



BANK OF GHANA

MONETARY POLICY REPORT

NOVEMBER 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 109th meeting held in November 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 public.

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Overview

The global economy continued to face severe headwinds coupled with heightened uncertainties. Global growth slackened in the third quarter of 2022 and is projected to weaken further amid tight financing conditions, rising cost of living and a squeeze on real incomes, alongside recession fears in advanced economies.

Global inflation remained elevated and has broadened beyond food and energy prices. Economies faced a number of challenges, including tighter labour market conditions, the pass-through effects of currency depreciations to inflation, and supply chain cost pressures. Central banks' resolve to dampen the persistent and broad-based inflation pressures globally has led to aggressive policy tightening in advanced economies. The International Monetary Fund has projected global inflation to reach 8.8 percent by the end of 2022, before easing to 4.1 percent in 2024.

Global financing conditions have tightened further. This was largely due to the aggressive policy rate increases across several advanced economies to contain rising inflation. These developments have resulted in acute capital outflows, especially in emerging markets and frontier economies, and spilled over into currency pressures and rising inflation.

Although domestic growth conditions improved in the first half of the year, latest high frequency indicators pointed to some moderation. The Bank's CIEA contracted year-on-year in the third quarter, on the back of weakened consumption, trade, and construction activities. Despite these trends, private sector credit growth, in real terms, remained relatively strong and provided scope for the real sector to continue on the path of sustainable growth.

Implementation of the 2022 Budget has come under severe stress. Revenue shortfalls, expenditure rigidities, lack of access to the international capital market to fund the budget, uncovered auctions and non-resident portfolio reversals have acted in concert to create a huge financing gap. The 2023 Budget Statement has committed to resetting fiscal policy and firmly placing it on the course of consolidation. A debt exchange operation was proposed in the Budget to guarantee debt sustainability over the medium term in support of the consolidation agenda.

The foreign exchange market witnessed increased volatility, with intense pressures on the local currency. Factors such as tight global financing conditions, the sovereign downgrades, portfolio reversals, and increased demand for foreign exchange amid supply constraints, contributed to the significant weakening of the Ghana cedi. The sharp depreciation episode in September and October was largely driven by speculation over a possible debt restructuring, which led to portfolio rebalancing in favour of foreign currency holdings by economic agents.

Domestic headline inflation remained elevated, with strong underlying pressures. The Bank's measure of core inflation, defined to exclude energy and utility prices, increased further in October 2022, an indication of broad-based inflationary pressures. Simultaneously, consumer, business, and financial sector inflation expectations went up.

Persistent shocks have severely impacted the Ghanaian economy and complicated the policy environment. At the last MPC meeting for 2022, the Committee viewed significant upside risks to the inflation outlook and decided to increase the policy rate by 250 basis points to 27.0 percent, to help contain inflationary pressures.

1. Global Economic Developments

1.0 Highlights

- *Global GDP growth has slowed and is projected to remain weak in the near term.*
- *Global inflation remains elevated and broadened beyond food and energy prices.*
- *Global financial conditions remain tight in both advanced and emerging market economies, as central banks continue to tighten monetary policy to contain inflationary pressures.*
- *The policy tightening by the Federal Reserve has strengthened the dollar against many currencies, potentially adding to inflationary pressures, especially in emerging market and developing economies.*

1.1 Global Growth Developments

Global output growth has slowed and is projected to weaken further amid tighter financial conditions, lingering effects of geopolitical tensions, the squeeze on real incomes from higher global energy and tradable goods prices and weaker growth outlook in China and other major advanced economies. Recent PMI releases for both manufacturing and services activity point to weakness in the fourth quarter. Also, an IMF report to the just concluded G20 meeting showed that a growing share of G20 countries have fallen from expansionary territory earlier this year to levels that signal contraction. Tighter financial conditions are affecting capital flows to EMDEs with rising sovereign spreads while many low-income countries remain in debt distress. In addition, many Emerging Markets and Developing Economies (EMDEs) are confronting very challenging external environment amid the sharp appreciation of the U.S dollar which is adding to domestic price pressures and cost of living crisis.

