



BANK OF GHANA

MONETARY POLICY REPORT

July 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 107th meeting held in July 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.

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Overview

Global growth is expected to moderate within the context of significant challenges associated with high commodity prices, supply chain disruptions, and elevated inflation across most countries. Additionally, global financing conditions have tightened and borrowing costs have increased, particularly for Emerging Market and Developing Economies. The slowdown in Advanced Economies has resulted in spillovers to emerging market economies, which have not fully recovered from the COVID pandemic, amplifying the effects of pre-existing headwinds such as high borrowing costs amid elevated debt levels, and currency pressures.

On the domestic front, growth is moderating as high inflation, supply bottlenecks, and exchange rate uncertainty weigh down economic activity. Business and consumer confidence have softened since the last quarter of 2021, and the latest update of the Bank's Composite of Economic Activity indicated some moderation in economic activity. The technical staff projection shows that GDP growth will likely slow down to within 3.7- 4.5 percent from the projection of 5.8 percent for 2022.

The banking sector continues to exhibit strong performance, despite the challenging headwinds from the macroeconomic environment. The financial sector indicators remained healthy, with some improvement in asset quality reflected in the lower non-performing loan ratios. However, the recent developments in the macro economy may pose some upside risks to the sector's outlook and will require strong risk management by industry players and effective supervision and monitoring of banks.

Execution of the 2022 budget has been challenging, against the backdrop of recent macroeconomic developments. For the first five months of the year, available provisional data showed a higher deficit relative to programmed, driven mainly by significant shortfalls in revenues relative to projections. The revenue underperformance reflected delayed implementation of several new revenue measures announced in the budget. On the expenditure side, higher interest payments led to some pressures despite restraint on primary expenditures, especially on capital expenditures, which have declined markedly. Financing of the budget was entirely met from domestic sources during the first half of the year, as planned borrowing from international sources did not materialize. On July 1, 2022, Government announced its intention to seek support from the International Monetary Fund. Initial talks have begun, and it is envisaged that a Fund-supported programme will help re-anchor expectations through implementation of reforms to restore creditworthiness, and eventually lead to a regained access to the international capital markets. The markets have already started internalizing the positive effects of the engagement with the IMF.

Headline inflation has persisted on an elevated path. A detailed review of the consumer basket shows that, although originally driven by supply-side shocks, the initial relative price changes have broadened to almost all the items in the consumer basket. Over 80 percent of the items in the basket recorded inflation above 20 percent. Inflation perceptions and expectations, as revealed in the Bank's surveys of consumers and businesses, have increased. The Bank of Ghana has responded decisively with its policy tools over the last few months, increasing the monetary policy rate by a cumulative 550 basis points since November 2021 and tightening liquidity conditions. In line with this, some deceleration in the rate of increase in inflation was observed in the July inflation numbers. The Bank of Ghana's Monetary Policy Committee expects that the macroeconomic framework that will underpin an agreed IMF-supported programme will present a stronger coordinated monetary and fiscal policy framework that will anchor stability and prevent a wage-price spiral, which would otherwise lead to inflation becoming more entrenched. In this regard, the Committee deemed it appropriate to pause and observe the impact of the recent monetary policy measures already taken, and therefore maintained the policy rate at 19.0 percent at the July 2022 meeting.

1. Global Economic Developments

1.0 Highlights

- *Global growth momentum is moderating partly, reflecting the spillover effects of the Russian invasion of Ukraine.*
- *Inflationary pressures have remained elevated, supported by higher energy and other commodity prices and worsening supply-chain disruptions due to the Russia-Ukraine war.*
- *Global financial conditions have tightened, driven by policy rate hikes, expectation of further rate hikes, re-pricing of risky assets, higher government bond yields and a stronger U.S. dollar.*
- *The strengthening U.S dollar is putting pressure on some EMDE currencies.*

1.1 Global Growth Developments

The onset of the Russia-Ukraine war in February 2022, along with the zero-COVID policy in China, intensified pre-existing strains on the global economy. Aside from the humanitarian crisis, the war worsened supply chain bottlenecks, leading to sharp increases in prices of energy, food and other commodities, elevated economic and policy uncertainty, and dampened business and consumer confidence. At the same time, the sharp rise in inflation adversely impacted the incomes of consumers and pushed up production costs. To anchor inflationary expectations, the price pressures triggered a faster pace of monetary policy tightening and tighter financial conditions in both advanced and emerging market economies. These constraints have prompted downward revisions to the IMF's 2022 global growth projections to 3.2 percent in July 2022, down from the 4.4 percent projected in January 2022 (Table 1.1).

Table 1.1: Real GDP Growth in Advanced and Emerging Market Economies (%)

	Year over Year		
	Estimates 2021	Projections	
		2022	2023
World Output April Update	6.1	3.2	2.9
Advanced Economies	5.2	2.5	1.4
United States	5.7	2.3	1.0
Euro Area	5.4	2.6	1.2
Germany	2.9	1.2	0.8
France	6.8	2.3	1.0
Italy	6.6	3.0	0.7
Spain	5.1	4.0	2.0
Japan	1.7	1.7	1.7
United Kingdom	7.4	3.2	0.5
Canada	4.5	3.4	1.8
Other Advanced Economies	5.1	2.9	2.7
Emerging Market and Developing Economies	6.8	3.6	3.9
China	8.1	3.3	4.6
India	8.7	7.4	6.1
Russia	4.7	-6.0	-3.5
Brazil	4.6	1.7	1.1
Mexico	4.8	2.4	1.2
Sub-Saharan Africa	4.6	3.8	4.0
Nigeria	3.6	3.4	3.2
South Africa	4.9	2.3	1.4

Source: IMF WEO July 2022 Update

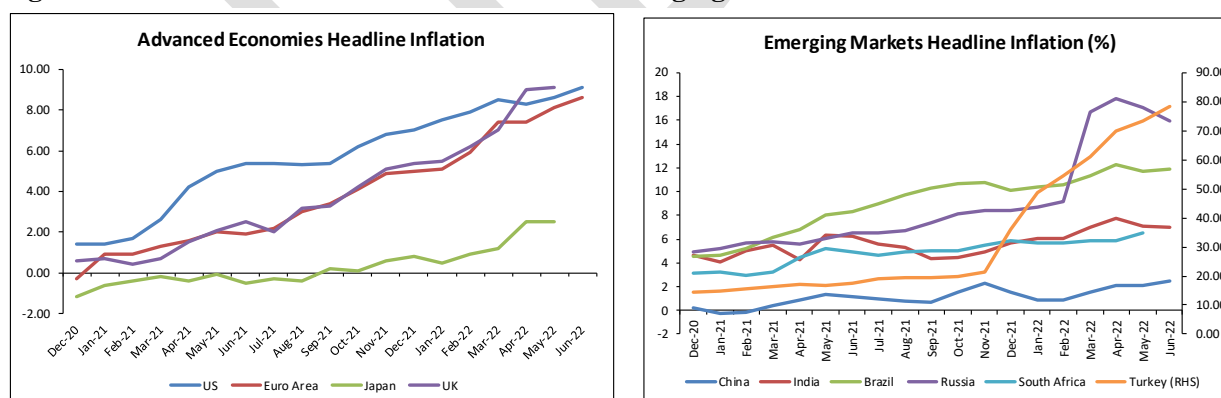
In the outlook, the risks to the global growth are tilted to the downside. The war in Ukraine may escalate, with increases in commodity prices or stronger disruptions to global supply chains. Inflationary pressures could also prove stronger than expected, forcing central banks to hike policy rates faster than expected. Also, a prolonged downturn in China could weaken global demand for exports and moderate the growth recovery process.

1.2 Global Price Developments

Headline inflation remained above set targets in several advanced and emerging market economies, partly reflecting escalating food, energy and other commodity prices, as well as the persistent and broadened supply-chain bottlenecks. Underlying inflation remains elevated, driven by supply constraints, moderate wage growth recovery in consumer demand, and past exchange rate depreciation. Meanwhile, inflation expectations have heightened, partly reflecting the sharp increase in commodity prices and persisting supply chain bottlenecks that have disrupted trade and pushed up prices of intermediate goods. These trends have prompted swift and coordinated monetary policy responses by major central banks. The European Central Bank, the U.S. Federal Open Market Committee, and the Bank of England have hiked interest rates and signalled that further rate increases would be appropriate to anchor inflationary expectations. Similarly, policymakers in several Emerging Market and Developing Economies (EMDEs) have moved towards policy tightening in response to rising inflation and currency pressures.

Looking ahead, we expect higher and more persistent inflation in the near term, reflecting elevated food, energy and other commodity prices. However, inflation is expected to decline at a gradual pace by early 2023 as monetary policy gets tighter, global growth slows, energy and food prices decline, and supply bottlenecks ease. In EMDEs, price pressures emanating from weaker currencies will continue to keep inflation elevated for some time.

Figure 1.1: Headline Inflation in Advanced and Emerging Market Economies



Source: BOG/Trading Economics

1.3 Global Financial Markets Developments

Global financial conditions have tightened, reflecting monetary policy normalization, expectations of further increases in policy rates, rising government bond yields, re-pricing of risky assets, and the stronger U.S. dollar. More central banks in both advanced and emerging market economies have tightened their monetary policy stance to rein in persistent inflationary pressures. Also, longer-term government bond yields have increased substantially due to the rising inflation expectations. Meanwhile, uncertainty about global growth prospects have weighed on equity prices in both advanced and emerging market economies,

while the strengthening U.S. dollar, uncertainty about growth prospects, and rising long-term bond yields have led to widened sovereign bond spreads, capital flow reversals and currency pressures in EMDEs with weaker fundamentals and less buffers.

In the outlook, financial conditions are expected to tighten in the course of 2022. Price pressures have become persistent, pushing up policy rates and long-term bond yields. Concerns about the war in Ukraine will also boost the dollar's safe haven status and put pressure on EMDE currencies.

Table 1.2: Monetary Policy Stance of Selected Central Banks

	Key Rate	Previous (%)	Current (%)	Forecast	Inflation Rate (June, 2022)	Real rate	Infl Target	Overall Fiscal Deficit (2021,% of GDP)	GDP Growth (Dec.2021)	Gross Debt/GDP (2021,%)
U.S	Federal Funds Rate	1	1.75	1.75	9.1	-7.35	2%	-10.2	5.7	132.6
Euro Area	Refinancing Rate	0	0	0	8.6	-8.6	< 2%	-5.5	5.4	96
UK	Bank Rate	1	1.25	1.25	9.1	-7.85	2%	-8.0	7.4	95.3
Japan	short term policy rate	-0.1	-0.1	-0.1	2.5	-2.6	2%	7.6	1.6	263.1
Russia	Benchmark rate	11	9.5	9	15.9	-6.4	4%	0.7	4.8	17.0
India	Benchmark rate	4.4	4.9	5.4	7.01	-2.11	4±2%	-10.4	8.9	86.8
Brazil	Selic rate	12.75	13.25	13.25	11.89	1.36	4.5±1.5%	-4.4	4.6	93.0
Turkey	One week repo rate	14	14	14	78.6	-64.6	5±2%	-3.5	11	41.6
Malaysia	Policy Rate	2	2.25	2.25	2.8	-0.55	3% - 4%	-5.5	3.1	69
Indonesia	Policy Rate	3.5	3.5	3.5	4.35	-0.85	3.5% ± 1%	-4.6	3.7	42.8
Chile	Benchmark Interest Rate	8.25	9	9.5	12.5	-3.5	3±1%	-7.5	11.7	36.3
Ghana	Monetary Policy Rate	17	19		29.8	-10.8	8±2%	-11.4	5.4	76.6
South Africa	Repo Rate	4.25	4.75	5.25	5.9	-1.15	3% -6%	-6.4	4.9	69.1
Nigeria	Monetary Policy Rate	11.5	13	13	18.6	-5.6	6% -9%	-6.0	3.6	37
Kenya	Policy Rate	7	7.5	8	7.9	-0.4	2.5-7.5%	-8.1	7.5	68.1
Zambia	Policy Rate	9	9	9	9.7	-0.7	9%	-8.7	3.6	123.2
Morocco	Policy Rate	1.5	1.5	1.5	5.9	-4.4		-6.5	7.4	76.3

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

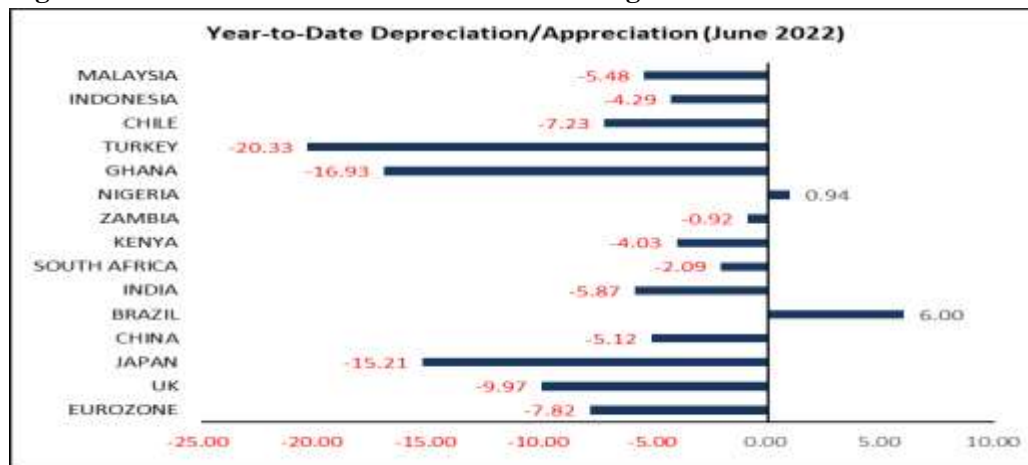
1.4 Currency Markets

On the international currency market, the U.S. dollar strengthened on expectations that the Fed will tighten monetary policy faster than its peers to reduce inflation. The dollar has also been buoyed recently by safe-haven demand due to fears of global recession. Meanwhile, the strength of the dollar continues to weigh on various currencies (Figure 2.2).

In the domestic currency market, the Ghana cedi came under pressure from the strength of the U.S. dollar, and increased demand from the energy sector and corporate sectors. However, these pressures have been partly moderated by the central bank's special forex auction for bulk oil distribution companies. Cumulatively, on the interbank market, the Ghana cedi depreciated by 16.93 percent, 7.69 percent and 9.92 percent against the dollar, pound and the euro, respectively, on a year-to-date basis to June 2022. This compared with 3.38 percent appreciation against the euro and a depreciation of 0.04 percent and 1.07 percent against the U.S. dollar and pound, respectively, during the same period in 2021 (Table 1.3).

Considering Ghana's major trading partners' currency movements, the Ghana cedi appreciated by 0.93 percent in nominal trade weighted terms on a year-to-date basis (Table 1.4). This compared with an appreciation of 2.1 percent and 0.16 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/a ppreciation	Year-to-Date depreciation/ appreciation	GBP/GHC*	Monthly depreciation/a ppreciation	Year-to-Date depreciation/ appreciation	Euro/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/a ppreciation
2020									
Jan	5.5274		0.1	7.1924		1.7	6.0476		2.7
Feb	5.2949		4.4	6.7881		6.0	5.8048		4.2
Mar	5.4423		-2.7	6.7583		0.4	5.9752		-2.9
Apr	5.6010		-2.8	7.0584		-4.3	6.1276		-2.5
May	5.6203		-0.3	6.9186		2.0	6.2406		-1.8
June	5.6674		-0.8	7.0038		-1.2	6.3613		-1.9
July	5.6782		-0.2	7.4050		-5.4	6.6944		-5.0
Aug	5.6848		-0.1	7.5997		-2.6	6.7916		-1.4
Sep	5.7027		-0.3	7.3585		3.3	6.6786		1.7
Oct	5.7100		-0.1	7.3913		-0.4	6.6703		0.1
Nov	5.7139		-0.1	7.6426		-3.3	6.8559		-2.7
Dec	5.7602		-0.8	7.8742		-2.9	7.0643		-3.0
2021									
Jan	5.7604		0.0	7.8996		-0.3	6.9929		1.0
Feb	5.7374		0.4	7.9945		-1.2	6.9545		0.6
Mar	5.7288		0.2	7.8717		1.6	6.7122		3.6
Apr	5.7322		-0.1	7.9222		-0.6	6.8958		-2.7
May	5.7473		-0.3	8.1672		-3.0	7.0268		-1.9
June	5.7626		-0.3	7.9590		2.6	6.8333		2.8
July	5.8011		-0.7	8.0633		-1.3	6.8808		-0.7
Aug	5.8517		-0.9	8.0482		0.2	6.9068		-0.4
Sep	5.8663		-0.2	7.9140		1.7	6.7952		1.6
Oct	5.9009		-0.6	8.0816		-2.1	6.8231		-0.4
Nov	5.9172		-0.3	7.9054		2.2	6.7346		1.3
Dec	6.0061		-1.5	8.1272		-2.7	6.8281		-1.4
2022									
Jan	6.0236		-0.3	8.0882		0.5	6.7506		1.1
Feb	6.6004		-8.7	8.8568		-8.7	7.4100		-8.9
Mar	7.1122		-7.2	9.3515		-5.3	7.8986		-6.2
Apr	7.1128		0.0	8.9333		4.7	7.4963		5.4
May	7.1441		-0.4	9.0041		-0.8	7.6650		-2.2
June	7.2305		-1.2	8.8043		2.3	7.5797		1.1

Source: Bank of Ghana Staff Calculations

Table 1.4: Nominal Effective Exchange Rate

	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
May-22	21.47	25.43	-0.58	-1.87	-18.24	-13.00
Jun-22	21.27	25.66	-0.95	0.93	-19.37	-11.96

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 3.9 percent against the dollar, but appreciated by 4.0 percent, and 6.2 percent respectively against the euro, and the pound sterling on a year-to-date basis. Comparatively, for the corresponding period in 2021, the cedi's real exchange rate appreciated by 2.6 percent, 6.5 percent and 2.9 percent against the dollar, the euro and the pound sterling, respectively, over the same period in 2021 (see Table 1.5).

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
Feb-22	98.8	93.5	86.2	-7.9	-7.6	-7.7	-5.0	-4.9	-6.5
Mar-22	94.4	91.1	82.1	-4.7	-2.6	-5.0	-9.9	-7.7	-11.8
Apr-22	103.6	97.8	85.8	8.9	6.8	4.4	-0.2	-0.4	-6.9
May-22	104.6	100.3	87.9	0.9	2.6	2.4	0.7	2.2	-4.3
Jun-22	108.1	104.6	88.3	3.3	4.1	0.4	4.0	6.2	-3.9

Source: Bank of Ghana Staff Calculations

Table 1.6 shows the real effective exchange rate movements of the cedi against the three major currencies (i.e., US dollar, the euro and pound sterling). On a year-to-date basis, the cedi appreciated by 3.15 percent in real trade weighted terms but depreciated by 3.08 percent in real forex transaction weighted terms in June 2022. These movements compare with an appreciation of 5.6 percent and 2.3 percent in real trade weighted terms and real forex transaction weighted terms, respectively, for the same period in 2021.

Table 1.6: Real Trade Weighted Exchange Rate

RTWI and FXRTWI						
	INDEX (2018=100)		MONTHLY CHG		Year-to-Date (%)	
	RFXTWI	RTWI	RFXTWI	RTWI	RFXTWI	RTWI
2021						
Jan-21	91.97	94.79	0.8	1.3	0.8	1.3
Feb-21	92.70	95.92	0.8	1.2	1.6	2.5
Mar-21	93.30	98.38	0.6	2.5	2.3	4.9
Apr-21	93.78	97.34	0.5	-1.1	2.8	3.9
May-21	93.36	95.97	-0.5	-1.4	2.3	2.5
Jun-21	93.38	99.15	0.0	3.2	2.3	5.6
Jul-21	94.40	99.99	1.1	0.8	3.4	6.4
Aug-21	93.62	99.46	-0.8	-0.5	2.6	6.0
Sep-21	93.47	100.83	-0.2	1.3	2.4	7.2
Oct-21	92.91	100.27	-0.6	-0.6	1.8	6.7
Nov-21	93.46	102.69	0.6	2.3	2.4	8.9
Dec-21	92.75	101.60	-0.8	-1.1	1.7	7.9
2022						
Jan-22	93.96	104.16	1.3	2.5	1.3	2.5
Feb-22	87.21	96.57	-7.74	-7.86	-6.35	-5.22
Mar-22	83.14	92.37	-4.90	-4.54	-11.56	-9.99
Apr-22	87.32	100.54	4.79	8.12	-6.22	-1.06
May-22	89.35	101.80	2.27	1.24	-3.80	0.19
Jun-22	89.98	104.90	0.70	2.96	-3.08	3.15

Source: Bank of Ghana Staff Calculations

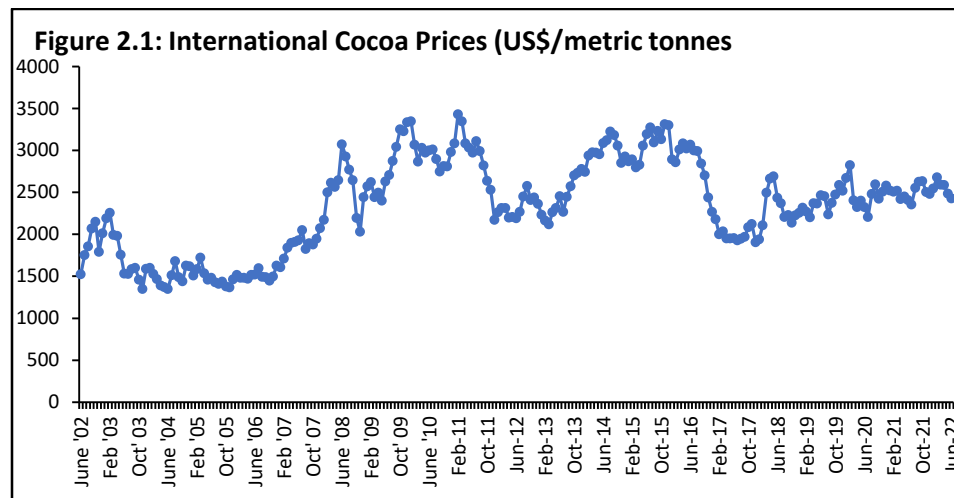
1.5 Global Economic Outlook and Risks

Global growth prospects have worsened, reflecting the spillover effects of the Russia-Ukraine war. Headline inflation is expected to remain elevated globally in the near term due to the sharp increases in energy and other commodity prices and persistent supply chain bottlenecks. Financial conditions have tightened as policy rates are increased to contain the rising inflationary pressures. Rate hikes have led to increasing long-term government bond yields, re-pricing of risky assets and a stronger U.S. dollar, which is putting pressure on EMDE currencies. Vulnerable EMDEs with large foreign currency debt and financing needs would be particularly exposed.

