7.4: Headline inflation decomposition
(year-on-year, %)



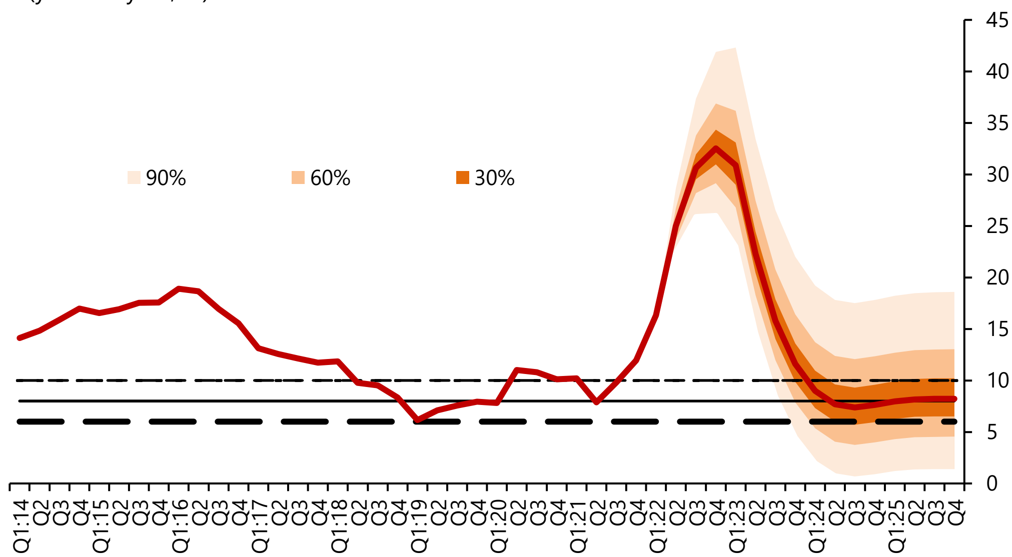
Source: Bank of Ghana Staff Calculations and GSS

7.2 Inflation Outlook

The May 2022 forecast, as illustrated by the Fan Chart (Figure 7.2) showed further outward shift in the forecast horizon compared to the March forecast round. Although the outturn from the inflation forecast was broadly aligned with expectations, changes from the May 2022 forecast were essentially driven by elevated pressures emanating from the sharp increase in global energy and commodity prices, and the consequential effects on domestic ex-pump petroleum prices and transportation costs, food prices, the pass-through effects of the recent exchange rate depreciation, as well as the steady upturn in domestic growth conditions over the forecast horizon.

The revised forecast assumptions, in conjunction with the probable adjustments in transportation costs, increase in ex-pump prices, the proposed adjustment in utility prices, tight external financing conditions, heightened inflation expectations, persisting food price pressures, and increased production costs are likely to keep inflation above the medium-term target band of 8±2 percent in the near term. Nevertheless, inflation is projected to return to the target band over the forecast horizon as monetary conditions tighten, exchange rate stabilizes, and supply chain disruptions ease in the medium term, barring any unanticipated shocks.

Figure 7.6: Inflation Fan Chart
(year-on-year, %)



Source: Bank of Ghana Staff Forecast

7.3 Inflation Risk Assessment

The risks to inflation outlook remain broadly tilted to the upside, driven by price pressures from both foreign and domestic sources.

Global price pressures have intensified and broadened beyond the volatile items of energy and food, underpinned by the spill over effects of global supply chain bottlenecks, the Russia-Ukraine war and China's zero-COVID policy, along with elevated aggregated demand pressures as the global economy recovers. This has prompted some coordinated monetary policy tightening in Advanced Economies and most Emerging Market and Developing Economies and triggered tightened global financing conditions. Consequently, global inflation and inflation expectations are expected to remain elevated in the near term. These risks are likely to further induce domestic inflation in the coming months, especially if the current pressures persist.

On the domestic front, the upward adjustments in petroleum products and transport fares with attendant second-round effects on goods and services, have pushed up inflation and inflation expectations. In the outlook, the heightened uncertainty in energy prices, prolonged global supply chain holdups, the pass-through of the recent exchange rate depreciation, and upward adjustments in ex-pump petroleum prices and transportation costs, present significant upside risks and are expected to exert pressures on domestic prices in the near term. The continued uncertainties surrounding food prices is also likely to add to the upside risks to the inflation outlook. On the downside, it is expected that monetary policy tightening, in tandem with the announced fiscal consolidation efforts, would help moderate inflationary pressures in the outlook.

7.4 Conclusion

The risks in the outlook for inflation emanating from both external and domestic sources, as well as triggered by both supply-side and demand-side shocks are clearly on the upside. At the May 2022 meeting, therefore, the MPC hiked the policy rate by 200 basis points to 19 percent with the view that it needed to decisively address the current inflationary pressures to re-anchor expectations and help foster macroeconomic stability.

Appendix Table 7.1: 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**
Dec-20	**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
Nov	12.2	13.1	11.6	1.4	2.1	0.9
Dec	12.6	12.8	12.5	1.2	1.2	1.2
2022						
Jan	13.9	13.7	14.1	2.1	1.9	2.2
Feb	15.7	17.4	14.5	2.4	3.2	1.7
Mar	19.4	22.4	17.0	4.0	4.5	3.7
Apr	**23.6**	**26.6**	**21.3**	**5.1**	**5.8**	**4.6**

Source: Ghana Statistical Service

Appendix Table 7.2: CPI Components

CPI Components (%)		2020	2021						2022	
	Weghts (%)	Dec	Jan	Feb	Mar	Jun	Sept	Dec	Jan	Feb
Overall	100.0	10.4	9.9	10.3	10.3	7.8	10.6	12.6	13.9	15.7
Food and Beverages	43.1	14.1	12.8	12.3	10.8	7.3	11.5	12.8	13.7	17.4
Non-food	56.9	7.7	7.7	8.8	10.0	8.2	9.9	12.5	14.1	14.5
Alcoholic Beverages, Tobacco	3.7	6.0	7.4	7.2	7.0	6.5	8.1	9.6	8.0	9.0
Clothing and footwear	8.1	7.9	7.2	6.2	6.0	6.0	6.8	8.6	8.3	9.5
Housing and Utilities	10.2	20.1	19.0	23.4	29.0	14.2	18.7	20.7	28.7	25.4
Household Equipment and Maintenance	3.2	4.7	4.5	5.0	4.7	4.7	6.3	9.6	11.0	14.4
Health	0.7	6.0	6.9	6.9	7.1	6.0	4.6	6.0	5.4	6.9
Transport	10.1	4.8	5.4	6.2	6.8	13.4	13.6	17.6	17.4	18.3
Information and Communication	3.6	7.0	6.7	8.4	8.1	4.9	6.6	9.0	8.9	10.2
Recreation & Culture	3.5	1.8	3.0	3.9	4.0	3.6	6.8	11.4	12.0	12.7
Education	6.5	0.2	0.3	0.4	0.4	0.9	0.9	1.0	0.9	1.3
Restaurants and Accommodation	4.6	5.4	4.8	5.4	6.1	4.8	3.2	8.9	9.1	10.6
Insurance and Finacial services	0.2	3.3	3.3	7.4	7.8	5.5	7.1	6.3	6.3	2.9
Personal care & Miscellaneous goods	2.4	3.8	5.1	4.3	4.5	4.5	7.2	10.6	10.8	13.5

Source: Ghana Statistical Service