Against the backdrop of these severe headwinds and elevated economic, geopolitical and policy uncertainty, the IMF World Economic Outlook projects that global growth will end 2022 at 3.2 percent, a significant drop from the 6.0 percent recorded in 2021. Risks to the outlook are firmly on the downside, reflecting possibility of policy mistakes amid deteriorating growth and elevated inflation, prolonged inflationary pressures, tighter financial conditions and a stronger US dollar.

Despite these risks, incoming data showed that global growth for the third quarter surprised on the upside in some major economies such as US and China. However, such positive growth news should be put in context. Although growth in the US was driven by net trade, economic challenges in China and Europe may slow US exports. Also, the stronger US dollar may constrain US exporters, while rising interest rates will affect activity in the housing sector. Economic activity in China was supported by strong policy support, but the persistent COVID-19 curbs, prolonged property slump and global recession risks could dampen the growth outlook.

Table 1.1: Real GDP Growth Projections (%)

	2021	Projections		Difference from July 2022 WEO Update ¹		Difference from April 2022 WEO ¹	
		2022	2023	2022	2023	2022	2023
World Output	6.0	3.2	2.7	0.0	-0.2	-0.4	-0.9
Advanced Economies	5.2	2.4	1.1	-0.1	-0.3	-0.9	-1.3
United States	5.7	1.6	1.0	-0.7	0.0	-2.1	-1.3
Euro Area	5.2	3.1	0.5	0.5	-0.7	0.3	-1.8
Germany	2.6	1.5	-0.3	0.3	-1.1	-0.6	-3.0
France	6.8	2.5	0.7	0.2	-0.3	-0.4	-0.7
Italy	6.7	3.2	-0.2	0.2	-0.9	0.9	-1.9
Spain	5.1	4.3	1.2	0.3	-0.8	-0.5	-2.1
Japan	1.7	1.7	1.6	0.0	-0.1	-0.7	-0.7
United Kingdom ²	7.4	3.6	0.3	0.4	-0.2	-0.1	-0.9
Canada	4.5	3.3	1.5	-0.1	-0.3	-0.6	-1.3
Other Advanced Economies ³	5.3	2.8	2.3	-0.1	-0.4	-0.3	-0.7
Emerging Market and Developing Economies	6.6	3.7	3.7	0.1	-0.2	-0.1	-0.7
Emerging and Developing Asia	7.2	4.4	4.9	-0.2	-0.1	-1.0	-0.7
China	8.1	3.2	4.4	-0.1	-0.2	-1.2	-0.7
India ⁴	8.7	6.8	6.1	-0.6	0.0	-1.4	-0.8
ASEAN-5 ⁵	3.4	5.3	4.9	0.0	-0.2	0.0	-1.0
Emerging and Developing Europe	6.8	0.0	0.6	1.4	-0.3	2.9	-0.7
Russia	4.7	-3.4	-2.3	2.6	1.2	5.1	0.0
Latin America and the Caribbean	6.9	3.5	1.7	0.5	-0.3	1.0	-0.8
Brazil	4.6	2.8	1.0	1.1	-0.1	2.0	-0.4
Mexico	4.8	2.1	1.2	-0.3	0.0	0.1	-1.3
Middle East and Central Asia	4.5	5.0	3.6	0.2	0.1	0.4	-0.1
Saudi Arabia	3.2	7.6	3.7	0.0	0.0	0.0	0.1
Sub-Saharan Africa	4.7	3.6	3.7	-0.2	-0.3	-0.2	-0.3
Nigeria	3.6	3.2	3.0	-0.2	-0.2	-0.2	-0.1
South Africa	4.9	2.1	1.1	-0.2	-0.3	0.2	-0.3

Source: IMF WEO, July 2022

1.2 Global Price Developments

Global headline inflation remains elevated and broadened beyond food and energy prices. Underlying inflation has emerged as a major driver of headline inflation especially in advanced economies. This development reflects tighter labour markets, especially in advanced economies, the pass-through of past energy costs to various sectors of the economy, the effects of exchange rate depreciation and lagged impact of supply chains costs pressures on inflation. The IMF projects that global inflation will peak this year at 8.8 percent before declining to 4.1 percent by 2024. This decline is expected to be supported by ongoing easing of supply chain constraints, the slowing global economy, declining global food prices and lower oil prices.