2. External Sector Developments

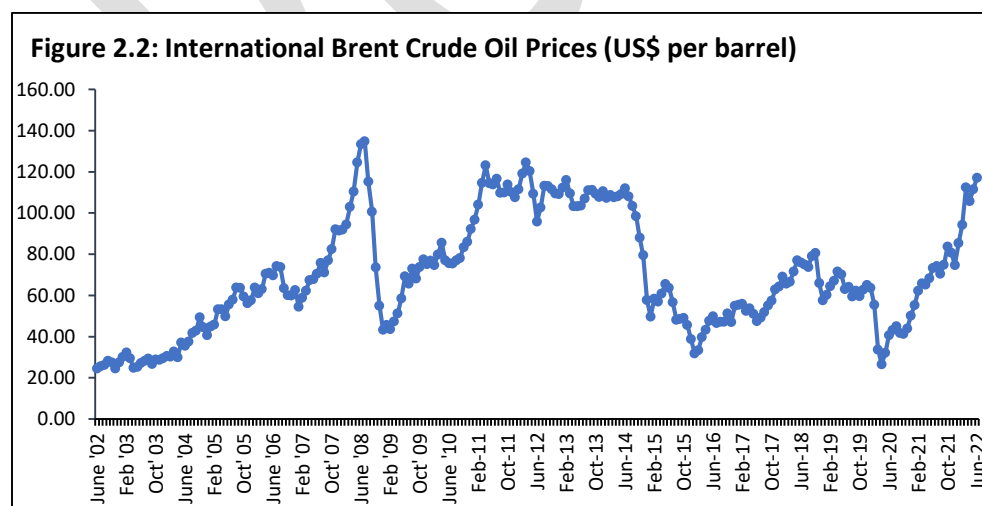
2.0 Commodity Price Trends

Cocoa futures suffered its fourth consecutive loss into the month of June 2022. The bean closed the month at US\$2,428.38 per tonne, compared to the US\$2,484.48 per tonne recorded in the month of May 2022, representing a monthly loss of 2.3 percent. Ample rain and good soil moisture in most cocoa-growing regions created sentiments of higher crop output. From January to date, the bean has lost 2.16 percent in prices.



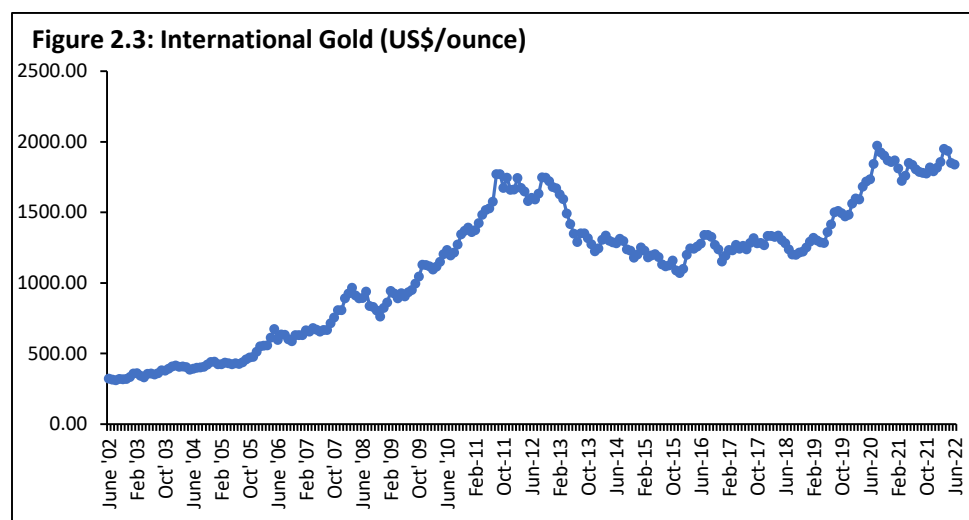
Source: Reuters

Brent crude oil gained 5.1 percent to settle at an average price of US\$117.22 per barrel in June 2022, compared to US\$111.55 per barrel in the previous month. Rising U.S. gasoline demand and tight oil supplies from OPEC contributed to the gain. From January to date, the crude oil price has gained 56.71 percent. Compared to same period last year, crude oil prices have increased by 59.82 percent, owing mainly to the geopolitical tension between Russia and Ukraine.



Source: Reuters

Spot gold inched lower for the third consecutive month into June 2022. It lost about 0.7 percent to end the month at US\$1,837.07 per fine ounce, compared to US\$1,849.50 recorded in May 2022. From year to date, the metal has gained 0.10 percent, but 2.58 percent year-on-year.



Source: Reuters

2.1 Trade Balance

Global price developments during the first half of the year impacted positively on transactions in the trade account. The trade surplus improved year-on-year from US\$886.9 million (1.1% of GDP) to US\$1.4 billion (2.0% of GDP), mainly as a result of higher export growth over the review period. Of this, total export receipts recorded a growth of 17.8 percent on a year-on-year basis to US\$9.0 billion, on the back of higher receipts realized from gold, crude oil, and non-traditional exports. The volume of gold exported by small scale gold producers also increased significantly during the period. Imports grew by 11.9 percent year-on-year to US\$7.6 billion, primarily on account of a jump in oil and gas imports (mainly fuel products) by 87.8 percent year-on-year. Non-oil merchandise imports for the period, however, contracted by 4.7 percent to US\$5.3 billion.

2.2 Balance of Payments

Current Account

During the first half of the year, the current account deficit widened further. Notwithstanding the remarkable improvement in the trade surplus, higher income and services outflows, in particular repatriation of profits and dividends, widened the current account deficit to US\$1.1 billion, compared with US\$762.0 million recorded in the same period of 2021. Net private transfers experienced a slight decline from US\$1.7 billion in 2021 to US\$1.6 billion at the end of June 2022.

Capital and Financial Accounts

The period also witnessed significant outflows from the financial and capital account. The capital and financial account recorded US\$1.3 billion net outflows in the first six months, compared with net inflows of US\$3.0 billion at the end of June 2021. These net outflows were dominated by portfolio reversals and net outflows in the other investment accounts, as well as lower net foreign direct investments inflows.

Overall Balance of Payments

The combined effect of a current account deficit and net outflows in financial account resulted in an overall balance of payments deficit of US\$2.5 billion at end-June 2022, compared with a surplus of US\$2.4 billion in the corresponding period of 2022.

2.3 International Reserves

The country's stock of Gross International Reserves declined by US\$2,014.88 million to US\$7,680.34 million at the end of June 2022, from a stock position of US\$9,695.22 million at the end of December 2021. This was sufficient to provide 3.4 months of imports cover compared with 5.0 and 4.3 months of import cover recorded at the end of June and December 2021, respectively.

2.4 Commodity Prices Outlook

For the cocoa market, a supply deficit is expected for the ongoing 2021/22 season with cocoa prices forecast to average about US\$2,450 in 2022, before increasing to US\$2,500 in 2023. The outlook stems from some production challenges in Ghana notwithstanding good production prospects in the largest grower, Côte d'Ivoire. Oil analysts project crude oil prices to average about US\$108 per barrel for the second half of 2022, lower than current prices. The main headwinds include low oil inventories and the sanctions imposed on Russian oil, which are set to come into force at the end of the year. Gold is projected to stabilize around US\$1,880 per fine ounce in 2022, before falling to US\$1,700 per fine ounce in 2023. Weighing on the outlook for gold is the effect of a stronger U.S. dollar.

Appendix Table 2.1: Trade Balance (US\$ million)

	2019 Jan - Jun	2020 Jan - Jun	2021 Jan - Jun	Prov 2022 Jan - Jun	Abs Y/Y Chg	Rel Y/Y Chg
Trade Balance (\$'M)	1,354.9	1,005.5	886.9	1,437.6	550.7	62.1
<i>Trade Bal (% GDP)</i>	<i>2.0</i>	<i>1.5</i>	<i>1.2</i>	<i>2.0</i>		
Total Exports (\$'M)	8,047.5	7,396.0	7,649.2	9,007.0	1,357.8	17.8
Gold (\$'M)	2,977.1	3,182.7	2,666.7	3,015.8	349.1	13.1
Volume (fine ounces)	2,283,995	1,934,442	1,474,522	1,636,990	162,468	11.0
Unit Price (\$/fine ounce)	1,303.4	1,645.3	1,808.5	1,842.3	33.8	1.9
Cocoa Beans (\$'M)	934.2	1,036.0	1,269.8	876.3	-393.4	-31.0
Volume (tonnes)	400,546	419,000	492,899	355,030	-137,869	-28.0
Unit Price (\$/tonne)	2,332.3	2,472.6	2,576.1	2,468.3	-107.8	-4.2
Cocoa Products (\$'M)	419.5	506.5	517.6	509.3	-8.2	-1.6
Volume (tonnes)	140,658	160,332	151,135	164,593	13,458	8.9
Unit Price (\$/tonne)	2,982.6	3,159.2	3,424.4	3,094.5	-329.9	-9.6
Crude Oil (\$'M)	2,289.7	1,421.3	1,757.1	2,833.5	1,076.4	61.3
Volume (barrels)	34,551,532	33,809,074	26,943,997	26,662,950	-281,047	-1.0
Unit Price (\$/bbl)	66.3	42.0	65.2	106.3	41.1	63.0
Other Exports	1,426.9	1,249.5	1,438.2	1,772.1	333.9	23.2
<i>o/w Non-Traditional Exports</i>	<i>1,015.9</i>	<i>1,037.3</i>	<i>1,161.7</i>	<i>1,434.4</i>	<i>272.7</i>	<i>23.5</i>
Total Import (\$'M)	6,692.6	6,390.5	6,762.4	7,569.4	807.1	11.9
Non-Oil	5,418.1	5,473.8	5,544.8	5,282.6	-262.2	-4.7
Oil and Gas	1,274.5	916.7	1,217.5	2,286.8	1,069.3	87.8
<i>of which: Products</i>	<i>1,044.7</i>	<i>690.0</i>	<i>1,112.6</i>	<i>1,899.2</i>	<i>786.6</i>	<i>70.7</i>
Crude Oil (\$'M)	151.6	135.8	27.5	44.1	16.6	60.3
Volume (barrels)	2,300,072	3,585,791	415,120	407,081	-8,040	-1.9
Unit Price (\$/bbl)	65.9	37.9	66.3	108.4	42.1	63.5
Gas (\$'M)	78.2	90.9	77.4	88.7	11.3	14.6
Volume (MMBtu)	10,800,921	12,394,085	10,460,420	11,474,917	1,014,497	9.7
Unit Price (\$/mmBtu)	7.2	7.3	7.4	7.7	0.3	4.5

Source: Bank of Ghana

3. Real Sector Developments

3.0 Highlights

Domestic economic activity slowed in the period under review. The latest high frequency indicators recorded broad-based moderation in key real sector indicators in May 2022, compared to a year ago. Retail sales, cement sales, vehicle registration, port activity and industrial consumption of electricity all contracted in the review period. Domestic VAT collections and tourist arrivals, however, improved in the review period.

3.1 Economic Growth

The latest estimates from the Ghana Statistical Service showed a moderation in GDP growth to 3.3 percent in the first quarter of 2022, compared with 3.6 percent in the same period of 2021, and 7.0 percent in the fourth quarter of 2021. Non-oil GDP growth was 3.7 percent, down from 5.3 percent recorded for the comparative period in 2021. The deceleration in growth was driven by slower activity in the agriculture and services sectors.

3.2 Trends in Real Sector Indicators

Consumer Spending

Consumer spending, proxied by domestic VAT collections and retail sales, posted a mixed performance in May 2022, compared with the corresponding period in 2021. Domestic VAT collections increased by 30.6 percent on a year-on-year basis to GH¢700.12 million, from GH¢536.10 million. Cumulatively, total domestic VAT for the first five months of 2022 went up by 15.6 percent to GH¢3,153.50 million, compared with GH¢2,728.77 million for the corresponding period of last year.

Retail sales, on the other hand, dipped by 6.0 percent (year-on-year) to GH¢107.90 million in May 2022, down from the GH¢114.78 million recorded in the same period in 2021. On a month-on-month basis, retail sales declined by 11.7 percent in May 2022 from GH¢122.20 million in the preceding month. The relative moderation in retail sales largely reflected declining consumer demand during the review period. However, in cumulative terms, retail sales for the first five months of 2022 increased by 5.0 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 May 2022. Total direct taxes collected increased by 36.0 percent (year-on-year) to GH¢1,994.92 million in May 2022, relative to GH¢1,466.34 million recorded in the corresponding period of 2021. Cumulatively, total direct taxes collected for the first five months of 2022 went up by 20.3 percent to GH¢10,815.20 million, from GH¢8,993.23 million for the same period in 2021. In terms of contributions of the various sub-tax categories, income tax (PAYE and self-employed) accounted for 51.6 percent, corporate tax accounted for 36.8 percent, while "Other Tax Sources" contributed 11.6 percent.

Total private sector workers' contribution to the SSNIT Pension Scheme (Tier-1) increased by 28.5 percent on year-on-year terms to GH¢263.70 million in May 2022, from GH¢205.14 million collected during the corresponding period in 2021. Cumulatively, for the first five months of 2022, the contribution grew by 28.8 percent to GH¢1,284.17 million, relative to GH¢996.96 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 25.7 percent (year-on-year) in May 2022 to 264,619.73 tonnes, down from 356,016.77 tonnes recorded a year ago. On a month-on-month basis, total cement sales dipped by 9.1 percent in May 2022, compared with the 291,036.67 tonnes recorded in April 2022. Cement sales for the first five months of 2022 went down by 12.2 percent to 1,556,916.30 tonnes, from 1,773,091.21 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 by 20.5 percent to 17,011 in May 2022, from 21,389 vehicles registered during the corresponding period of 2021. Cumulatively, vehicles registered by the DVLA within the first five months of 2022 decreased by 4.1 percent to 134,402 from 140,082 recorded a year ago.

Industrial Consumption of Electricity

Consumption of electricity by industries went down marginally by 0.6 percent on a year-on-year basis during the period under review. Industries consumed 264.71 gigawatts of power in May 2022, as against 266.25 gigawatts recorded for the corresponding period in 2021. On a month-on-month basis, power consumed by industries in May 2022 declined by 2.4 percent, from 271.23 gigawatts utilised for April 2022. However, in cumulative terms, electricity consumed by industries for the first five months of 2022 increased by 5.6 percent to 1,348.23 gigawatts, from 1,276.70 gigawatts for the corresponding period a year ago.

Passenger Arrivals at the Airport

International tourist arrivals increased in May 2022 by 65.2 percent to 71,660 tourists, compared to a similar period in 2021. Compared to April 2022, tourist arrivals went up by 6.9 percent. For the first five months of 2022, there were 309,827 tourist arrivals, compared with 179,345 for the corresponding period in 2021, representing a growth of 72.8 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 14.0 percent, year-on-year, to 62,036 in May 2022, down from 72,156 for a similar period in 2021. In cumulative terms, total container traffic for the first five months of 2022 dipped by 12.3 percent to 285,496, compared with 325,680 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 print¹ and online² media platforms, which partially gauges labour demand in the economy, decreased in June 2022 relative to what was observed in the corresponding period a year ago. In total, 2,662 job adverts were recorded, as compared with 2,730 for 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.

indicating a decline of 2.5 percent (year-on-year). On a month-on-month basis, the number of job vacancies in June 2022 increased by 2.4 percent from the 2,599 jobs advertised in May 2022. Cumulatively, for the first two quarters of 2022, the total number of advertised jobs declined by 4.7 percent to 16,290 from 17,091 recorded during the same period in 2021.

Private Sector Pension Contributions

Total number of private-sector SSNIT contributors, which partially gauges employment conditions, marginally improved to 864,208 in May 2022, compared with 862,166 for the same period in 2021. On a month-on-month basis, total number of private-sector SSNIT contributors decreased by 4.0 percent from the 900,188 individuals recorded in April 2022. Cumulatively, for the first five months of 2022, the total number of private sector contributors increased by 6.1 percent to 4,491,755 from 4,233,532 recorded over the corresponding period in 2021.

3.3 Composite Index of Economic Activity

The Bank's updated Composite Index of Economic Activity (CIEA) recorded an annual growth of 1.7 percent in May 2022, compared with a growth of 33.1 percent and a contraction of 10.2 percent in the corresponding periods of 2021 and 2020, respectively.

3.3 Consumer and Business Surveys

The consumer and business confidence surveys conducted in June 2022 showed significant softening of sentiments. The Consumer Confidence Index dipped from 81.8 in April to 79.7 in June 2022. The Index declined as consumers felt less optimistic about future economic conditions. The Business Confidence Index also eased from 85.9 in April to 79.7 in June 2022. Businesses were concerned about the impact of high cost of raw materials, rising labour costs, exchange rate volatility and weak consumer demand. These conditions adversely impacted on business optimism and prospects.

3.4 Real Sector 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 snags, with grim consequences on global energy, metal, and agricultural input prices in the outlook. On the domestic front, latest estimates from the Ghana Statistical Service showed moderation in GDP growth to 3.3 percent for the first quarter of 2022, compared with 3.6 percent in the same period of 2021, and 7.0 percent in the fourth quarter of 2021. Non-oil GDP growth was 3.7 percent, down from 5.3 percent recorded for the comparative period in 2021. The deceleration in growth was driven by slower activity in the agriculture and services sectors. In the outlook, economic growth is projected to moderate to within 3.7- 4.5 percent for 2022 from the earlier projection of 5.8 percent, as high inflation, supply bottlenecks, and exchange rate uncertainty act as drags on economic activity.

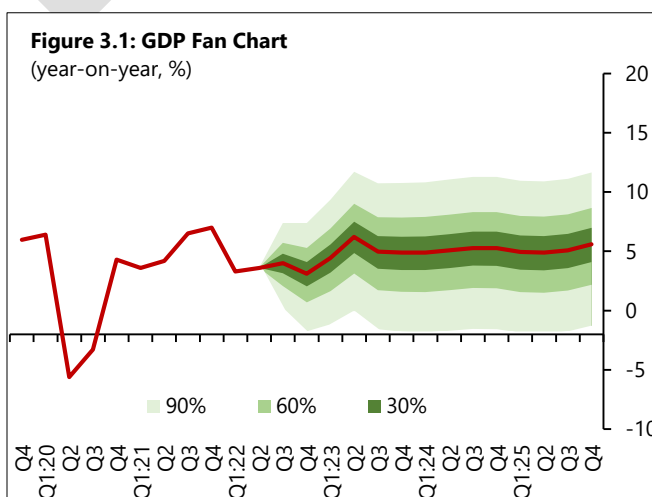
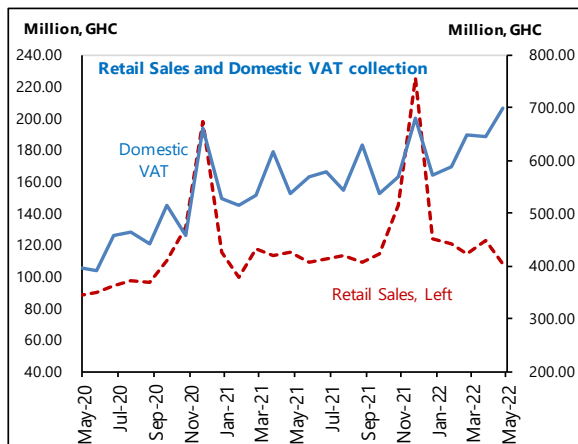


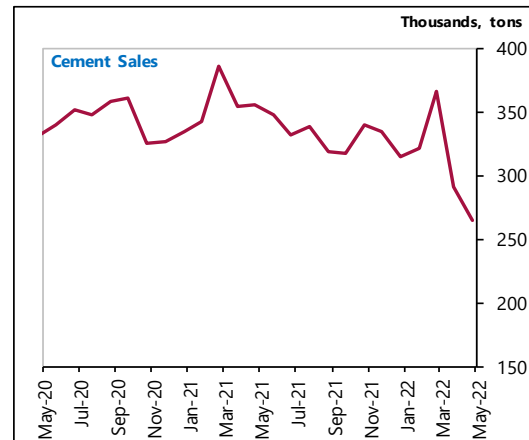
Figure 3.2a: Indicators of Economic Activity

**Panel 1:
Ghana's Leading Indicators of Economic Activity**

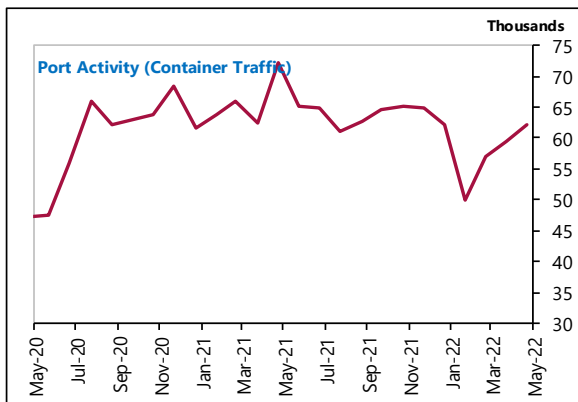
...Domestic VAT collections increased while retail sales declined in May 2022...