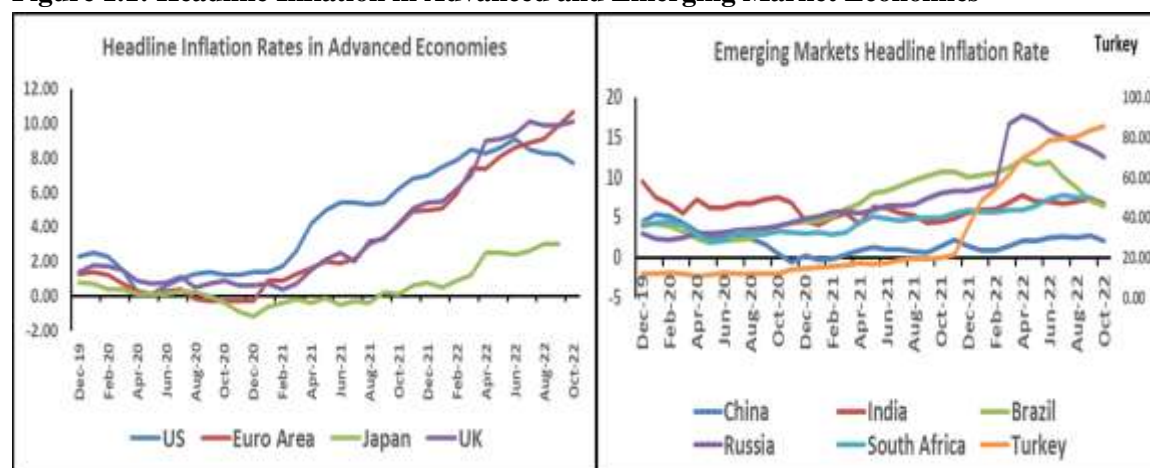
However, long-term inflation expectations have broadly remained stable in major advanced economies, perhaps due to the aggressive posture of central banks. Survey-based measures of longer-term inflation expectations remained stable at levels around or slightly above 2 percent.

The IMF expects global headline inflation to decline to 4.1 percent by 2024 on the back of declining food prices helped by the Black Sea deal and a good harvest. Oil prices have also declined amid lower demand due to worries about global recession. Economic headwinds and weak demand from China due to COVID-19 lockdowns have weighed on oil prices in recent months. The FAO Food Price Index remained virtually unchanged in October 2022, with higher world cereal prices almost offset by lower prices of other food commodities. Global supply chain price pressures have declined considerably since January 2022 and continues to ease due to improvements in supply and weakening of demand.

In the outlook, price pressures will remain elevated in the near term, reflecting higher energy and food prices and rising underlying inflation pressures. However, markets expect that inflation will peak by close of 2022 and begin to decline in the first quarter of 2023 as monetary policy gets tighter, global growth

cools, energy and food prices level off, and supply bottlenecks ease. In EMDEs, price pressures mainly from weaker currencies will transmit to elevation inflation levels over a much longer horizon.

Figure 1.1: Headline Inflation in Advanced and Emerging Market Economies



Source: BOG/Trading Economics

1.3 Global Financial Markets Developments

Global financing conditions remain tight in both advanced and emerging market economies. Many central banks continue to raise policy rates and have signalled their resolve to tighten policy even further in response to the still elevated outlook for inflation. Reflecting the inflation concerns, longer term bond yields have also risen sharply. However, the US dollar lost some ground in recent days amid expectations that easing inflation numbers will push the Federal Reserve to slow the pace of policy tightening. Stock prices meanwhile remained subdued amid rising interest rates and growing uncertainty about prospects of the global economy in the near term.