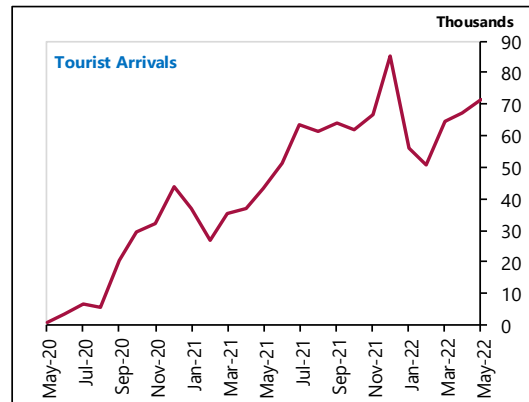
...Construction activities, proxied by cement sales, decreased in May 2022...



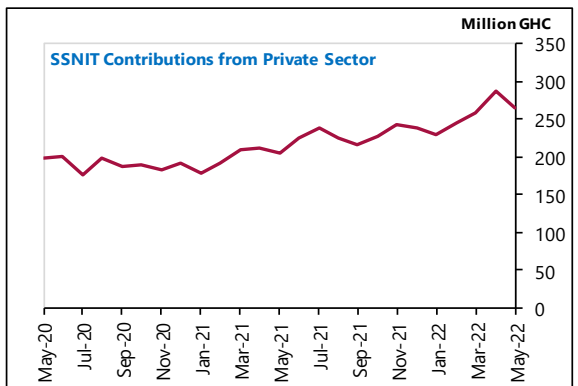
...Port activity picked up in May 2022...



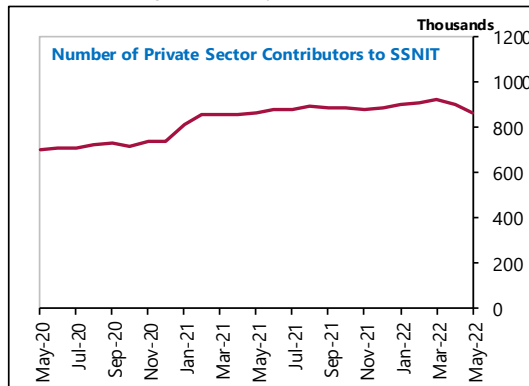
...Tourist arrivals went up in May 2022...



...Labour market conditions softened in May 2022...



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

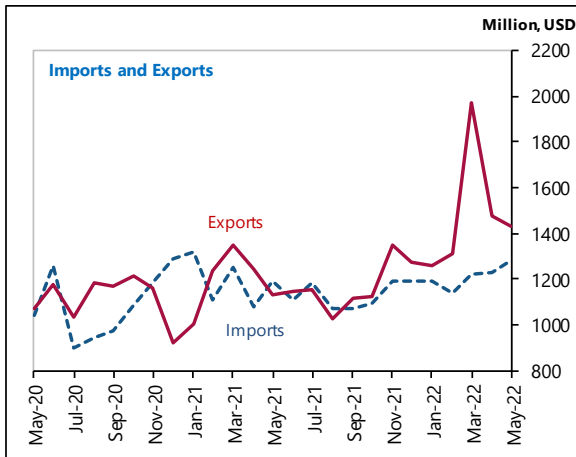


Sources: Bank of Ghana, Various Stakeholders

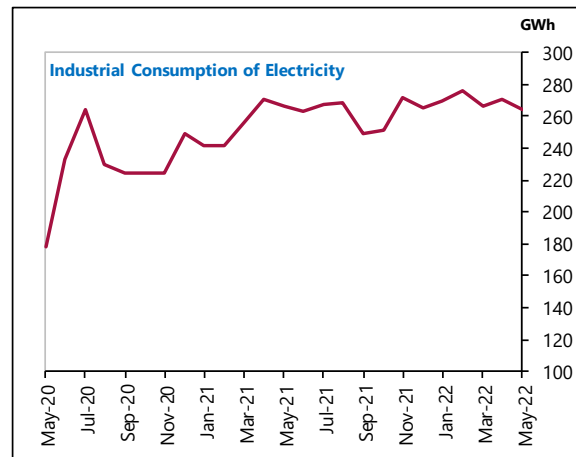
Figure 3.2b: Indicators of Economic Activity

**Panel 2:
Ghana's Leading Indicators of Economic Activity**

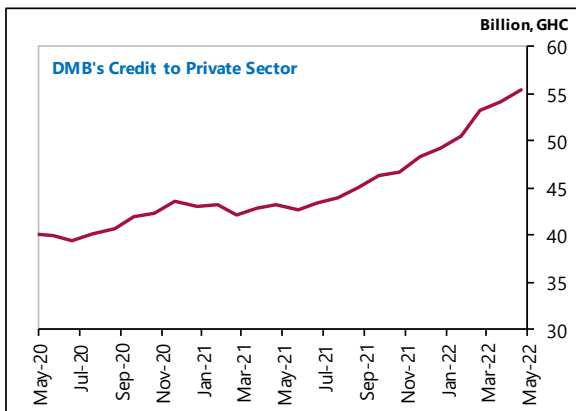
...Exports declined while imports increased in May 2022...



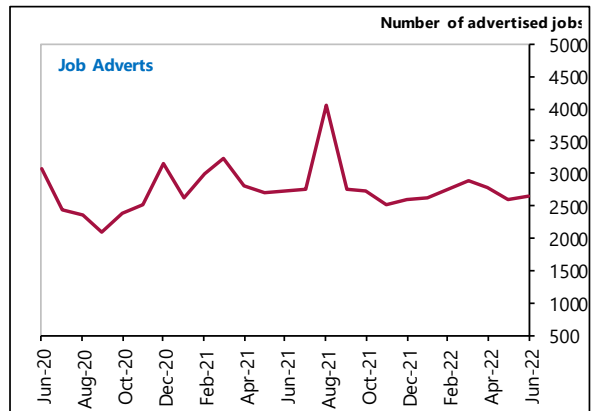
...Industrial activity, proxied by industrial consumption of electricity, dipped...



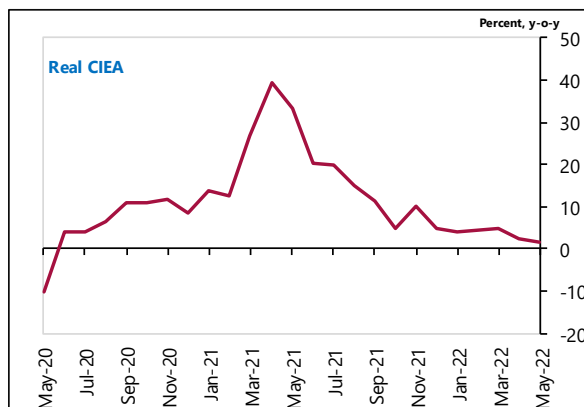
...Commercial banks' credit to the private sector improved in May 2022...



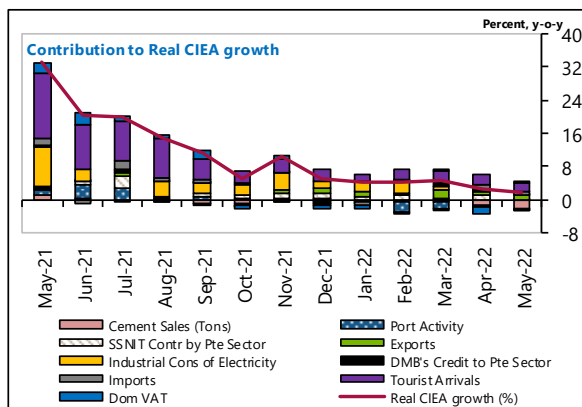
...Demand for labour, proxied by the number of job adverts (in print and online media), inched up in June 2022...



...On a year-on-year basis, the real CIEA grew by 1.7 percent in May 2022, compared with a growth of 33.1 percent in May 2021 and a contraction of 10.2 percent in May 2020...



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

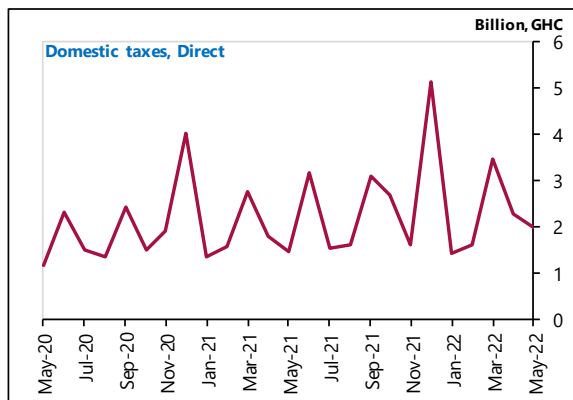


Source: Bank of Ghana, Various Stakeholders

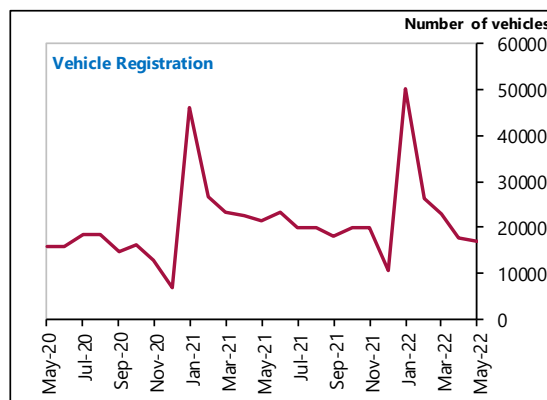
Figure 3.2c: Indicators of Economic Activity

**Panel 3:
Ghana's Leading Indicators of Economic Activity**

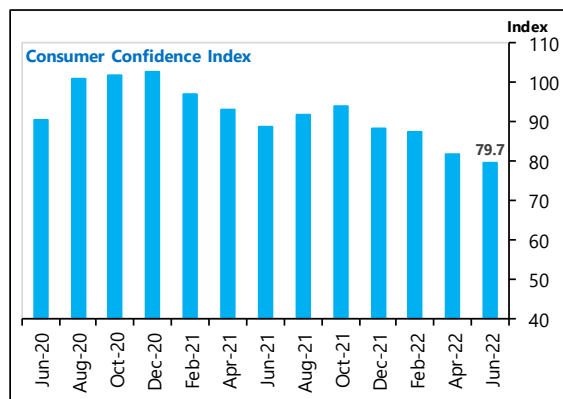
...Domestic tax collection decreased in May 2022...



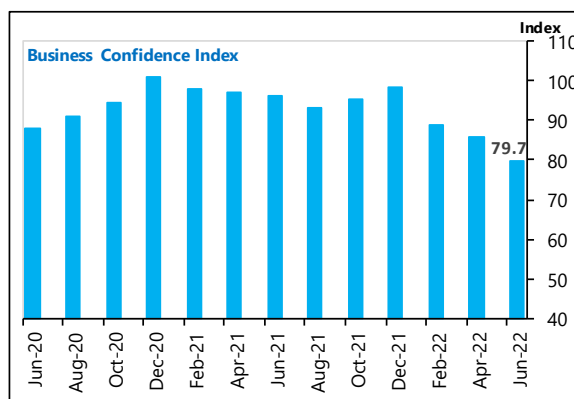
...Vehicle registration dipped in May 2022...



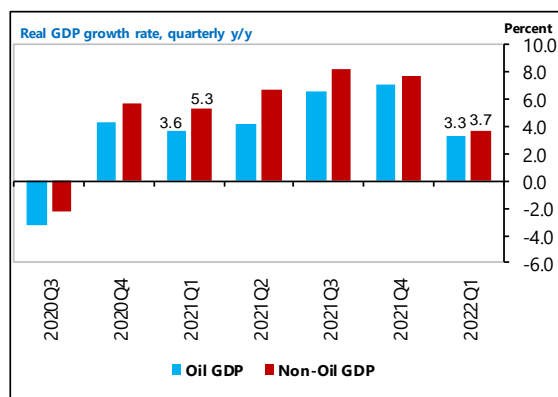
...Consumer confidence softened as consumers felt less optimistic about future economic conditions...



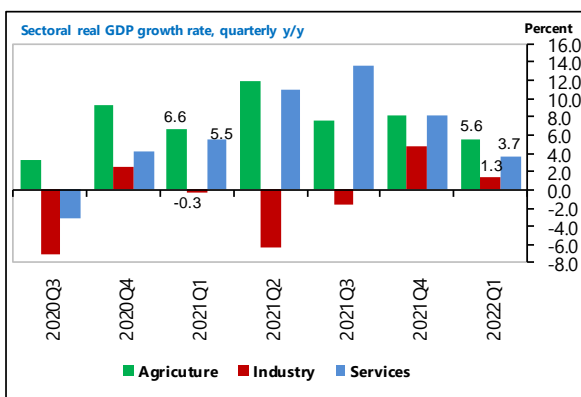
...Business confidence declined as businesses were concerned about the impact of high cost of raw materials, rising labour costs, exchange rate volatility and weak consumer demand...



...Real Oil and Non-Oil GDP grew by 3.3 percent and 3.7 percent respectively in 2022Q1, compared with growth rates of 3.6 percent and 5.3 percent respectively in the corresponding period of 2021...



...The Agriculture and Services sectors were the main drivers of growth in 2022Q1, recording growth rates of 5.6 percent and 3.7 percent respectively...



Source: Bank of Ghana, Various Stakeholders

4. Monetary and Financial Developments

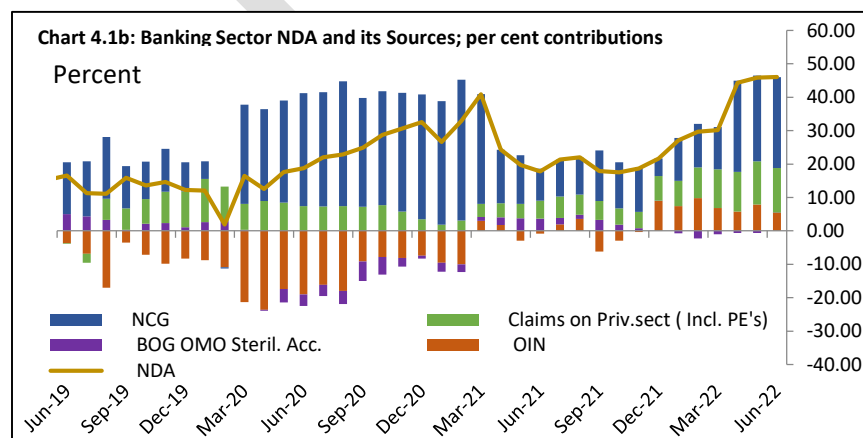
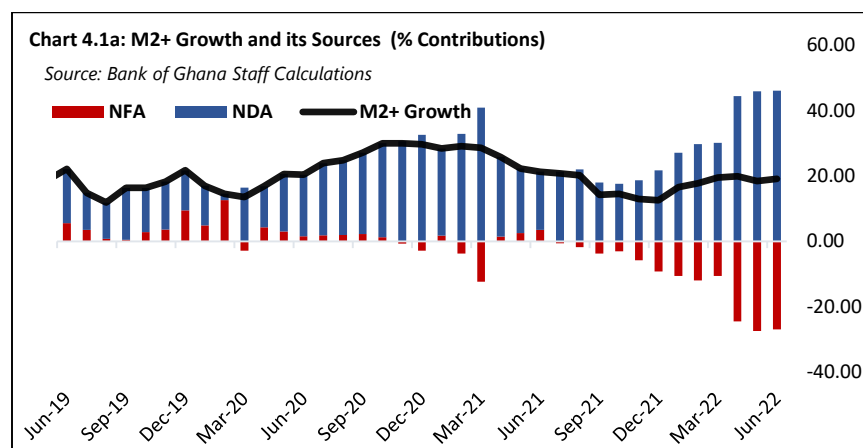
4.0 Highlights

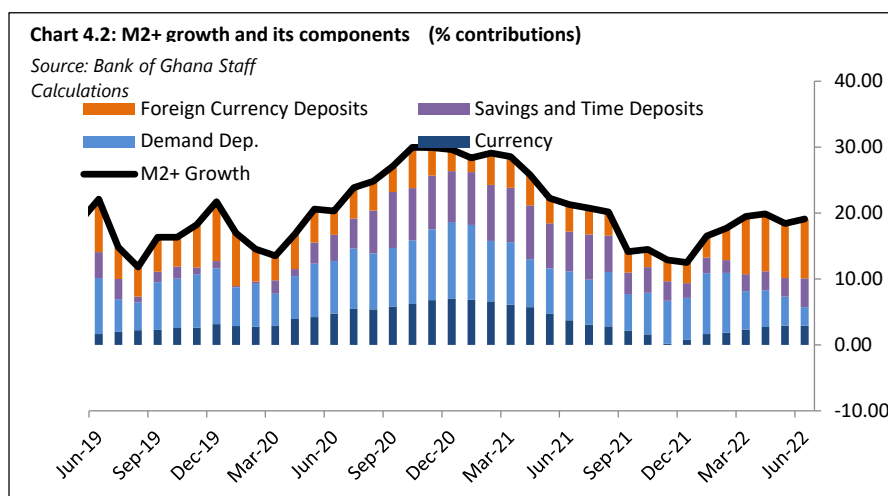
Developments in monetary aggregates in June 2022 showed significant moderation in the pace of growth in broad money supply (M2+), mainly driven by contraction in the Net Foreign Assets (NFA) of the depository corporations' sector; the Net Domestic Assets, however, expanded significantly. Developments on the money market broadly showed upward trends across the spectrum of the yield curve, consistent with the policy rate path. The Ghana Stock Exchange (GSE) Composite Index fell marginally, on year-to-date basis, driven by a variety of factors including increased appetite for 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

The pace of growth in broad money supply (M2+) moderated in June 2022 on account of a contraction in the Net Foreign Assets (NFA) of the depository corporations' sector. The Net Domestic Assets (NDA), however, expanded considerably to offset the contraction in the NFA. M2+ growth declined to 19.1 percent in June 2022, compared with 21.3 percent in the corresponding period of 2021. The contribution of NFA in the growth of M2+ decreased to negative 27.0 percent from 3.5 percent, while the contribution of the NDA increased to 46.1 percent from 17.8 percent over the same comparative period.





Source: Bank of Ghana Staff Calculations

In terms of annual growth rates, NFA contracted by 129.4 percent in June 2022, relative to 16 percent growth in June 2021, while the NDA expanded by 58.2 percent, compared with 22.8 percent over the same comparative period (Chart 4.1a and Appendix Table 4.1).

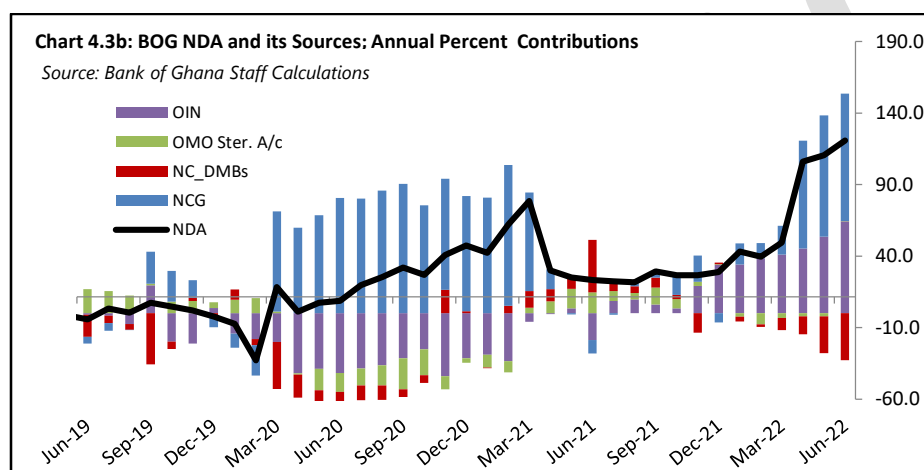
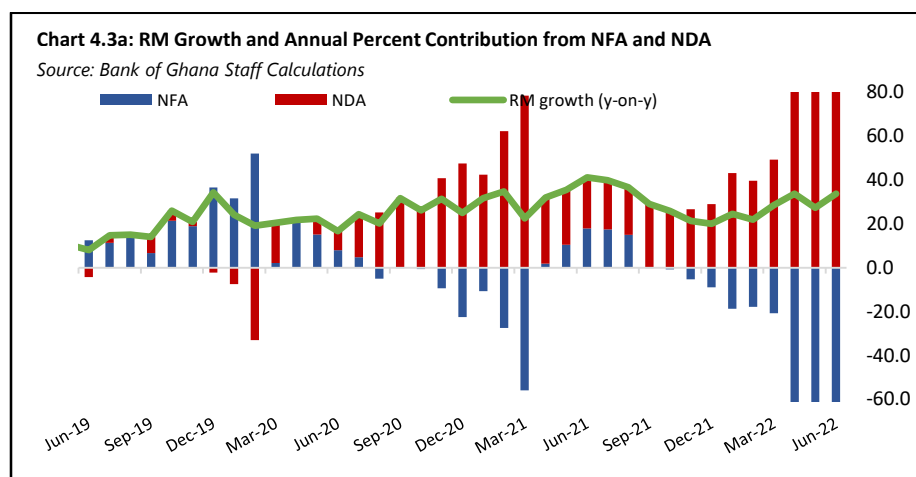
The increase in the contribution of NDA to growth of M2+ was mainly driven by a faster pace of growth of Net Claims on Government (NCG), claims on public and private sectors, and outflows through the Other Items (Net) (OIN) relative to 2021. On the other hand, the contribution of stock of BOG bills held by Deposit Money Banks (DMBs) decreased over the same comparative period (Chart 4.1b, 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 demand for currency, demand deposits, and savings and time deposits relative to same period in 2021. Demand for foreign currency deposits, however, increased over the same comparative period (Chart 4.2; Appendix Table 1).

4.2 Reserve Money

Annual growth in Reserve Money (RM) decreased to 33.8 percent in June 2022, from 41.2 percent recorded in the corresponding period of 2021. The decreased pace of growth in RM was mainly due to contraction in the NFA, reflecting increased demand for balance of payment support, and increased interventions on the foreign exchange market to mute the pressures on the domestic currency. The contribution of the NFA to the growth in RM was negative 87.2 percent in June 2022, relative to 17.9 percent recorded in the corresponding period of 2021.

In contrast, the NDA of the Central Bank expanded significantly, reflecting increased Net Claims on Government (NCG) and outflows through the OIN, during the comparative period. OMO sterilization, however, declined on account of relatively higher yields on alternative investment securities, and moderation in interbank liquidity. The NDA accounted for 120.9 percent of the growth in RM in June 2022, relative to 23.3 percent for the same time last year. (Chart 4.3a, 4.3b, and Appendix 4.2).

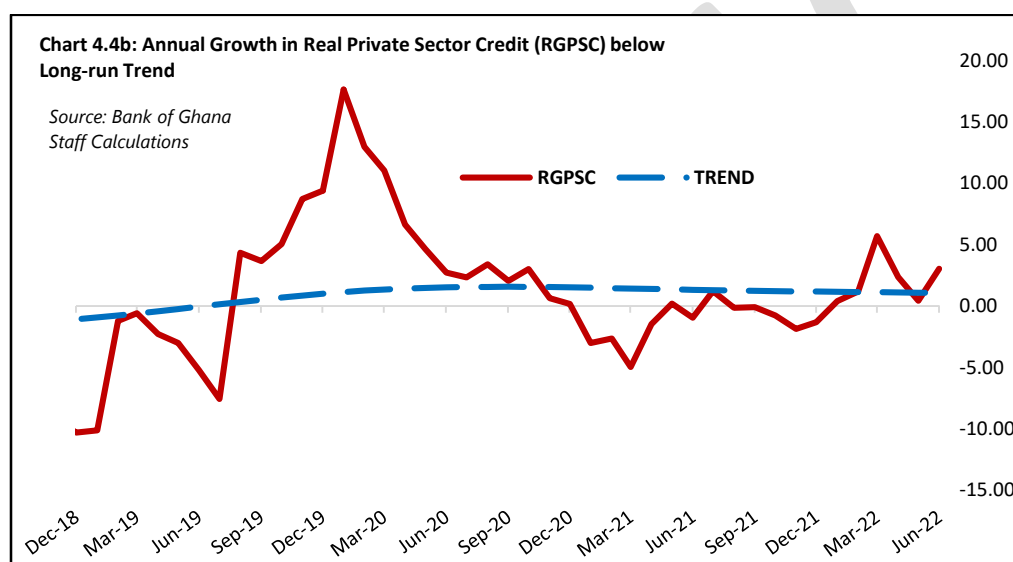
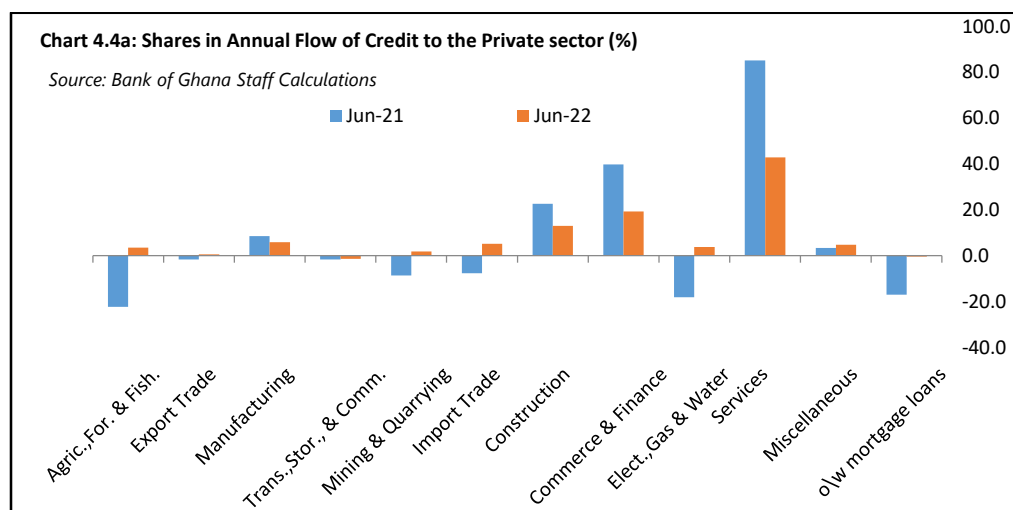


Source: Bank of Ghana Staff Calculations

4.3 Deposit Money Banks Credit Developments

DMBs' credit to the private sector and public institutions increased significantly by GH¢15,824.18 million (33.29%) in June 2022, compared with GH¢2,568.97 million (5.71%) recorded in June 2021. Credit to the private sector increased by GH¢14,417.51 million (33.73%) in June 2022, compared with GH¢2,706.66 million (6.76%) recorded in the corresponding period of 2021. The significant increase in the growth in private sector credit reflected banks' portfolio rebalancing. Private sector credit accounted for 91.1 percent of total flow of credit extended to both private and public institutions in June 2022, relative to 105.4 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 June 2022 was GH¢57,160.95 million, compared with GH¢42,743.45 million recorded in June 2021. In real terms, private sector credit grew marginally by 3.0 percent in June 2022, compared with a 0.97 percent contraction recorded in the corresponding period of 2021. Real growth in private sector credit inched above the long-run trend (Chart 4.4b).



Source: Bank of Ghana Staff Calculations

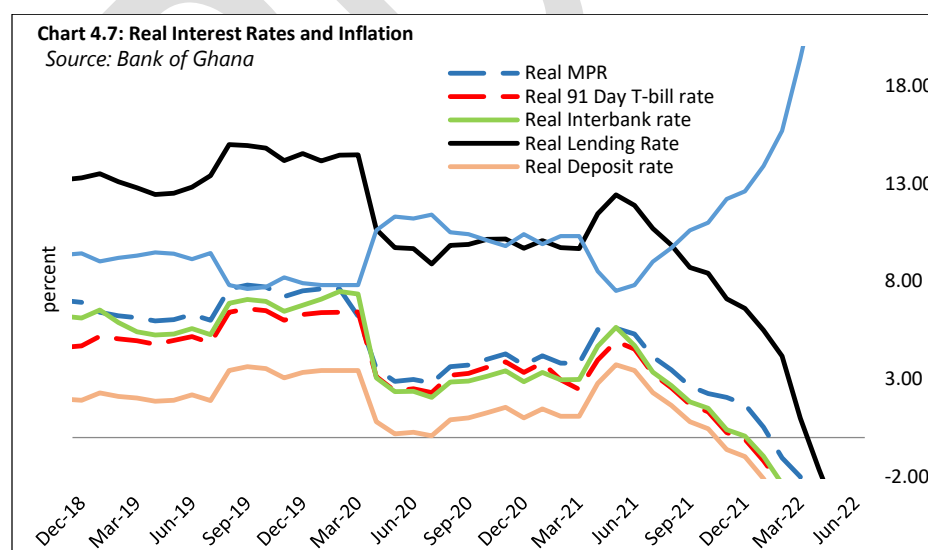
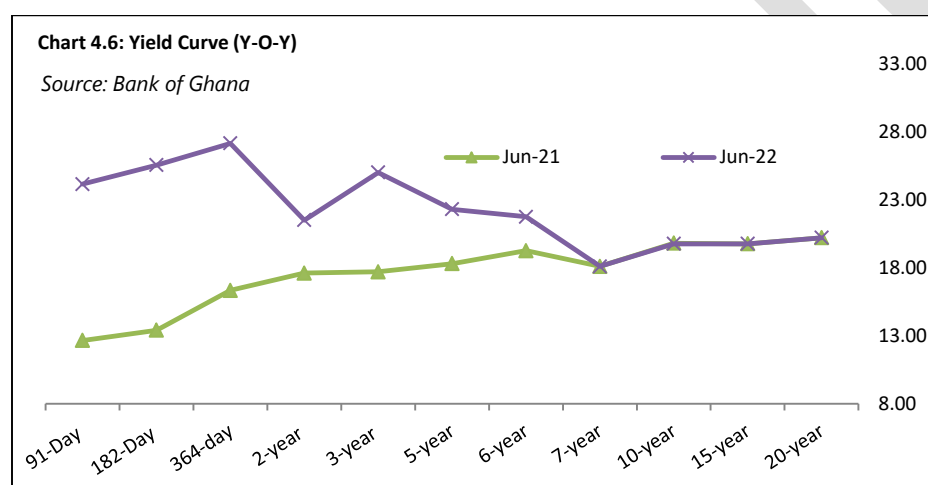
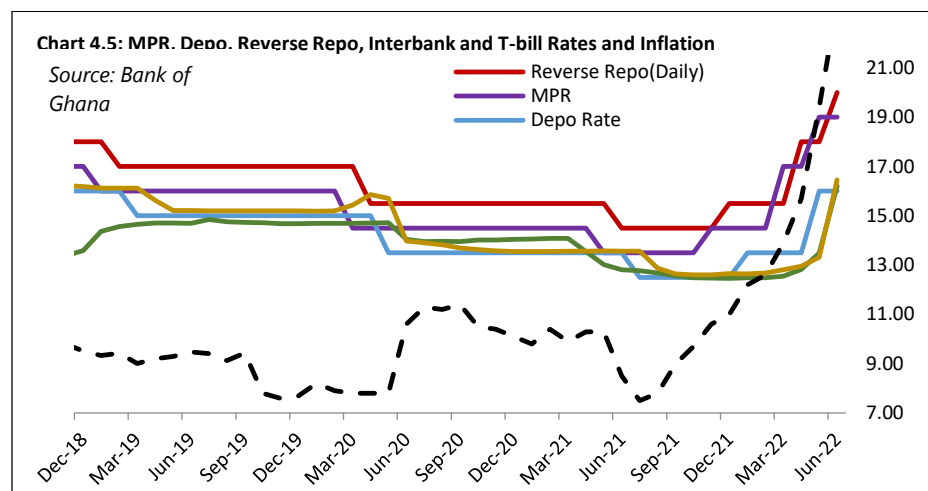
4.5 Money Market Developments

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 in tandem with the Bank's policy stance. The 91-day and 182-day Treasury bill rates increased to 24.15 percent and 25.55 percent, respectively, in June 2022, from 12.65 percent and 13.40 percent in June 2021. Similarly, the rate on the 364-day instrument increased to 27.14 percent in June 2022 from 16.34 percent in June 2021. Rates on the 2-year, 3-year, 5-year and 6-year bonds increased to 21.50 percent, 25.0 percent, 22.30 percent and 21.75 percent, respectively, from 17.60 percent, 17.70 percent, 18.30 percent and 19.25 while rates on the 10-year bond decreased by 5 basis points, to settle at 19.75 percent, during the review period. The rates on the 7-year, 15-year and 20-year bonds, however, remained unchanged at 18.10 percent 19.75 percent and 20.20 percent, respectively, over the same comparative period.

The Interbank Weighted Average Rate (IWAR) increased to 19.92 percent in June 2022 from 12.88 percent in June 2021, consistent with the trends in the policy rate and the moderation in the interbank liquidity occasioned by the increase in the Cash Reserve Ratio (CRR). This transmitted to the retail end of the market,

inducing the average lending rates of banks to increase to 24.27 percent in June 2022 from 20.61 percent recorded in the corresponding period of 2021 (Charts 4.5, 4.6 and 4.7).



Source: Bank of Ghana

4.6 Stock Market Developments

The Ghana Stock Exchange Composite Index (GSE-CI) decreased to 2545.48 points in June 2022 from 2643.67 points recorded in the corresponding period of 2021. This translated into a year-on-year loss of 3.7 percent in June 2022 compared to a gain of 39.2 percent in June 2021. The GSE-Financial Stocks Index (GSE-FSI) closed at 2176.97 points, representing a gain of 16.3 percent compared to a gain of 8.5 percent over the same comparative period in 2021. The GSE-CI fell, on year-on-year basis, due to shifts in investor preference to fixed income securities as yields on fixed income securities became relatively more attractive. In addition, exchange rate pressures and portfolio reversals have impacted negatively on performance of the stock market. The financial sector stocks, however, showed resilience to these developments, on the back of sustained financial performance.

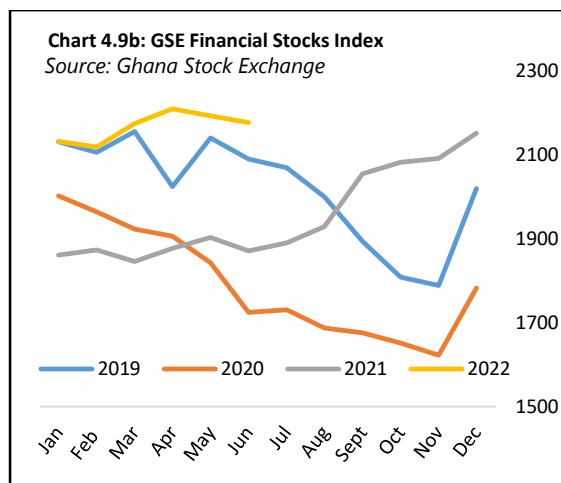
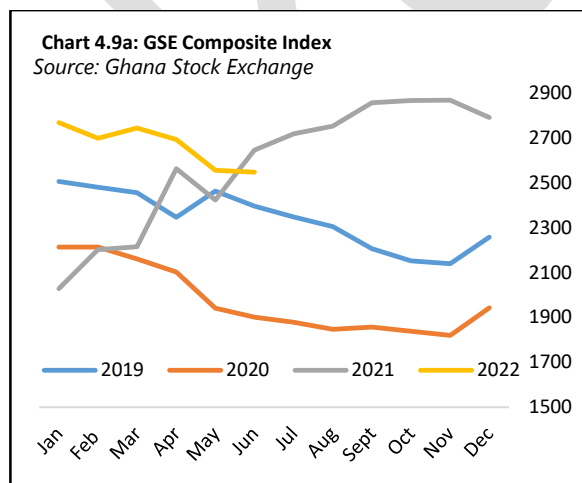
The year-to-date performance showed a loss in the index of 8.8 percent. The year-to-date loss is attributed to the imposition of capital gains tax on securities listed on the GSE, inducing some investors to switch to Government securities. The application of e-levy on investment transactions has also created a disincentive for investors. Other factors included relatively higher yields on fixed income securities and uncertainty induced by inflation and exchange rate pressures, as well as portfolio reversals.

Total market capitalisation of the GSE at the end of June 2022 was GH¢64.84 billion, representing a growth of 5.7 percent (GH¢3.51 billion), compared with a growth 15.8 percent (GH¢8.61 billion) in June 2021. On year-to-date basis, total market capitalization increased by 0.54 percent. The marginal improvement in market capitalization was largely on account of the listing of Ashanti Gold Corporation (ASG) (Table 4.1, Charts 4.9a, 4.9b).

Table 4.1: Performance of GSE

Performance of Ghana Stock Exchange (Table 2)											
							Changes				
							Y-O-Y		Y-T-D	Month-On-Month (June)	
	Jun-20	Dec-20	Jun-21	Dec-21	Mar-22	Jun-22	2021	2022	2022	2021	2022
GSE CI	1899.9	1941.6	2643.67	2789.34	2742.85	2545.48	39.15	(3.71)	(8.74)	9.19	(0.36)
GSE FI	1725.0	1782.8	1871.41	2151.85	2174.96	2176.97	8.49	16.33	1.17	(1.66)	(0.71)
Market Capitalization	52,950.4	54,374.9	61331.40	64495.21	64029.79	64841.21	15.83	5.72	0.54	3.37	4.12

Source: Ghana Stock Exchange and Bank of Ghana Staff Calculations



Source: Ghana Stock Exchange

4.7 Conclusion

The pace of growth in broad money supply (M2+) moderated in June 2022 on account of a contraction in the Net Foreign Assets (NFA) of the depository corporations' sector; the Net Domestic Assets (NDA), however, expanded considerably to offset the contraction in the NFA. Similarly, annual growth in reserve money declined, mainly due to contraction in the NFA, reflecting increased demand for balance of payment support and increased interventions on the foreign exchange market to mute the pressures on the domestic currency. The NDA of the Central Bank, however increased, on account of increased Net Claims on Government (NCG) and outflows through the OIN, during the comparative period.

Growth in credit to the private sector improved significantly in nominal terms, reflecting portfolio rebalancing by Deposit money Banks (DMBs). In real terms, growth in private sector credit increased despite sustained price pressures. Developments in interest rates broadly showed upward trends across the spectrum of the yield curve, consistent with trends in the monetary policy rate. The weighted average interbank rate increased significantly, which was transmitted to the retail-end of the market, inducing the average lending rates of banks to increase.

The Ghana Stock Exchange (GSE) Composite Index recorded a loss on year-to-date basis. The year-to-date loss was attributed to the imposition of capital gains tax on securities listed on the GSE, inducing some investors to switch to government securities due to the relatively higher yields on fixed income securities.