Table 1.2: Monetary Policy Stance of Selected Central Banks

		Key Rate	Previous (%)	Current (%)	Forecast	Inflation Rate (October, 2022)	Real rate	Infl Target	Overall Fiscal Deficit (2021,% of GDP)	GDP Growth (Dec.2021)	GrossDebt/ GDP (2021,%)
U.S.	Federal Funds Rate		3.25	4	4	7.7	-3.7	2%	-10.9	5.7	128.1
Euro Area	Refinancing Rate		1.25	2	2	10.7	-8.7	< 2%	-5.1	5.2	95.3
UK	Bank Rate		2.25	3	3.5	10.1	-7.1	2%	-8.0	7.4	95.3
Japan	short term policy rate		-0.1	-0.1	-0.1	3.7	-3.8	2%	-6.7	1.7	262.5
Russia	Benchmark rate		7.5	7.5	7.5	12.6	-5.1	4%	0.8	4.7	17.0
India	Benchmark rate		4.9	5.4	5.4	6.8	-1.37	4±2%	-10.0	8.7	84.2
Brazil	Selic rate		13.25	13.75	13.75	6.47	7.28	4.5±1.5%	-4.4	4.6	93.0
Turkey	One week repo rate		12	10.5	9	85.5	-75	5±2%	-3.9	11.4	41.8
Malaysia	Policy Rate		2.5	2.75	2.5	4.5	-1.75	3% - 4%	-5.5	3.1	69.0
Indonesia	Policy Rate		4.25	4.75	5	5.71	-0.96	3.5% ± 1%	-4.6	3.7	41.2
Chile	enchmark Interest Rate		10.75	11.25	11.25	12.8	-1.55	3±1%	-7.5	11.7	36.3
Ghana	Monetary Policy Rate		22	24.5		40.4	-15.9	8±2%	-11.4	5.4	82.1
South Africa	Repo Rate		5.5	6.25	7	7.5	-1.25	3% -6%	-6.00	4.9	69.0
Nigeria	Monetary Policy Rate		14	15.5	16.5	21.09	-5.59	6% -9%	-6.0	3.6	36.6
Kenya	Policy Rate		7.5	8.25	9	9.6	-1.35	2.5-7.5%	-8.0	7.5	67.8
Zambia	Policy Rate		9	9	9.5	9.7	-0.7	9%	-8.4	4.6	119.1
Morocco	Policy Rate		1.5	2	2	8.3	-6.3		-5.9	7.9	68.9

Source: Growth rate(World Bank); Debt/GDP (IMF); Policy Rates (Trading Economics), October 2022 Inflation in red

Central banks in several EMDEs have moved to tighten monetary policy stance in response to rising inflation and currency pressures, alongside increased sovereign spreads. However, EMDEs made some positive gains in terms of non-resident portfolio flows at US\$9.3 billion in October 2022, but there are risks to future investment inflows as fears of a global recession and uncertainty over realized inflation and weakening aggregate demand will weigh on emerging market portfolio flows. In the outlook, financing conditions will continue to tighten as price pressures persist and remain broad-based. Policy rates in advanced economies and longer-term bond yields will also stay elevated. In EMDEs, several central banks will continue to tighten policy to contain inflation. The continued strengthening of the US dollar may add to inflationary pressures in EMDEs and in turn, central banks may tighten policy even further.

1.4 Currency Markets

On the international currency market, The US dollar lost some ground after the latest inflation data reinforced expectations that the Federal Reserve could soon slow down the pace of its monetary policy tightening. There was also a decline in the cost of wholesale goods excluding food and energy, reflecting improved supply chains as well as slowing demand from higher borrowing costs, supporting economists' views that goods disinflation was underway.

Despite the forgoing, fears of a global recession, in addition to gas supply uncertainty in the Euro area may weigh on growth and help the US dollar. The strength of the dollar continues to weigh on various currencies with the cedi taking a greater hit.

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

Exchange Rate Movements									
	US\$/GHC*	Monthly depreciation/a ppreciation	Year-to-Date depreciation/a ppreciation	GBP/GHC*	Monthly depreciation/a ppreciation	Year-to-Date depreciation/a ppreciation	Euro/GHC*	Monthly depreciation/a ppreciation	Year-to-Date depreciation/a ppreciation
2020									
Jan	5.5274	0.1	0.11	7.1924	1.7	1.72	6.0476	2.7	2.71
Feb	5.2949	4.4	4.51	6.7881	6.0	7.78	5.8048	4.2	7.00
Mar	5.4423	-2.7	1.68	6.7583	0.4	8.26	5.9752	-2.9	3.95
Apr	5.6010	-2.8	-1.20	7.0584	-4.3	3.66	6.1276	-2.5	1.37
May	5.6203	-0.3	-1.54	6.9186	2.0	5.75	6.2406	-1.8	-0.47
June	5.6674	-0.8	-2.36	7.0038	-1.2	4.46	6.3613	-1.9	-2.36
July	5.6782	-0.2	-2.54	7.4050	-5.4	-1.20	6.6944	-5.0	-7.21
Aug	5.6848	-0.1	-2.66	7.5997	-2.6	-3.73	6.7916	-1.4	-8.54
Sep	5.7027	-0.3	-2.96	7.3585	3.3	-0.57	6.6786	1.7	-7.00
Oct	5.7100	-0.1	-3.09	7.3913	-0.4	-1.01	6.6703	0.1	-6.88
Nov	5.7139	-0.1	-3.15	7.6426	-3.3	-4.27	6.8559	-2.7	-9.40
Dec	5.7602	-0.8	-3.93	7.8742	-2.9	-7.08	7.0643	-3.0	-12.07
2021									
Jan	5.7604	0.0	0.00	7.8996	-0.3	-0.32	6.9929	1.0	1.02
Feb	5.7374	0.4	0.40	7.9945	-1.2	-1.50	6.9545	0.6	1.58
Mar	5.7288	0.2	0.55	7.8717	1.6	0.03	6.7122	3.6	5.25
Apr	5.7322	-0.1	0.49	7.9222	-0.6	-0.61	6.8958	-2.7	2.44
May	5.7473	-0.3	0.22	8.1672	-3.0	-3.59	7.0268	-1.9	0.53
June	5.7626	-0.3	-0.04	7.9590	2.6	-1.07	6.8333	2.8	3.38
July	5.8011	-0.7	-0.71	8.0633	-1.3	-2.35	6.8808	-0.7	2.67
Aug	5.8517	-0.9	-1.56	8.0482	0.2	-2.16	6.9068	-0.4	2.28
Sep	5.8663	-0.2	-1.81	7.9140	1.7	-0.50	6.7952	1.6	3.96
Oct	5.9009	-0.6	-2.38	8.0816	-2.1	-2.57	6.8231	-0.4	3.54
Nov	5.9172	-0.3	-2.65	7.9054	2.2	-0.39	6.7346	1.3	4.90
Dec	6.0061	-1.5	-4.09	8.1272	-2.7	-3.11	6.8281	-1.4	3.46
2022									
Jan	6.0236	-0.3	-0.29	8.0882	0.5	0.48	6.7506	1.1	1.15
Feb	6.6004	-8.7	-9.00	8.8568	-8.7	-8.24	7.4100	-8.9	-7.85
Mar	7.1122	-7.2	-15.55	9.3515	-5.3	-13.09	7.8986	-6.2	-13.55
Apr	7.1128	0.0	-15.56	8.9333	4.7	-9.02	7.4963	5.4	-8.91
May	7.1441	-0.4	-15.93	9.0041	-0.8	-9.74	7.6650	-2.2	-10.92
June	7.2305	-1.2	-16.93	8.8043	2.3	-7.69	7.5797	1.1	-9.92
July	7.6120	-5.0	-21.10	9.2642	-5.0	-12.27	7.7658	-2.4	-12.07
Aug	8.2325	-7.5	-27.04	9.5872	-3.4	-15.23	8.2909	-6.3	-17.64
Sep	9.6048	-14.3	-37.47	10.7017	-10.4	-24.06	9.4147	-11.9	-27.47
Oct	13.0084	-26.2	-53.83	14.9122	-28.2	-45.50	12.8437	-26.7	-46.84