Appendix Table 4.2

Appendix 1: Sources of Growth in Total Liquidity (M2+) (millions of Ghana cedis unless otherwise stated)										
	Dec-19	Dec-20	Jun-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
1 Net Foreign Assets	21293.01	18598.06	25384.55	10302.96	6527.59	4908.33	2415.79	(1150.85)	(6587.27)	(7470.94)
Bank of Ghana	20622.55	14121.48	25033.84	11018.62	9349.10	9154.33	4485.86	1453.09	(3813.34)	(6401.93)
Commercial Banks	670.46	4476.57	350.71	(715.67)	(2821.51)	(4246.00)	(2070.07)	(2603.94)	(2773.93)	(1069.01)
2 Net Domestic Assets	71682.47	101923.76	96506.78	125295.07	130946.70	134536.04	140313.35	143714.52	149230.02	152627.87
3 ow: Claims on government (net)	34214.54	68965.59	63281.84	75314.27	83212.36	85117.84	87787.70	91091.89	94852.72	96441.19
4 ow: Claims on Private sector(Incl. PE's)	49713.15	52943.18	55112.28	60279.46	61542.78	64080.22	66810.38	67652.52	69741.01	71346.80
BOG OMO Sterilisation Acc.	(4924.64)	(5789.95)	(4666.44)	(5654.59)	(6779.17)	(8548.60)	(6289.35)	(4888.06)	(5182.38)	(4583.13)
5 Total Liquidity (M2+)	92975.47	120521.82	121891.32	135598.03	137474.29	139444.38	142729.13	142563.67	142642.75	145156.93
6 ow: Broad Money Supply (M2)	69973.10	94491.75	94210.69	105779.55	108231.31	107281.63	106050.89	105204.84	105600.77	106488.56
7 ow: Foreign Currency Deposits (€million)	23002.37	26030.07	27680.63	29818.48	29242.98	32162.74	36678.24	37358.83	37041.98	38668.37
Change from previous year (in per cent)										
8 Net Foreign Assets	51.69	15.97	(44.61)	(65.61)	(74.35)	(84.00)	(104.11)	(124.91)	(129.43)	
9 Net Domestic Assets	14.98	42.19	22.77	22.93	32.27	35.44	34.47	58.02	58.75	58.15
10 ow: Claims on government (net)	24.18	101.57	17.90	9.21	22.22	22.14	20.86	55.39	48.42	52.40
11 ow: Claims on Private sector(Incl. PE's)	19.73	6.50	10.90	13.86	16.87	20.39	26.01	26.36	28.86	29.46
12 ow: BOG OMO Sterilisation Acc.	14.76	(17.57)	44.29	2.34	(14.31)	(46.77)	(22.79)	(17.62)	(18.56)	1.79
12 Total Liquidity (M2+)	21.73	29.63	21.29	12.51	16.53	17.71	19.49	19.87	18.42	19.09
13 Broad Money Supply (M2)	16.13	35.04	22.43	11.95	16.85	16.52	13.76	14.42	13.07	13.03
14 Foreign Currency Deposits (FCDs)	42.65	13.16	17.55	14.55	15.35	21.85	39.89	38.41	36.91	39.69
Cumulative change from previous year end (in per cent)										
15 Net Foreign Assets	51.69	(12.66)	36.48	(59.51)	(13.33)	(34.83)	(67.92)	(115.28)	(187.46)	(199.20)
16 Net Domestic Assets	14.98	42.19	(5.31)	25.61	2.28	5.09	9.60	12.26	16.56	19.22
17 o/w: Claims on government (net)	24.18	101.57	(8.24)	9.21	10.49	13.02	16.56	20.95	25.94	28.05
18 Broad Money (M2+)	21.73	29.63	1.14	12.47	1.42	2.87	5.29	5.17	5.23	7.08
Annual per cent contribution to money growth										
19 Net Foreign Assets	9.50	(2.90)	3.48	(6.88)	(10.56)	(12.01)	(10.62)	(24.50)	(27.43)	(26.95)
20 NDA	12.23	32.53	17.81	19.39	27.08	29.71	30.11	44.37	45.85	46.04
21 Total Liquidity (M2+)	21.73	29.63	21.29	12.51	16.53	17.71	19.49	19.87	18.42	19.09
Memorandum items										
22 Reserve Money	28896.02	36124.78	36063.64	43300.02	44963.72	43197.72	44866.58	47215.05	46616.21	48237.98
23 NFA (\$million)	3847.88	3228.72	4405.05	1715.42	1083.67	743.64	339.67	(161.80)	(922.06)	(1033.25)
24 Currency ratio	0.18	0.21	0.18	0.19	0.19	0.18	0.18	0.19	0.19	0.18
25 FCD/M2+	0.25	0.22	0.23	0.22	0.21	0.23	0.26	0.26	0.26	0.27
26 FCD/Total Deposit	0.29	0.26	0.27	0.26	0.25	0.27	0.30	0.31	0.31	0.31
27 RM multiplier	2.42	2.62	2.61	2.44	2.41	2.48	2.36	2.23	2.27	2.28

Source: Bank of Ghana Staff Calculations

Appendix 2: Sources of Growth in Reserve Money (millions of Ghana cedis unless otherwise stated)										
	Dec-19	Dec-20	Jun-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
1 Net Foreign Assets (NFA)	20622.55	14123.29	25033.84	11018.62	9349.10	9154.33	4485.86	1453.09	(3813.34)	(6401.93)
2 Net Domestic Assets (NDA)	8273.47	22001.49	11029.80	32281.40	35614.62	34043.39	40380.73	45761.96	50429.55	54639.91
of which:										
3 ow: Claims on government (net)	8468.74	31731.12	19340.81	29389.54	36255.78	35960.11	39496.69	43185.34	48906.14	51437.82
4 Claims on DMB's (net)	5302.04	5736.58	2624.76	2725.48	416.85	617.25	(1896.17)	(3158.63)	(4111.46)	(4678.86)
5 OMO Sterilisation Account.	(4924.64)	(5789.95)	(4666.44)	(5654.59)	(6779.17)	(8548.60)	(6289.35)	(4888.06)	(5182.38)	(4583.13)
6 Reserve Money (RM)	28896.02	36124.78	36063.64	43300.02	44963.72	43197.72	44866.58	47215.05	46616.21	48237.98
7 ow: Currency	14358.06	20889.63	19092.40	21816.17	21864.93	21658.07	22090.81	23421.41	22612.35	22102.32
8 DMB's reserves	11850.56	11860.85	13360.30	17235.93	18896.48	15757.61	18451.87	19283.12	19686.17	21821.29
9 Non-Bank deposits	2687.40	3374.30	3610.94	4247.91	4202.31	5782.04	4323.90	4510.52	4317.69	4314.37
Change from previous year (in per cent)										
10 Net Foreign Assets	61.58	(31.52)	22.36	(22.65)	(41.95)	(40.79)	(61.79)	(94.61)	(114.34)	(125.57)
11 Net Domestic Assets	(5.32)	165.93	116.77	47.83	77.97	70.40	74.32	449.57	404.00	395.38
12 ow: Claims on government (net)	(17.05)	274.69	(10.93)	(7.38)	17.23	11.82	21.52	161.13	174.12	165.95
13 Claims on DMB's (net)	6.32	(8.20)	410.14	(17.48)	74.42	50.79	277.29	340.34	177.54	165.74
14 OMO Sterilisation Account.	14.76	(17.57)	44.29	2.34	(14.31)	(46.78)	(22.79)	(17.62)	(18.56)	1.79
15 Reserve Money (RM)	34.39	25.02	41.17	20.00	24.49	21.89	28.54	33.78	27.37	33.76
16 ow: Currency	20.24	45.49	25.24	4.44	9.84	11.37	14.31	18.60	18.31	19.11
Cumulative change from previous year end (in per cent)										
17 Net Foreign Assets (NFA)	61.58	(30.93)	75.74	(42.10)	13.36	11.00	(45.61)	(82.38)	(146.24)	(177.63)
18 Net Domestic Assets (NDA)	(5.32)	163.95	(49.49)	60.26	1.76	(2.73)	15.38	30.76	44.09	56.12
19 o/w: Claims on government (net)	(17.05)	274.69	(39.05)	(7.38)	23.36	22.36	34.39	46.94	66.41	75.02
20 Reserve Money (RM)	34.39	25.02	(0.17)	19.85	3.97	(0.11)	3.75	9.18	7.80	11.55
Annual per cent contribution										
21 Net Foreign Assets	36.56	(22.49)	17.91	(8.94)	(18.71)	(17.79)	(20.78)	(72.29)	(83.08)	(87.17)
22 Net Domestic Assets (NDA)	(2.16)	47.51	23.26	28.94	43.20	39.69	49.32	106.07	110.45	120.93
23 RM growth (y-o-y)	34.39	25.02	41.17	20.00	24.49	21.89	28.54	33.78	27.37	33.76

Source: Bank of Ghana Staff Calculations

5. Banking Sector Developments

5.0 Highlights

The banking sector's performance remained robust during the first half of 2022. Available data showed strong growth in total assets and deposits, as well as sustained growth in profits within the industry. Credit growth also rebounded to pre-pandemic levels although banks continued to maintain a net tightened credit stance on loans to enterprises and households.

The key Financial Soundness Indicators (FSIs) of the banking industry remained healthy in June 2022, with indicators of solvency, liquidity and profitability remaining above regulatory limits and broadly showing improvement when compared to the same period last year. The industry's Non-Performing Loans (NPL) ratio also improved on account of a moderation in growth in the stock of NPLs as well as the rebound in credit growth. The increasing stock of NPLs, however, indicates that asset quality risks still persist in the industry and will continue to be closely monitored.

On the whole, the banking industry has broadly managed the effect of the current macroeconomic challenges and the sector's strong performance is expected to continue. The industry will continue to be closely monitored to address any emerging signs of weaknesses that may pose a risk to the stability of the sector.

5.1 Banks' Balance Sheet

The banking sector's total assets increased by 22.8 percent to GH¢200.0 billion at end-June 2022, higher than the growth of 17.2 percent recorded in the previous year. The domestic component of total assets recorded a higher growth rate of 23.5 percent in June 2022, compared to a growth of 18.0 percent in June 2021, while foreign assets grew by 12.2 percent, relative to a growth of 6.7 percent during the same comparative period. The share of foreign assets in total assets declined to 6.0 percent from 6.6 percent, while that of domestic assets increased from 93.4 percent to 94.0 percent on account of the higher growth in domestic assets during the reference period (Table 5.1).

The share of investments in total assets declined in June 2022, reflecting the slower growth in investments this year relative to the same period last year. Annual growth in investments moderated to 7.1 percent in June 2022 from 28.8 percent in June 2021 on account of a contraction in short-term bills and a moderation in growth in long-term securities over the review period. Investments of GH¢81.1 billion remained the largest component of total assets as at end-June 2022.

Credit maintained its strong growth trajectory, increasing by 33.3 percent year-on-year to GH¢63.4 billion at end-June 2022, compared to a growth of 5.7 percent in June 2021. Similarly, net loans and advances (gross loans adjusted for provisions and interest in suspense) recorded a higher growth of 37.0 percent in June 2022 to GH¢56.3 billion, compared to a growth of 5.5 percent in the previous year. Apart from the appreciable increase in domestic currency loans during the year, increases in the foreign currency component of net advances, which partly reflected the revaluation effect from the sharp depreciation of the Ghana cedi, also accounted for the relatively stronger growth in net advances in June 2022.

The higher growth in the industry's assets in June 2022 was mainly on the back of increases in deposits and borrowings during the review period. Deposits recorded a robust growth of 19.1 percent to GH¢131.3 billion as at end-June 2022, albeit lower than the 22.5 percent growth recorded a year earlier. Borrowings

continued to increase, registering a year-on-year growth of 53.6 percent to GH¢26.4 billion in June 2022, compared to the modest growth of 5.0 percent in June 2021. The increase in borrowings during the year reflected mainly at the short end of the domestic market with short-term domestic borrowings growing by 143.1 percent relative to a contraction of 25.6 percent in the previous year.

Growth in the industry's shareholders' funds was sustained at 15.6 percent to GH¢26.3 billion as at end-June 2022, comparable with the growth of 15.5 percent recorded a year ago. The strong shareholders' funds position supported the stability and resilience of the banking sector during the review period.

In summary, the banking sector posted a strong balance sheet performance at the end of the first half of 2022, with key balance sheet items (apart from investments) recording higher growth rates relative to the same period last year.

	(GH c'million)			Y-on-Y Growth (%)		year-to-date growth (%)			Shares (%)	
	Jun-21	Apr-22	Jun-22	Jun-21	Jun-22	Jun-21	Apr-22	Jun-22	Jun-21	Jun-22
TOTAL ASSETS	162,868.3	194,280.8	200,003.1	17.2	22.8	9.1	8.1	11.2	100.0	100.0
A. Foreign Assets	10,694.2	12,005.9	12,001.9	6.7	12.2	(11.9)	14.9	14.8	6.6	6.0
B. Domestic Assets	152,174.1	182,274.9	188,001.2	18.0	23.5	10.9	7.6	11.0	93.4	94.0
Investments	75,698.0	83,866.4	81,051.4	28.8	7.1	17.5	0.9	(2.5)	46.5	40.5
i. Bills	20,538.5	17,874.0	15,982.0	19.5	(22.2)	44.7	(11.9)	(21.2)	12.6	8.0
ii. Securities	54,935.4	65,760.9	64,838.8	32.8	18.0	9.9	5.0	3.6	33.7	32.4
Advances (Net)	41,074.7	53,264.1	56,286.2	5.5	37.0	(1.7)	13.0	19.4	25.2	28.1
of which Foreign Currency	12,403.4	16,848.1	17,525.8	1.1	41.3	1.5	22.3	27.2	7.6	8.8
Gross Advances	47,538.6	60,207.7	63,362.8	5.7	33.3	(0.5)	12.0	17.8	29.2	31.7
Other Assets	7,276.5	9,624.1	10,568.5	14.9	45.2	12.6	18.6	30.2	4.5	5.3
Fixed Assets	5,133.4	5,356.0	5,350.2	8.7	4.2	2.4	1.4	1.3	3.2	2.7
TOTAL LIABILITIES AND CAPITAL	162,868.3	194,280.8	200,003.1	17.2	22.8	9.1	8.1	11.2	100.0	100.0
Total Deposits	110,290.0	127,161.1	131,322.9	22.5	19.1	6.2	5.0	8.5	67.7	65.7
of which Foreign Currency	29,157.3	36,794.7	38,511.3	18.7	32.1	8.3	26.8	32.7	17.9	19.3
Total Borrowings	17,162.5	25,853.3	26,354.8	5.0	53.6	18.3	17.3	19.6	10.5	13.2
Foreign Liabilities	10,974.8	15,688.6	14,254.4	24.1	29.9	33.3	31.2	19.2	6.7	7.1
i. Short-term borrowings	5,029.2	8,735.3	7,702.7	12.2	53.2	43.8	62.1	43.0	3.1	3.9
ii. Long-term borrowings	4,850.0	5,588.6	4,912.7	26.0	1.3	21.5	1.7	(10.6)	3.0	2.5
iii. Deposits of non-residents	1,095.5	1,364.7	1,639.0	114.5	49.6	46.5	27.0	52.6	0.7	0.8
Domestic Liabilities	128,130.2	151,077.6	158,390.9	16.0	23.6	7.0	6.3	11.5	78.7	79.2
i. Short-term borrowing	5,159.7	10,378.7	12,541.1	(25.6)	143.1	3.2	3.5	25.1	3.2	6.3
ii. Long-term Borrowings	2,123.6	1,150.7	1,198.2	97.1	(43.6)	4.9	1.5	5.7	1.3	0.6
iii. Domestic Deposits	109,194.5	125,796.3	129,684.0	22.0	18.8	6.0	4.8	8.1	67.0	64.8
Other Liabilities	12,680.6	14,710.4	16,046.1	(1.8)	26.5	30.0	23.7	34.9	7.8	8.0
Paid-up capital	9,757.3	10,165.1	10,165.1	0.2	4.2	0.0	(0.0)	(0.0)	6.0	5.1
Shareholders' Funds	22,735.2	26,556.1	26,279.3	15.5	15.6	7.0	7.0	5.9	14.0	13.1

Source: Bank of Ghana

5.1.1 Asset and Liability Structure

The asset structure of the banking industry remained tilted towards less risky assets at end-June 2022. Together, investments and cash and bank balances accounted for 63.9 percent of total assets in June 2022, compared to a share of 67.2 percent in June 2021. The share of cash and bank balances increased from 20.7 percent to 23.4 percent during the review period, partly on account of the increase in the Cash Reserve Ratio (CRR) requirement from 8 percent to 12 percent in March 2022. The share of investments (comprising bills, securities and equity), on the other hand, declined from 46.5 percent to 40.5 percent over the same comparative period, although investments continued to dominate the asset mix.

Loans and advances (net) was the second largest component of banks' assets, recording a higher share of 28.1 percent in June 2022 from 25.2 percent in the previous year, on account of the rebound in credit growth

this year. The share of banks' non-earning assets (fixed assets and other assets) increased marginally from 7.6 percent to 8.0 percent during the review period (Annexes Table 5.1).

Deposits remained the major source of funding for the banking sector, although its share in total liabilities moderated during the review period. The share of deposits declined from 67.7 percent in June 2021 to 65.7 percent at end-June 2022 following the slowdown in deposits growth. The share of borrowings, on the other hand, increased from 10.5 percent to 13.2 percent, reflecting the increase in the industry's borrowing during the reference period. The shareholders' funds component declined marginally to 13.1 percent in June 2022 from 14.0 percent in June 2021, while the share of other liabilities increased to 8.0 percent from 7.8 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

Securities (long-term debt instruments) constituted the largest component of banks' investment portfolio as at end-June 2022. The share of securities increased further to 80.0 percent in June 2022 from 72.6 percent in June 2021. The share of short-term bills in total investments, however, declined to 19.7 percent from 27.1 percent following the contraction in short-term bills this year. 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. The share of equity investments remained insignificant at 0.3 percent (Figure 5.1).

5.2 Credit Risk

The industry's exposure to credit risk moderated marginally in June 2022 relative to the same period in 2021, following the decline in the non-performing loans (NPL) ratio during the review period. The stock of non-performing loans, however, increased between June 2021 and June 2022, indicating that asset quality risks persisted in the industry.

5.2.1 Credit Portfolio Analysis

The stock of gross loans and advances increased by 33.3 percent (year-on-year) to GH¢63.4 billion at end-June 2022, compared to a growth of 5.7 percent in June 2021. The stronger growth in gross loans and advances in June 2022 reflected in both private and public sector credit. Private sector credit grew by 33.7 percent to GH¢57.2 billion in June 2022, compared with a growth of 6.8 percent in the previous year. Accordingly, the private sector share of total credit increased marginally to 90.2 percent in June 2022, from 89.9 percent in June 2021. Public sector credit also recorded a growth of 29.3 percent to GH¢6.2 billion, compared to a contraction of 2.8 percent in the previous year. The share of public sector credit, however, declined marginally from 10.1 percent to 9.8 percent on account of the lower annual growth rate in public sector credit relative to the growth in private sector credit in June 2022 (Annexes Tables 5.2 & 5.4).

The year-on-year increase in gross loans and advances recorded in June 2022 reflected mainly developments in the first half of this year. New loans advanced by banks in the first six months of 2022 amounted to GH¢24.6 billion, an increase of 54.0 percent over new advances recorded in the same comparative period last year (growth of 1.0%). On a year-to-date basis, gross loans and advances increased by 17.5 percent in the first six months of this year, a recovery from the contraction of 0.5 percent recorded during the same period in 2021. Similarly, private sector credit (comprising private enterprises and households) rebounded strongly to 17.8 percent in the year to June 2022, from a contraction of 1.8 percent in 2021. The pickup in the growth of credit to the private sector in June 2022 reflected in all components of private sector credit. Year-to-date growth in public sector credit also increased, although by a smaller margin, from 13.2 percent to 15.2 percent during the same review period (Annexes Table 5.2).

In terms of classification, the services sector continued to have the largest share of credit of 34.1 percent as at June 2022, followed by the commerce and finance and construction sectors with relative shares of 21.3 percent and 10.2 percent, respectively (Figure 5.1). These top three sectors together accounted for 65.6 percent of total credit in June 2022, compared with 60.3 percent in June 2021. The other economic sectors accounted for the remaining 34.4 percent in various proportions in June 2022 (Figure 5.1). The mining and quarrying sector remained the lowest recipient of industry credit with a share of 2.1 percent at end-June 2022, close to the 2.2 percent share in the prior year (Figure 5.1).

5.2.2 Off-Balance Sheet Activities

Banks recorded an increase in off-balance sheet transactions (comprising largely trade finance and guarantees) in June 2022 relative to June 2021, in response to the rebound in economic activity and the corresponding increase in trade finance related activities. Off-balance sheet transactions (contingent liabilities) grew by 50.3 percent to GH¢21.9 billion as at end-June 2022, compared to a growth of 25.7 during the same period in 2021. As a result, banks' contingent liabilities as a percentage of total liabilities increased from 10.1 percent to 12.6 percent during the review period (Annexes Table 5.3).

5.2.3 Asset Quality

Asset quality risks moderated in June 2022, attributed to a combined effect of a moderation in the growth in the stock of NPLs as well as a rebound in credit growth from the previous year. The stock of NPLs increased by 10.0 percent to GH¢8.9 billion in June 2022, compared with a growth of 15.1 percent in June 2021. A strong rebound in credit growth was also recorded, with gross loans increasing by 33.3 percent in June 2022, compared to the modest growth of 5.7 percent in the previous year. These developments led to a decline in the industry's NPL ratio from 17.0 percent in June 2021 to 14.1 percent in June 2022. The adjusted NPL ratio (excluding the fully provisioned loan loss category) also improved to 3.8 percent from 7.2 percent over the same comparative period (Figure 5.2). Notwithstanding the decline in the NPL ratio, the increase in the stock of NPLs within the year indicated that asset quality risks persisted in the sector.

The decline in the industry NPL ratio was most pronounced in the commerce and finance and mining and quarrying sectors, which recorded lower NPL ratios in June 2022 compared with last year. The NPL ratio of the commerce and finance sector declined from 27.2 percent in June 2021 to 16.4 percent in June 2022, while that of the mining and quarrying sector declined from 13.4 percent to 5.7 percent during the same comparative period. Three other sectors also recorded improvements in their NPL ratios during the review period: manufacturing (from 17.5% to 12.2%); electricity, water and gas (from 15.2% to 12.8%); and services (from 9.2% to 8.9%). On the other hand, the agriculture, forestry and fishing and the transport, storage and communication sectors recorded increases in their NPL ratios during the period under review from 26.9 percent to 27.9 percent and from 9.9 percent to 10.4 percent, respectively. The NPL ratio for the construction sector remained the highest and was unchanged at 34.4 percent between the two periods, indicating that asset quality risks remain elevated in that sector (Figure 5.1).

5.3 Financial Soundness Indicators

The industry's financial soundness indicators (FSIs) as at June 2022 remained healthy, underpinned by strong solvency, liquidity and profitability indicators.

5.3.1 Liquidity Indicators

The industry's liquidity position remained strong in June 2022, with improvements in the core measures over the review period following the reversal of the CRR requirement on bank deposits to the pre-pandemic position from 2022Q2. The ratio of core liquid assets (mainly cash and due from banks) to total deposits increased from 30.5 percent in June 2021 to 35.6 percent in June 2022. Similarly, the ratio of core liquid assets to total assets increased from 20.7 percent to 23.4 percent over the same comparative period. The broad liquid assets to total deposits ratio, however, declined to 97.1 percent from 98.9 percent while the broad liquid assets to total assets ratio declined from 67.0 percent to 63.8 percent over the review period. The decline in the broad liquidity measures partly reflected the contraction in investments during the first half of this year (Annexes Table 5.5).

5.3.2 Capital Adequacy Ratio (CAR)

The industry's solvency position remained strong, with a CAR of 19.4 percent as at end-June 2022, well above the regulatory minimum of 13.0 percent. The industry CAR continued to highlight banks' sustained capacity to expand lending and absorb any potential losses from the increased lending (using their capital buffers) during the current uncertain operating environment.

Figure 5.2: Key Financial Soundness Indicators (FSIs)



Source: Bank of Ghana Staff Calculations

5.3.4 Profitability

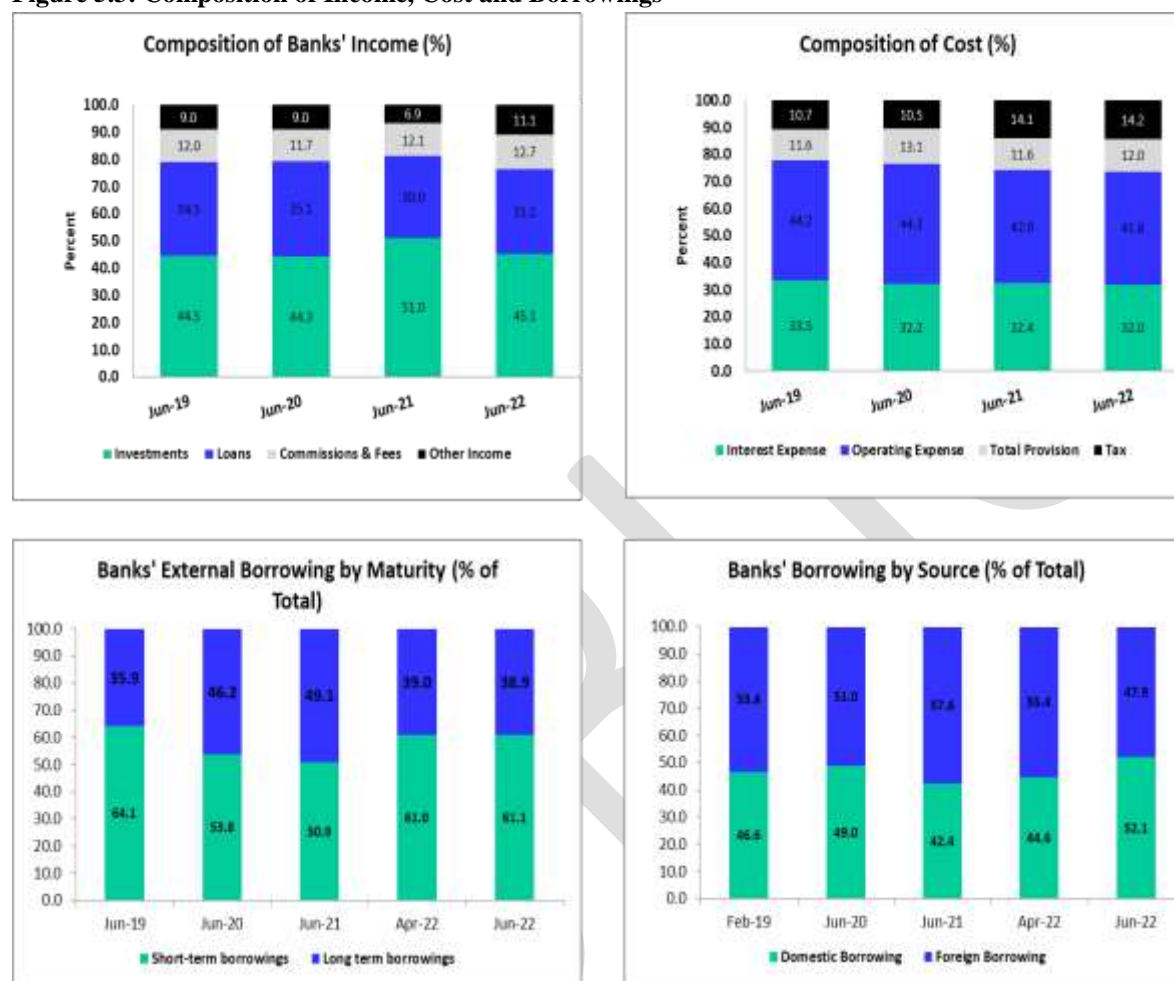
The industry's profitability performance was robust during the first half of the year with profit-after-tax of GH¢2.9 billion, representing an increase of 19.8 percent over profits recorded for the same period a year ago (comparative growth rate of 24.0%). Profit-before-tax also grew by 21.6 percent to GH¢4.4 billion in June 2022, compared to a growth of 32.1 percent in June 2021.

Net interest income growth moderated from 19.4 percent to 12.4 percent during the review period. The slowdown in net interest income growth was on account of a decline in the growth in interest income from 17.6 percent to 15.4 percent and an increase in growth in interest expenses from 13.9 percent to 21.9 percent during the same comparative period. Interest income growth slowed as a result of the reduction in investments income this year while the higher growth in interest expenses was mainly on account of increased borrowings this year. Net fees and commissions, on the other hand, recorded a stronger growth of 29.2 percent from 19.6 percent, whereas other income, the smallest component of banks' income, increased by 98.0 percent from a contraction of 11.8 percent, making up for the decline in net interest income growth. These developments resulted in the industry's gross income growth of 22.7 percent during the first half of this year, compared with 15.2 percent in the comparative period in 2021.

Growth outturns in cost lines of banks were higher in June 2022, compared with the same period last year, contributing to the relative decline in profit performance during the period. Growth in operating expenses was higher at 22.9 percent in June 2022, compared to a growth of 7.3 percent in June 2021, due to sharp

increases in the growth of both staff costs and other operating expenses. Growth in provisions also increased by 28.4 percent, from a contraction of 0.3 percent a year earlier, partly attributable to the increase in the NPL stock within the review period (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

The sector's Return on Equity (ROE) improved to 21.9 percent from 21.2 percent during the review period. However, Return on Assets (ROA) declined marginally to 4.6 percent in June 2022 from 4.7 percent in June 2021, reflecting the moderation in profit before tax growth during the reference period (Figure 5.2 and Annexes Table 5.6).

(b) Interest Margin and Spread

Banks' interest spread narrowed marginally to 5.2 percent in June 2022 from 5.7 percent in June 2021, on account of a decline in gross yields (from 8.4% to 7.8 %) during the review period. The sector's interest payable remained unchanged at 2.6 percent between the two periods. Interest margin to total assets also dipped from 3.8 percent to 3.5 percent, while the interest margin to gross income ratio declined to 50.9 percent from 55.6 percent during the period under review. The ratio of gross income to total assets (asset

utilisation) remained flat at 6.9 percent, while the profitability ratio moderated to 20.8 percent from 21.4 percent, in line with the moderation in profit growth between the two periods (Annexes Table 5.6).

(c) Composition of Banks' Income

Income from investments remained the largest component of banks' income streams in June 2022, although its share moderated to 45.1 percent from 51.0 percent a year ago following the slowdown in the growth in investments. The share of interest income from loans, however, increased from 30.0 percent to 31.1 percent, in line with developments in credit growth during the review period. The relative shares of banks' income from fees and commissions and other income sources also increased between June 2021 and June 2022, reflecting increases in growth in these respective income lines during the reference period (Figure 5.3).

5.3.5 Operational Efficiency

The industry remained cost efficient in June 2022. However, the increase in the industry's costs this year resulted in some marginal deterioration in the sector's efficiency ratios during the review period. The cost-to-income ratio of the industry increased to 79.2 percent in June 2022 from 78.7 percent in June 2021, while the ratio of operational cost to total income increased marginally to 53.9 percent from 53.2 percent following the increase in operating expenses during the reference period. On the other hand, the cost-to-total assets ratio was flat at 5.4 percent while the operational cost-to-total assets ratio remained unchanged at 3.7 percent between the two periods, reflecting the stronger growth in total assets during the review period (Figure 5.2).

5.3.6 Banks' Counterparty Relationships

Total offshore balances increased by 13.4 percent to GH¢10.4 billion at end-June 2022, compared to a contraction of 0.3 percent a year earlier from an increase in placements with foreign counterparties. Industry placements recorded a sharp growth of 51.7 percent in June 2022, compared to the contraction of 17.3 percent a year earlier. Nostro balances, however, declined by 10.7 percent after recording a growth of 14.5 percent in June 2021. Notwithstanding the rebound in growth in offshore balances, the ratio of offshore balances to net worth declined marginally to 39.6 percent from 40.4 percent in June 2021 (Annexes Table 5.8).

The share of banks' external borrowings in total borrowings also moderated to 47.9 percent in June 2022 from 57.6 percent in June 2021. Banks' external borrowings were largely short-term in nature, with the share of short-term borrowings in total external borrowing increasing to 61.1 percent from 50.9 percent, while that of long-term borrowings declined to 38.9 percent from 49.1 percent over the review period (Figure 5.3).

5.4 Credit Conditions Survey

Results from the June 2022 Credit Conditions Survey pointed to net tightening in the overall credit stance on loans to enterprises, driven by a net tightening in the stance on all components of enterprise loans in May and June 2022. It also 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 this year. Banks have projected further tightening in the overall credit stance on loans to enterprises for the next two months, which is expected to apply to all the sub-categories of enterprise loans.

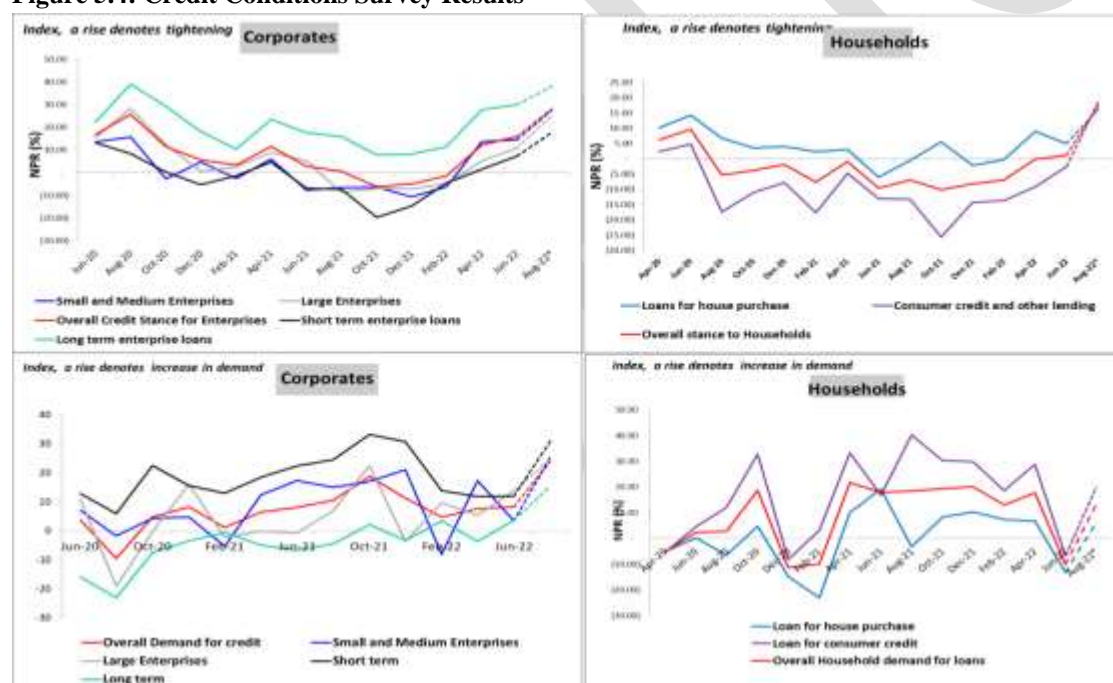
The overall credit stance on household loans also recorded a net tightening in May and June 2022, driven by net tightened stance on consumer credit and other lending. Banks, however, reported a net ease in the

stance on mortgage loans for the period. Over the next two months, banks project a further net tightening in the stance on loans to households, which will be reflected in both loans for house purchases and consumer credit.

Banks reported an increase in overall demand for loans by enterprises over the survey period from a sharp increase in loan demand by large enterprises, particularly on long-term loans. They also projected a further increase in demand for loans in the next two months, driven by increases in demand for all categories of enterprise loans. Credit demand by households, however, slowed on the back of a decline in the demand for both consumer credit and mortgages. Over the next two months, banks expected a rebound in demand for both consumer credit and loans for house purchases to drive an increase in overall demand for household loans (Figure 5.4).

Banks' inflation rate expectations for six-months ahead from June 2022 increased further during the current survey period, attributable to the increase in inflationary pressures as well as general uncertainties regarding the performance of the economy. Banks also expect lending rates to increase over the next six months, in line with increases in the Monetary Policy Rate and other money market rates.

Figure 5.4: Credit Conditions Survey Results



Source: Bank of Ghana Staff Calculations

5.5 Conclusion and Outlook

The banking sector continued to show resilience in spite of the current macroeconomic challenges. The industry has witnessed sustained growth in assets, deposits and a rebound in credit growth relative to pre-pandemic levels. The key Financial Soundness Indicators (FSIs) of the banking industry also remained healthy during the first half of 2022. The outlook for the banking industry is therefore positive, although asset quality risks linger on the back of the current macroeconomic developments.

Annexes

Table 5.1: Asset and Liability Structure of the Banking Sector

	<u>Jun-19</u>	<u>Jun-20</u>	<u>Jun-21</u>	<u>Apr-22</u>	<u>Jun-22</u>
Components of Assets (% of Total)					
Cash and Due from Banks	23.9	21.7	20.7	21.7	23.4
Investments	38.6	42.3	46.5	43.2	40.5
Net Advances	30.1	28.0	25.2	27.4	28.1
Others	7.3	8.0	7.6	7.7	8.0
Components of Liabilities and Shareholders' Funds (% of Total)					
Total Deposits	67.0	64.8	67.7	65.5	65.7
Total Borrowings	13.1	11.8	10.5	13.3	13.2
Shareholders' Funds	14.1	14.2	14.0	13.7	13.1
Other Liabilities	5.8	9.3	7.8	7.6	8.0

Bank of Ghana Staff Calculations

Table 5.2: Credit Growth

Economic Sector	Gh¢million				y/y growth (%)		year-to-date growth(%)	
	Jun-20	Jun-21	Apr-22	Jun-22	Jun-21	Jun-22	Jun-21	Jun-22
Public Sector	4,932.83	4,795.15	6,038.92	6,201.82	-2.8	29.3	13.2	15.2
Private Sector	40,036.79	42,743.45	54,168.75	57,160.95	6.8	33.7	-1.8	17.8
- Private Enterprises	29,254.67	31,300.86	39,077.81	41,834.52	7.0	33.7	-4.4	20.5
o/w Foreign	3,720.56	4,014.02	5,390.06	5,887.52	7.9	46.7	4.4	19.7
Indigeneous	25,534.11	27,286.84	33,687.76	35,947.00	6.9	31.7	-5.6	20.6
- Households	9,447.81	9,860.50	13,186.98	12,981.00	4.4	31.6	3.2	5.0
Gross Loans	44,969.6	47,538.6	60,207.7	63,362.8	5.7	33.3	-0.5	17.5

Bank of Ghana Staff Calculations

Table 5.3: Contingent Liability

	<u>Jun-19</u>	<u>Jun-20</u>	<u>Jun-21</u>	<u>Apr-22</u>	<u>Jun-22</u>
Contingent Liabilities (GH¢million)	9,961.2	11,455.4	14,071.7	20,116.1	21,921.0
Growth (y-o-y)	9.7	12.2	25.7	41.9	50.3
% of Total Liabilities	10.3	9.6	10.1	12.0	12.6

Bank of Ghana Staff Calculations

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

	Jun-20		Jun-21		Apr-22		Jun-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	11.0	4.4	10.1	3.1	10.0	4.3	9.8	4.2
i. Government	4.3	0.4	4.5	2.0	5.5	1.8	5.2	1.7
ii. Public Institutions	2.8	0.3	2.5	0.0	1.7	0.0	1.9	0.2
iii. Public Enterprises	3.8	3.7	3.1	1.1	2.9	2.5	2.7	2.3
b. Private Sector	89.0	95.6	89.9	96.9	90.0	95.7	90.2	95.8
i. Private Enterprises	65.1	82.7	65.8	87.9	64.9	86.0	66.0	85.4
o/w Foreign	8.3	9.3	8.4	3.5	9.0	8.6	9.3	10.7
Indigeneous	56.8	73.4	57.4	84.4	56.0	77.5	56.7	74.7
ii. Households	21.0	7.3	20.7	7.3	21.9	7.6	20.5	8.0
iii. Others	3.0	5.6	3.3	1.7	3.2	2.0	3.7	2.4

Bank of Ghana Staff Calculations

Table 5.5: Liquidity Ratios

	<u>Jun-19</u>	<u>Jun-20</u>	<u>Jun-21</u>	<u>Apr-22</u>	<u>Jun-22</u>
Liquid Assets (Core) - (GH¢'million)	26,983.01	30,177.4	33,656.13	42,150.61	46,726.40
Liquid Assets (Broad) -(GH¢'million)	70,082.11	88,729.2	109,129.94	125,785.51	127,547.29
Liquid Assets to total deposits (Core)-%	35.7	33.5	30.5	33.1	35.6
Liquid Assets to total deposits (Broad)- %	92.7	98.5	98.9	98.9	97.1
Liquid assets to total assets (Core)- %	23.9	21.7	20.7	21.7	23.4
Liquid assets to total assets (Broad)- %	62.1	63.8	67.0	64.7	63.8

Source: Bank of Ghana Staff Calculations

Table 5.6: Profitability Indicators (%)

	<u>Jun-19</u>	<u>Jun-20</u>	<u>Jun-21</u>	<u>Jun-22</u>
Gross Yield	8.5	8.5	8.4	7.8
Interest Payable	2.9	2.8	2.6	2.6
Spread	5.6	5.7	5.7	5.2
Asset Utilisation	7.6	7.0	6.9	6.9
Interest Margin to Total Assets	4.0	3.7	3.8	3.5
Interest Margin to Gross income	52.1	53.6	55.6	50.9
Profitability Ratio	19.4	19.8	21.4	20.8
Return On Equity (%) after tax	21.2	20.6	21.2	21.9
Return On Assets (%) before tax	4.4	4.1	4.7	4.6

Source: Bank of Ghana Staff Calculations

Table 5.7: DMBs' Income Statement Highlights

	Jun-19	Jun-20	Jun-21	Jun-22	Jun-20	Jun-21	Jun-22
	(GH c'million)				Y-on-y Growth (%)		
Interest Income	6,780.4	7,708.4	9,065.8	10,461.7	13.7	17.6	15.4
Interest Expenses	(2,311.23)	(2,502.91)	(2,850.70)	(3,475.12)	8.3	13.9	21.9
Net Interest Income	4,469.2	5,205.4	6,215.1	6,986.5	16.5	19.4	12.4
Fees and Commissions (Net)	1,025.7	1,131.3	1,352.6	1,747.7	10.3	19.6	29.2
Other Income	771.8	869.4	766.5	1,517.4	12.7	(11.8)	98.0
Operating Income	6,266.6	7,206.2	8,334.2	10,251.7	15.0	15.7	23.0
Operating Expenses	(3,048.73)	(3,442.31)	(3,692.48)	(4,538.94)	12.9	7.3	22.9
Staff Cost (deduct)	(1,667.50)	(1,822.70)	(1,989.24)	(2,458.68)	9.3	9.1	23.6
Other operating Expenses	(1,381.23)	(1,619.61)	(1,703.24)	(2,080.26)	17.3	5.2	22.1
Net Operating Income	3,217.9	3,763.9	4,641.8	5,712.7	17.0	23.3	23.1
Total Provision (Loan losses, Depreciation & others)	(810.47)	(1,019.44)	(1,016.53)	(1,305.19)	25.8	(0.3)	28.4
Income Before Tax	2,407.5	2,744.5	3,625.2	4,407.5	14.0	32.1	21.6
Tax	(740.34)	(818.29)	(1,237.24)	(1,547.86)	10.5	51.2	25.1
Net Income	1,667.1	1,926.2	2,388.0	2,859.7	15.5	24.0	19.8
Gross Income	8,577.9	9,709.1	11,184.9	13,726.8	13.2	15.2	22.7

Source: Bank of Ghana Staff Calculations

Table 5.8: Developments in Offshore Balances

	Jun-19	Jun-20	Jun-21	Apr-22	Jun-22
Offshore balances as % to Networth	57.8	46.8	40.4	38.9	39.6
Annual Growth in Offshore balances (%)	41.7	-0.1	-0.3	19.6	13.4
Annual Growth in Nostro Balances (%)	13.8	12.3	14.5	5.9	-10.7
Annual Growth in Placement (%)	82.8	-11.4	-17.3	35.9	51.7

Source: Bank of Ghana Staff Calculations

6. Fiscal Developments

6.0 Highlights of Government Budgetary Operations (Broad Coverage)

Government fiscal operations for the first five months 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 five months of the year was 5.0 percent of GDP, against the target of 3.5 percent of GDP.*
- *The primary balance recorded a deficit of 0.4 percent of GDP, above the expected deficit target of 0.2 percent of GDP.*
- *The overall fiscal deficit was financed largely from domestic sources.*
- *The stock of public debt at the end of June 2022 was equivalent to 78.3 percent of GDP, above the end-December 2021 figure of 76.6 percent of GDP.*

6.1 Total Revenue and Grants

Total Revenue & Grants for the first five months of 2022 was GH¢29,500.8 million (5.9% of GDP), lower than the target of GH¢34,841.4 million (6.9% of GDP). This outturn represented 84.7 percent of the target and recorded a year-on-year growth of 19.7 percent. During the review period, domestic revenue totalled GH¢29,309.5 million (5.8% of GDP), below the target of GH¢34,579.5 million (6.9% of GDP). The revenue outcomes reflected mixed performances for 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, was GH¢22,996.6 million (4.6% of GDP), lower than the target of GH¢26,858.9 million (5.4% of GDP). This represented a negative deviation of 14.4 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, totalled GH¢11,096.2 million (2.2% of GDP). This outturn was 14.7 percent below the target of GH¢13,005.6 million (2.6% 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 review period summed up to GH¢9,953.8 million (2.0% of GDP), and was 13.5 percent lower than the target. On year-on-year basis, the outturn represented a growth of 10.3 percent.
- **Taxes on International trade**, comprising mainly import duties, was GH¢3,370.3 million (0.7% of GDP) and was below the target of GH¢3,451.4 million (0.7% of GDP) by 2.3 percent. This tax type also recorded a year-on-year growth of 31.8 percent.
- **Tax refunds** was GH¢1,423.7 million, higher than the target of GH¢1,106.5 million for the period and registering a year-on-year growth of 38.5 percent

Table 6.1: Total Revenue and Grants

<i>Million Ghana Cedis</i>	2020 JAN-MAY OUTTURN	2021 JAN-MAY OUTTURN	2022 JAN-MAY OUTTURN	2022 JAN-MAY PROG	2022 OUTTURN/ PROG %	2022 Y-O-Y GROWTH
TAX REVENUE	15,999.18	19,646.52	22,996.64	26,858.89	85.62	17.05
<i>(percent of GDP)</i>	<i>4.08</i>	<i>4.28</i>	<i>5.87</i>	<i>6.93</i>		
TAXES ON INCOME & PROPERTY	8,396.36	9,095.58	11,096.15	13,005.60	85.32	21.99
Personal	3,246.71	3,711.98	4,173.89	5,276.95	79.10	12.44
PAYE	0.00	0.00	3,970.47	4,733.36	83.88	
Self employed	143.38	190.32	203.43	543.59	37.42	6.88
Companies	3,112.14	3,698.05	4,730.73	4,968.27	95.22	27.92
Company taxes on oil	478.11	295.39	598.31	846.81	70.66	102.55
Others	1,416.02	1,199.83	1,593.21	1,913.58	83.26	32.79
Airport Tax	119.13	102.63	151.96	174.41	87.13	48.07
TAXES ON DOMESTIC GOODS AND SERVICES	6,469.46	9,021.19	9,953.81	11,508.38	86.49	10.34
Excises	1,558.91	2,914.98	2,187.68	2,332.37	93.80	-24.95
Excise Duty	170.28	171.46	211.56	272.76	77.56	23.38
Petroleum tax	1,388.62	2,743.51	1,976.12	2,059.61	95.95	-27.97
VAT	3,380.14	4,289.79	4,599.89	5,445.96	84.46	7.23
Domestic	2,024.69	2,212.68	2,194.11	3,106.61	70.63	-0.84
External	1,355.45	2,077.11	2,405.77	2,339.34	102.84	15.82
National Health Insurance Levy (NHIL)	650.35	796.71	1,190.23	1,217.90	97.73	49.39
Customs Collection	258.59	341.06	429.41	503.60	85.27	25.91
Domestic Collection	391.76	455.65	760.82	714.29	106.51	66.97
GET Fund Levy	658.46	797.51	1,190.63	904.04	131.70	49.29
Customs Collection	266.44	341.86	429.81	380.70	112.90	25.73
Domestic Collection	392.02	455.65	760.82	523.34	145.38	66.97
Communication Service Tax	221.60	203.52	227.61	255.39	89.12	11.84
E- Transaction Levy	0.00	0.00	39.43	1,044.51	3.77	
Covid-19 Health Levy	0.00	18.69	518.36	308.22	168.18	2,673.94
TAXES ON INTERNATIONAL TRADE	1,956.80	2,558.02	3,370.33	3,451.41	97.65	31.76
Imports	1,956.80	2,558.02	3,370.33	3,451.41	97.65	31.76
Import duty	1,956.80	2,558.02	3,370.33	3,451.41	97.65	31.76
Tax Refunds	-823.43	-1,028.28	-1,423.65	-1,106.51	128.66	38.45
SOCIAL CONTRIBUTIONS	45.72	0.00	210.00	321.84	65.25	
SSNIT Contribution to NHIL	45.72	0.00	210.00	321.84	65.25	
NON-TAX REVENUE	2,433.22	2,897.92	4,539.89	5,608.37	80.95	56.66
Retention	1,439.56	1,726.62	2,158.03	3,132.55	68.89	24.99
Lodgement	993.66	1,171.30	2,381.86	2,475.82	96.20	103.35
Fees & Charges	196.82	273.10	287.24	414.45	69.31	5.18
Dividend/Interest & profits (Others)	29.69	128.71	86.86	107.97	80.45	-32.51
Dividend/Interest & profits from Oil	716.90	713.25	1,903.13	1,794.73	106.04	166.82
Surface Rentals from Oil	6.36	4.44	21.77	2.45	887.49	390.35
Yield from Capping Policy	43.89	51.79	82.86	58.46	141.73	59.99
OTHER REVENUE	957.61	1,414.63	1,562.93	1,790.38	87.30	10.48
ESLA Proceeds	957.61	1,403.03	1,562.93	1,790.38	87.30	11.40
Energy Debt Recovery Levy	704.07	1,001.12	255.21	1,192.63	21.40	-74.51
Public Lighting Levy	56.72	53.42	0.00	92.17	0.00	
National Electrification Scheme Levy	39.55	35.72	0.00	61.08	0.00	
Price Stabilisation & Recovery Levy	157.27	312.77	710.98	220.38	322.62	127.32
Delta Fund	0.00	7.77	405.43	152.73	265.45	5,120.09
Pollution and Sanitation Levy	0.00	3.83	191.31	71.39	267.98	4,889.72
DOMESTIC REVENUE	19,435.74	23,959.07	29,309.46	34,579.49	84.76	22.33
GRANTS	549.10	682.76	191.33	261.95	73.04	-71.98
Project grants	549.10	682.76	191.33	261.95	73.04	-71.98
TOTAL REVENUE & GRANTS	19,984.84	24,641.83	29,500.79	34,841.43	84.67	19.72

- **Non-Tax revenue** for the period under review amounted to GH¢4,539.9 million, representing 80.9 percent of the target. The outturn represented a year-on-year growth of 56.7 percent. The under-performance of non-tax revenue was mainly due to lower than budgeted lodgements and retention

resulting mainly from lower collection efforts by some MDAs. Unrealised dividend payments against the budgeted target also contributed to this development.

- **Other revenue measures**, made up of ESLA proceeds, raked in a total of GH¢1,562.9 million. This was below the target of GH¢1,790.4 million by 12.7 percent
- Government received **project grants** in the sum of GH¢191.3 million, lower than the envisaged target of GH¢262.0 million by 27 percent. This outturn was also significantly lower than the GH¢682.8 million recorded in the corresponding period of 2021, thus reflecting a year-on-year decline of 72 percent.

6.2 Total Expenditures

Total expenditures & arrears clearance, for the first five months of 2022, summed up to GH¢48,870.4 million (9.7% of GDP), below the target of GH¢51,815.6 million (10.3% of GDP). This outturn represented a year-on-year growth of 26.1 percent. The outturn was also 94.3 percent of the target.

- **Compensation of Employees** (including wages and salaries, pensions & gratuities, and other wage related expenditure) was GH¢13,510.0 million, lower than the target of GH¢14,933.9 million. This outturn represented 90.5 percent of the target. In terms of fiscal flexibility, compensation of employees constituted 46.1 percent of domestic revenue mobilized at the end of the first five months of 2022, lower than the 48.7 percent recorded in the corresponding period of 2021.
- **Use of Goods and Services** for the period under review totalled GH¢1,235.3 million, lower than the expected target of GH¢2,915.9 million. The outturn was 57.6 percent below the target but recorded a year-on-year growth of 105.7 percent.
- **Total interest payments** was GH¢17,846.0 million, higher than the envisioned target of GH¢16,548.3 million. Domestic interest payments accounted for 76.7 percent of the total interest payments. For the period under review, total interest payments constituted 60.9 percent of domestic revenue, up from 54.5 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, all summed up to GH¢7,930.4 million, lower than the envisioned target of GH¢9,632.9 million. This represented a shortfall of 17.7 percent. It, however, recorded a year-on-year growth of 54.8 percent.
- **Other Expenditure**, made up of ESLA Transfers, Covid-19 related expenditure, and Other critical spending, for the first five months of 2022, was GH¢3,248.1 million. ESLA transfers of GH¢1,470.1 million was lower than the expected target of GH¢1,702.2 million. Other Expenditure was 22.8 percent above the target of GH¢2,644.9 million for the review period.
- **Acquisition of Non-Financial Assets** for the period under review amounted to GH¢4,933.6 million (1.0% of GDP), lower than the programmed target of GH¢4,957.2 million (1.0% of GDP) by 0.5 percent. This outturn represented a year-on-year decline of 16.4 percent. Foreign-financed capital

expenditure accounted for 94.1 percent of the total, with domestic financed capital expenditure making up the remaining 5.9 percent.

Table 6.2: Total Expenditures

Million Ghana Cedis	2020 JAN-MAY OUTTURN	2021 JAN-MAY OUTTURN	2022 JAN-MAY OUTTURN	2022 JAN-MAY PROG	2022 OUTTURN/ PROG %	2022 Y-O-Y GROWTH
Compensation of Employees	11,157.58	11,670.04	13,509.96	14,933.85	90.47	15.77
Wages & Salaries	9,850.50	11,035.59	12,796.48	12,873.73	99.40	15.96
Social Contributions	1,307.08	634.45	713.48	2,060.12	34.63	12.46
Pensions	501.86	511.17	583.72	772.42	75.57	14.19
Gratuities	93.80	123.28	129.76	127.23	101.98	5.25
Social Security	711.41	0.00	0.00	1,160.46		
Use of Goods and Services	2,782.12	600.55	1,235.33	2,915.86	42.37	105.70
o/w Recurrent Expenditure share of ABFA from Oil (30% of ABFA)	464.33	401.71	421.30	433.58	97.17	4.88
Interest Payments	10,257.69	13,066.97	17,846.01	16,548.26	107.84	36.57
Domestic	7,719.64	10,300.54	13,681.52	12,826.59	106.67	32.82
External (Due)	2,538.05	2,766.43	4,164.49	3,721.66	111.90	50.54
Subsidies	115.78	49.68	167.03	88.15	189.49	236.22
Subsidies to Utility Companies	0.00	0.00	0.00	0.00		
Subsidies on Petroleum products	115.78	49.68	167.03	88.15	189.49	236.22
Grants to Other Government Units	5,373.97	5,124.08	7,930.38	9,632.99	82.33	54.77
National Health Fund (NHF)	591.78	350.00	744.44	1,191.31	62.49	112.70
Education Trust Fund	456.25	467.01	746.05	871.35	85.62	59.75
Road Fund	420.00	378.88	558.74	652.58	85.62	47.47
Energy Fund	0.00	0.00	0.00	0.00		
Petroleum Related Fund	13.43	7.78	11.40	13.32	85.62	46.57
Dist. Ass. Common Fund	1,320.36	316.04	917.52	1,112.76	82.45	190.32
o/w ABFA	0.00	30.81	49.15	10.39	473.10	59.55
Ghana Infrastructure Fund	0.00	86.26	196.61	231.35	84.98	127.93
o/w ABFA	0.00	0.00	0.00	0.00		
Retention of Internally-generated funds (IGFs)	1,439.56	1,726.62	2,158.03	3,132.55	68.89	24.99
Transfer to GNPC from Oil Revenue	446.60	399.44	940.32	563.87	166.76	135.41
Other Earmarked Funds	685.98	1,392.05	1,657.26	1,863.90	88.91	19.05
Social Benefits	150.08	0.00	0.00	94.40		
Lifeline Consumers of Electricity	150.08	0.00	0.00	94.40		
Other Expenditure	2,720.04	2,331.82	3,248.07	2,644.91	122.80	39.29
ESLA Transfers	957.61	1,277.92	1,470.06	1,702.23	86.36	15.04
Covid-Related Expenditure	762.43	1,053.90	0.00	0.00		
Financial Sector Cost (Cash) / Other Critical spending	1,000.00	0.00	1,778.01	942.67	188.61	
Acquisition of Non-Financial Assets	5,112.73	5,903.97	4,933.60	4,957.20	99.52	-16.44
Domestic financed	1,678.77	1,409.69	290.54	2,635.04	11.03	-79.39
Foreign financed	3,433.97	4,494.28	4,643.06	2,322.16	199.95	3.31
TOTAL EXP. & NET LENDING	37,669.98	38,747.11	48,870.38	51,815.60	94.32	26.13

Source: Ministry of Finance

6.3 Budget Balance and Financing

The fiscal deficit for the first five months of 2022 was equivalent to 5.0 percent of GDP, above the expected target of 3.5 percent of GDP.

Government budgetary operations resulted in an overall budget deficit of GH¢24,984.2 million (5.0% of GDP) at the end of the first five months of 2022. This was higher than the expected target of GH¢17,639.2 million (3.5% of GDP). In addition, the primary balance recorded a deficit of 0.4 percent of GDP, above the estimated deficit target of 0.2 percent of GDP.

The overall fiscal deficit of GH¢24,984.2 million was financed from both domestic and external sources. Domestic financing (net) was GH¢25,395.6 million (5.1% of GDP), substantially higher than the expected

target of GH¢9,202.9 million (1.8% of GDP). Foreign financing, on the other hand, was a net inflow of GH¢642.3 million (0.1% of GDP), far lower than the target of GH¢4,356.7 million (0.9 % of GDP).

Table 6.3: Budget Balance and Financing

Million Ghana Cedis	2020 JAN-MAY OUTTURN	2021 JAN-MAY OUTTURN	2022 JAN-MAY OUTTURN	2022 JAN-MAY PROG	2022 OUTTURN/ PROG %	2022 Y-O-Y GROWTH
Revenue & Grants	19,984.84	24,641.83	29,500.79	34,841.43	84.67	19.72
Expenditure	37,669.98	38,747.11	48,870.38	51,815.60	94.32	26.13
Overall balance (commitment)	(17,685.14)	(14,105.28)	(19,369.59)	(16,974.17)	114.11	37.32
<i>(percent of GDP)</i>	<i>(6.35)</i>	<i>(14.41)</i>	<i>(3.86)</i>	<i>(3.38)</i>	<i>114.11</i>	<i>(73.24)</i>
Road Arrears (net change)	(1,139.60)	(848.18)	(551.02)	(665.00)	82.86	(35.04)
Overall balance (cash)	(18,824.74)	(14,953.45)	(19,920.61)	(17,639.17)	112.93	33.22
<i>(percent of GDP)</i>	<i>(4.80)</i>	<i>(3.26)</i>	<i>(3.96)</i>	<i>(3.51)</i>	<i>112.93</i>	<i>21.74</i>
Discrepancy	(874.91)	(2,789.88)	(5,063.62)	0.00		81.50
Overall balance (incl. Divestiture and Discrepancy)	(19,699.66)	(17,743.33)	(24,984.23)	(17,639.17)	141.64	40.81
<i>(percent of GDP)</i>	<i>(7.09)</i>	<i>(16.81)</i>	<i>(4.97)</i>	<i>(3.51)</i>	<i>141.64</i>	<i>(70.42)</i>
Financing	19,699.66	17,743.33	24,984.23	17,639.17	141.64	40.81
Foreign (net)	3,597.10	15,644.05	642.34	4,356.74	14.74	(95.89)
Borrowing	10,541.30	20,217.03	4,770.90	6,924.41	68.90	(76.40)
Project loans	2,884.86	3,811.52	4,451.74	2,060.21	216.08	16.80
Sovereign Bond	7,656.44	15,795.99	0.00	4,864.20		
Amortisation (due)	(6,944.20)	(4,572.99)	(4,128.56)	(2,567.68)	160.79	(9.72)
Exceptional financing	0.00	0.00	4,435.43	0.00		
IMF SDR	0.00	0.00	4,435.43	0.00		
Domestic (net)	16,525.16	3,022.11	25,395.63	9,202.85	275.95	740.33
Banking	11,397.52	(8,803.85)	19,538.45	4,472.27	436.88	(321.93)
Bank of Ghana	9,584.77	(13,230.07)	19,516.60	0.00		(247.52)
Comm. Banks	1,812.75	4,426.22	21.85	4,472.27	0.49	(99.51)
Non-banks	2,852.18	11,825.97	5,646.53	4,482.70	125.96	(52.25)
o/w Non-residents	(1,449.45)	0.00	0.00	0.00		
Other Domestic	2,275.46	0.00	210.65	247.87	84.98	
Other Financing	(21.38)	0.00	0.00	0.00		
Other domestic financing	(21.38)	0.00	0.00	0.00		
Ghana Petroleum Funds	1,291.41	(264.06)	(180.56)	(212.46)		(31.62)
Transfer to Ghana Petroleum Funds	-401.22	-264.06	-601.86	-708.21	84.98	127.93
o/w Stabilisation Fund	-280.85	-184.84	-421.30	-495.75	84.98	127.93
o/w Heritage Fund	-120.37	-79.22	(180.56)	(212.46)	84.98	127.93
Transfer from Stabilisation Fund	1,692.63	0.00	421.30	495.75	84.98	
Sinking Fund	(488.91)	0.00	-873.18	0.00		
Contingency Fund	(1,203.72)	(658.77)	0.00	-247.87		
Nominal GDP (Including Oil)	391,940.73	459,130.92	502,429.68	502,429.68		
Nominal GDP (Excluding oil)	368,105.71	431,169.34	488,054.81	488,054.81		

Source: Ministry of Finance

6.4 Public Debt

The stock of public debt at the end of June 2022 stood at GH¢393.4 billion, showing an increase of GH¢41.7 billion over the end-December 2021 stock of GH¢351.8 billion. In terms of GDP, the total public debt as at end-June 2022 was 78.3 percent, higher than the 76.6 percent recorded in December 2021.

The growth in the public debt stock was due to increases of GH¢8.3 billion and GH¢33.4 billion in the domestic and external components of total public debt, respectively.

The domestic component was GH¢190.1 billion (37.8% of GDP), representing a year-to-date increase of 4.6 percent and accounting for 48.3 percent of the total public debt, lower than the 51.6 percent recorded in December 2021. The increase was driven mainly by increases of GH¢9 billion and GH¢802.2 million in the medium- and long-term instruments, respectively, which was offset by a decrease of GH¢1.7 billion in the short-term instruments. In terms of the holding structure, the non-bank sector recorded a year-to-date increase of GH¢8.9 billion, with the banking sector also increasing their holdings by GH¢1.0 billion. However, the non-resident investors decreased their holdings by GH¢1.7 billion over the period.

On year-to-date basis, total external debt, in dollar terms, decreased by US\$203.3 million to US\$28.1 billion. However, due to exchange rate effect, total external debt in Ghana cedi terms, increased by GH¢33.4 billion to GH¢203.4 billion (40.5% of GDP) at the end of June 2022. External debt also constituted 51.7 percent of total public debt at the end of June 2022, compared to 48.3 percent in December 2021.

Table 6.4: Public Debt

	2021 JUNE	2021 DECEMBER	2022 MARCH	2022 APRIL	2022 MAY	2022 JUNE	YTD CHANGE
TOTAL DOMESTIC DEBT (GH¢m)	173,189.4	181,781.3	190,199.8	189,246.5	188,513.0	190,074.4	8,293.1
SHORT TERM	23,988.8	22,617.0	22,854.2	20,957.2	20,269.2	20,885.4	(1,731.5)
MEDIUM-TERM	105,150.3	115,074.3	122,116.2	122,969.7	122,981.4	124,091.1	9,016.8
LONG-TERM	43,827.1	43,710.1	44,643.7	44,733.9	44,676.7	44,512.3	802.2
STANDARD LOANS	223.2	380.0	585.6	585.6	585.6	585.6	205.6
HOLDINGS OF DOMESTIC DEBT (GH¢m)	173,189.4	181,781.3	190,199.8	189,246.5	188,513.0	190,074.4	8,293.1
BANKING SYSTEM	85,754.1	91,415.3	95,920.8	94,733.7	92,540.4	92,417.2	1,001.8
NON-BANK	53,929.0	61,170.4	65,160.1	65,875.1	67,704.8	70,116.7	8,946.2
FOREIGN SECTOR (Non-Resident)	33,506.4	29,195.5	29,119.0	28,637.6	28,267.7	27,540.6	(1,654.9)
TOTAL EXTERNAL (US\$m)	28,034.1	28,339.2	28,379.1	27,948.4	28,083.3	28,135.9	(203.3)
MULTILATERAL	8,270.2	8,192.4	8,150.0	7,957.8	8,013.4	8,073.6	(118.8)
BILATERAL	3,918.5	3,912.0	3,900.0	3,718.4	3,783.7	3,740.1	(171.9)
COMMERCIAL	15,845.3	16,234.7	16,329.1	16,272.2	16,286.2	16,322.1	87.4
TOTAL EXTERNAL (GH¢m)	162,709.6	170,009.8	201,945.4	198,878.2	200,652.1	203,369.0	33,359.2
TOTAL PUBLIC DEBT (GH¢m)	335,899.1	351,791.1	392,145.3	388,124.7	389,165.1	393,443.4	41,652.3
EXCHANGE RATE (End Period Selling MOF)	5.8040	5.9991	7.1160	7.1159	7.1449	7.2281	
MEMORANDUM ITEMS							
NOMINAL GDP (GH¢m)	459,130.9	459,130.9	502,429.7	502,429.7	502,429.7	502,429.7	
TOTAL DEBT /GDP RATIO (%)	73.16	76.62	78.05	77.25	77.46	78.31	
EXTERNAL DEBT/GDP	35.4	37.0	40.2	39.6	39.9	40.5	
DOMESTIC DEBT/GDP	37.7	39.6	37.9	37.7	37.5	37.8	
EXTERNAL DEBT/TOTAL DEBT	48.4	48.3	51.5	51.2	51.6	51.7	
DOMESTIC DEBT/TOTAL DEBT	51.6	51.7	48.5	48.8	48.4	48.3	

Source: Ministry of Finance

6.5 Conclusion and Outlook

The fiscal data shows that both revenues and expenditure outturns for the review period fell short of their respective targets. The deviations in revenue stemmed partly from lower-than-expected receipts, while expenditures performance could be attributed to the low levels of statutory transfers. In the ensuring months, the pursuit of aggressive revenue mobilization and expenditure controls will contribute immensely to the achievement of the revised end-year budget deficit of 7.4 percent of GDP and primary surplus of 0.1 percent of GDP.

Appendix: Budget Balance and Financing

<i>Million Ghana Cedis</i>	2020 JAN-MAY OUTTURN	2021 JAN-MAY OUTTURN	2022 JAN-MAY OUTTURN	2022 JAN-MAY PROG
Taxes on income and property	8,396.36	9,095.58	11,096.15	13,005.60
percent of GDP	2.14	1.98	2.21	2.59
Taxes on goods and services	6,469.46	9,021.19	9,953.81	11,508.38
percent of GDP	1.65	1.96	1.98	2.29
Taxes on international trade	1,956.80	2,558.02	3,370.33	3,451.41
percent of GDP	0.50	0.56	0.67	0.69
Tax revenue including oil	15,999.18	19,646.52	22,996.64	26,858.89
percent of GDP	4.08	4.28	4.58	5.35
Tax revenue excluding oil	14,938.45	19,084.57	21,974.99	25,342.51
percent of GDP	4.06	4.43	4.37	5.04
Nontax revenue	2,433.22	2,897.92	4,539.89	5,608.37
percent of GDP	0.62	0.63	0.90	1.12
Domestic revenue including oil	19,435.74	23,959.07	29,309.46	34,579.49
percent of GDP	4.96	5.22	5.83	6.88
Domestic revenue excluding oil	18,375.00	23,397.12	26,362.92	31,265.93
percent of GDP	4.99	5.43	5.25	6.22
Grants	549.10	682.76	191.33	261.95
percent of GDP	0.14	0.15	0.04	0.05
Total revenue and grants	19,984.84	24,641.83	29,500.79	34,841.43
percent of GDP	5.10	5.37	5.87	6.93
Compensation of Employees	11,157.58	11,670.04	13,509.96	14,933.85
percent of GDP	2.85	2.54	2.69	2.97
Goods and services	2,782.12	600.55	1,235.33	2,915.86
percent of GDP	0.71	0.13	0.25	0.58
Interest payments	10,257.69	13,066.97	17,846.01	16,548.26
percent of GDP	2.62	2.85	3.55	3.29
Subsidies	115.78	49.68	167.03	88.15
percent of GDP	0.03	0.01	0.03	0.02
Non-Financial Assets (Capital Expenditure)	5,112.73	5,903.97	4,933.60	4,957.20
percent of GDP	1.30	1.29	0.98	0.99
Total expenditure & net lending	37,669.98	38,747.11	48,870.38	51,815.60
percent of GDP	9.61	8.44	9.73	10.31
Overall Budget Balance	(19,699.66)	(17,743.33)	(24,984.23)	(17,639.17)
percent of GDP	(5.03)	(3.86)	(4.97)	-3.51
Domestic Expenditure	24,851.24	23,975.74	31,444.92	32,945.18
percent of GDP	6.34	5.22	6.26	6.56
Domestic Primary Balance	(5,415.50)	(16.67)	(2,135.46)	1,634.30
percent of GDP	(1.38)	0.00	(0.43)	0.33
Primary Balance	(9,441.97)	(4,676.36)	(2,135.46)	(1,090.91)
percent of GDP	(2.41)	(1.02)	(0.43)	(0.22)
Nominal GDP (Including Oil)	391,940.73	459,130.92	502,429.68	502,429.68

Source: Ministry of Finance

7. Inflation Outlook and Analysis

7.0 Highlights

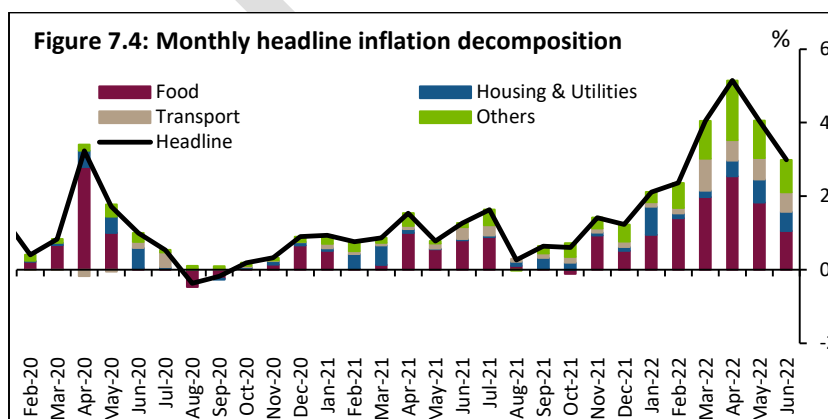
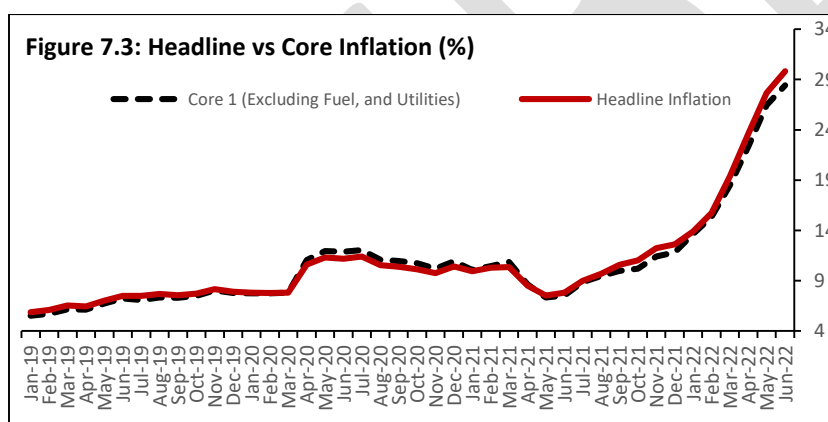
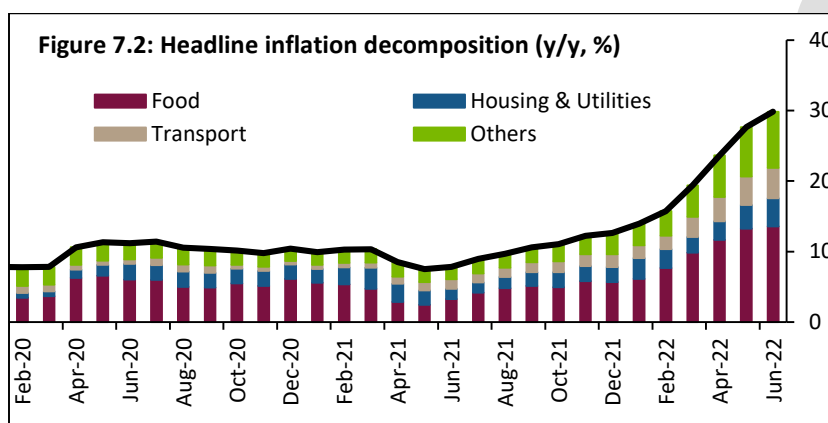
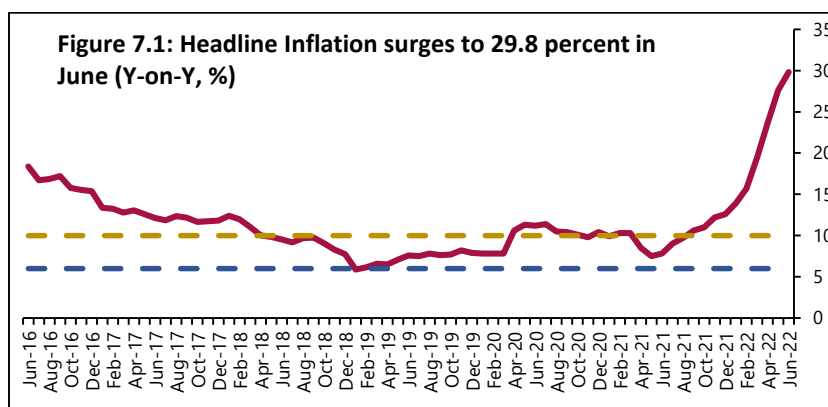
Global price pressures have remained elevated, and headline inflation in several advanced and emerging market economies has drifted further above set targets, amid soaring energy and food prices, as well as protracted and outstretched supply-chain bottlenecks. These trends have prompted swift and near-coordinated monetary policy responses by major central banks. In advanced economies, the U.S. Federal Open Market Committee, the Bank of England, and more recently, the European Central Bank, have raised interest rates and signalled more aggressive rate increases to anchor inflation expectations. Similarly, central banks in several emerging market and developing economies have moved to tighten their monetary policy stance in response to rising inflation and currency pressures. Global financing conditions have tightened further, reflecting monetary policy normalization and expectations of further increases in policy rates, which have led to higher government bond yields, re-pricing of risky assets, and strengthening of the U.S. dollar. The combination of tighter financing conditions and a strong U.S. dollar have widened sovereign bond spreads and accelerated capital flow reversals from most emerging and frontier economies. With decreasing reserve buffers, external vulnerabilities in several emerging market economies have intensified, reflected by higher currency depreciation across most currencies, increased debt service levels, and external financing constraints.

7.1 Domestic Price Developments

Recent price developments indicate elevated pressures originating from the sharp increase in commodity prices, especially crude oil, and the resultant effects on domestic ex-pump petroleum prices and transportation costs, food prices, as well as the pass-through effects of the recent exchange rate depreciation. The two inflation readings since the last MPC showed that headline inflation jumped from 23.6 percent in April to 27.6 percent in May, and further to 29.8 percent in June 2022 (Figure 7.1). The trends suggested that price pressures were progressively becoming broad-based, mirrored in almost all components of the consumer basket, from both domestic and imported sources (Figure 7.2). Non-food inflation rose considerably, from 25.7 percent in May to 29.1 percent in June 2022, while food inflation also inched up slightly from 30.1 percent to 30.7 percent over the same comparative period (Table 7.1).

In line with the trends in headline inflation, underlying inflation pressures remained strong, signalling broad-based price pressures. The Bank's core inflation measure, which excludes energy and utility prices, picked up from 22.3 percent in April 2022 to 26.4 percent in May, and moved further up to 28.4 percent in June (Figure 7.3).

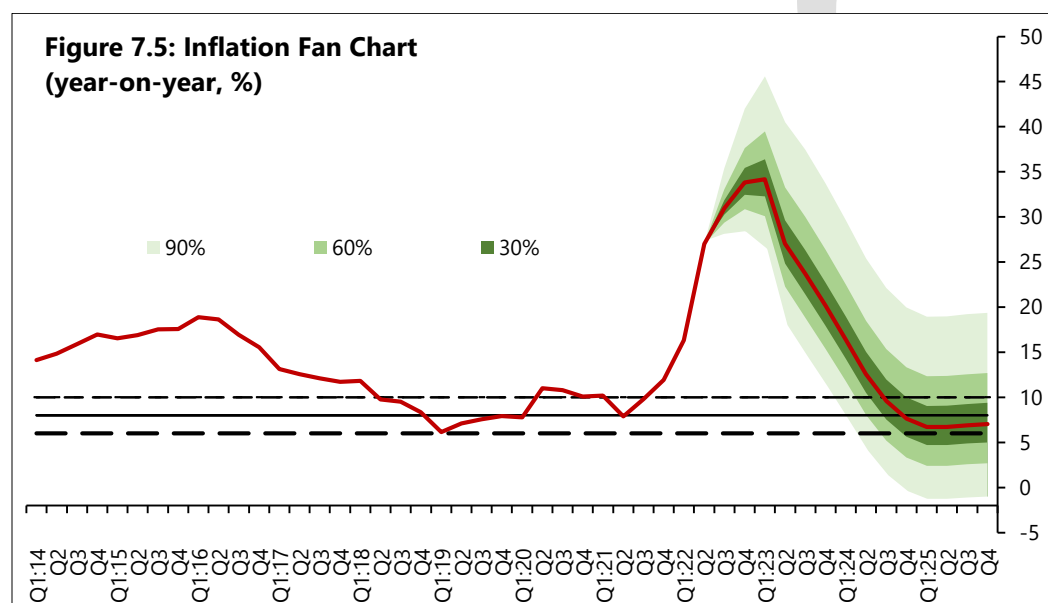
However, the pace of month-on-month inflation has slowed for the second consecutive time. After increasing by 5.1 percent in April 2022, the monthly headline inflation slowed to 4.1 percent in May, and then to 3.0 percent in June (Figure 7.4). Month-on-month food inflation also eased from 5.8 percent in April to 4.0 percent in May and moved further down to 2.3 percent in June 2022. Similarly, non-food monthly inflation also slowed from 4.6 percent in April to 4.1 percent in May, and then to 3.6 percent in June 2022 (Table 7.1).



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

7.2 Inflation Outlook

The July 2022 forecast, as shown in the Fan Chart (Figure 7.5), indicated further outward shift in the forecast horizon compared to the May forecast round. The elevated pressures reflected in the July 2022 forecast were driven by the rise in global energy and commodity prices and its effects on domestic ex-pump petroleum prices, transportation costs and food prices; the pass-through effects of the recent exchange rate depreciation; the proposed increases in utility tariffs; as well as the increase in government fees and charges. The revised forecast assumptions, together with tight external financing conditions, heightened inflation expectations and increased production costs, and are likely to keep inflation above the medium-term target band of 8 ± 2 percent in the near term. However, inflation is projected to revert to the target band in the medium term as monetary conditions tighten, the exchange rate stabilizes, and supply-chain disruptions abate, barring unanticipated shocks.



Source: Bank of Ghana Staff Forecast

7.3 Inflation Risk Assessment

Similar to the last MPC meeting in May 2022, the current inflation outlook broadly points to significant upside risks, driven by price pressures from both foreign and domestic sources. Global price pressures have heightened and broadened beyond the volatile items of energy and food, underpinned by the knock-on effects of lingering global supply-chain bottlenecks, the Russia-Ukraine war and China's zero-COVID policy, together with increased demand pressures. These have prompted some synchronized monetary policy tightening in advanced economies and most EMDEs, and occasioned tightened global financing conditions. Accordingly, global inflation and inflation expectations are projected to remain elevated in the near term. These risks are inclined to further engender domestic inflation in the coming months, specifically if the current pressures continue.

On the domestic front, the upward adjustments in prices of petroleum products and transport fares, with attendant second-round effects on goods and services as well as the pass-through of exchange rate depreciation have pushed up inflation and inflation expectations. In the outlook, the heightened uncertainty in energy and food prices, prolonged distortions in global supply chains, domestic currency pressures, upward adjustments in ex-pump petroleum prices and increased transportation costs, as well as the proposed

increases in utility tariffs may exert additional pressures on domestic prices in the near term. On the downside, it is expected that monetary policy tightening, in tandem with the deliberate and intentional fiscal consolidation efforts, would help dampen inflationary pressures in the outlook.

7.4 Conclusion

The risks in the outlook for inflation are on the upside, triggered by both supply-side and demand-side shocks from both external and domestic sources, while GDP growth is projected to slow down in 2022. However, ongoing Government engagement with the International Monetary Fund for a fund-supported programme is expected to help re-anchor expectations and ensure stability in the domestic currency. Based on these assessments, the MPC decided to maintain the policy rate at 19 percent, to observe the impact of the recent monetary policy measures already taken.

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
May	27.6	30.1	25.7	4.1	4.0	4.1
Jun	29.8	30.7	29.1	3.0	2.3	3.6

Source: Ghana Statistical Service

Appendix Table 7.2: CPI Components

CPI Components (%)														
	Weights (%)	2020	2021						2022					
		Dec	Mar	Apr	May	Jun	Sept	Dec	Jan	Mar	Apr	May	Jun	
Overall	100.0	10.4	10.3	8.5	7.5	7.8	10.6	12.6	13.9	19.4	23.6	27.6	29.8	
Food and Beverages	43.1	14.1	10.8	6.5	5.4	7.3	11.5	12.8	13.7	22.4	26.6	30.1	30.7	
Non-food	56.9	7.7	10.0	10.2	9.2	8.2	9.9	12.5	14.1	17.0	21.3	25.7	29.1	
Alcoholic Beverages, Tobacco	3.7	6.0	7.0	8.0	7.3	6.5	8.1	9.6	8.0	11.4	16.3	18.5	21.4	
Clothing and footwear	8.1	7.9	6.0	7.1	6.5	6.0	6.8	8.6	8.3	12.2	15.6	20.2	23.8	
Housing and Utilities	10.2	20.1	29.0	25.0	19.9	14.2	18.7	20.7	28.7	21.4	25.0	32.3	38.4	
Household Equipment and Maintenance	3.2	4.7	4.7	4.9	4.6	4.7	6.3	9.6	11.0	18.5	28.5	33.8	39.6	
Health	0.7	6.0	7.1	7.4	8.4	6.0	4.6	6.0	5.4	8.8	10.0	11.3	12.8	
Transport	10.1	4.8	6.8	9.6	11.7	13.4	13.6	17.6	17.4	27.6	33.5	39.0	41.6	
Information and Communication	3.6	7.0	8.1	7.4	5.1	4.9	6.6	9.0	8.9	13.4	15.5	16.8	14.5	
Recreation & Culture	3.5	1.8	4.0	5.1	3.6	3.6	6.8	11.4	12.0	17.0	22.3	26.8	31.3	
Education	6.5	0.2	0.4	0.6	0.8	0.9	0.9	1.0	0.9	2.9	3.7	4.2	4.4	
Restaurants and Accommodation	4.6	5.4	6.1	6.7	6.0	4.8	3.2	8.9	9.1	12.6	16.5	18.1	20.2	
Insurance and Financial services	0.2	3.3	7.8	9.0	9.0	5.5	7.1	6.3	6.3	3.0	2.1	3.1	5.8	
Personal care & Miscellaneous goods	2.4	3.8	4.5	5.2	4.4	4.5	7.2	10.6	10.8	17.0	23.2	27.3	31.7	
Source: Ghana Statistical Service														

Source: Ghana Statistical Service