Source: Bank of Ghana Staff Calculations

In the domestic currency market, the Ghana cedi came under pressure in September and October on fiscal concerns. Pressure to the currency came from energy and corporate demand. Also, the strength of the US dollar weighed on the Ghana cedi. However, this pressure has been partly moderated by the central banks special forex auction for Bulk Distribution Companies. Furthermore, the currency is being supported with

inflows from the cocoa syndicated loan, mining, remittances and forex purchases from the mining companies. However, as the dollar continues to strengthen due to policy rate hikes and U.S safe-haven status, the cedi may continue to experience some volatility in the near term. Also, Energy related and corporate demand may persist, but successful negotiations of the US\$3 billion IMF package may offset some of the pressures.

In the interbank market, the cedi depreciated by 53.83 percent, 45.50 percent and 46.84 percent against the dollar, pound and the euro respectively on a year-to-date basis This is against an appreciation of 3.54 percent against the euro and a depreciation of 2.38 percent and 2.57 percent against the dollar and pound respectively during the same period in 2021 (Table 1.3). Historically, the cedi was weaker in 2022 on a year-to-date and monthly basis compared to the same period from 2017-2021. Also, the cedi was more volatile during the first 226 transaction days in 2022 compared to the same period from 2017-2021.

In reference to the major trade partners' currency movements, the Ghana cedi depreciated by 36.6 percent in nominal trade weighted terms and 35.6 percent on forex transaction weighted terms in October 2022 (Table 1.4). This compares with 0.28 percent and 0.27 percent depreciation in nominal trade weighted terms and nominal foreign exchange transaction weighted terms over the same period in 2021.

In real bilateral terms, the Ghana cedi depreciated by 32.4 percent, 34.9 percent and 38.1 percent against the US dollar, euro and the pound sterling during October 2022. Comparatively, for the same month in 2021, the Ghana cedi's real exchange rate depreciated by 0.6 percent, 0.4 percent and 2.3 percent against the dollar, the euro and the pound sterling respectively, over the same period in 2021 (Table 1.5).

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). The Ghana cedi depreciated by 34.8 percent and 32.7 percent in real trade weighted terms and real forex transaction weighted terms in October 2022. These compare with a depreciation of 0.6 percent and 0.6 percent in real trade weighted terms and real FX transaction weighted terms respectively for the same period in 2021.

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	-0.19
Jun-21	26.37	28.93	0.03	2.33	0.16	2.15
Jul-21	26.19	28.71	-0.69	-0.78	-0.52	1.39
Aug-21	25.98	28.60	-0.81	-0.40	-1.34	1.00
Sep-21	25.87	28.92	-0.39	1.13	-1.74	2.12
Oct-21	25.80	28.84	-0.27	-0.28	-2.02	1.85
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	24.85	24.85	-7.59	-6.43	-18.10	-15.64
Apr-22	25.90	25.90	0.46	4.07	-17.56	-10.93
May-22	25.43	25.43	-0.58	-1.87	-18.24	-13.00
Jun-22	25.66	25.66	-0.95	0.93	-19.37	-11.96
Jul-22	20.24	24.87	-5.07	-3.20	-25.42	-15.55
Aug-22	18.76	23.38	-7.91	-6.35	-35.34	-22.88
Sep-22	16.1	20.5	-16.34	-14.00	-57.46	-40.08
Oct-22	11.9	15.0	-35.60	-36.61	-113.52	-91.36

Source: Bank of Ghana Staff Calculations

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

Table 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
Jul-22	108.53	102.15	86.51	0.4	-2.5	-2.1	4.4	4.0	-6.0
Aug-22	103.34	100.31	81.56	-5.0	-1.8	-6.1	-0.4	2.2	-12.5
Sep-22	92.77	92.00	72.08	-11.4	-9.0	-13.1	-11.9	-6.6	-27.3
Oct-22	68.76	66.63	54.44	-34.9	-38.1	-32.4	-50.9	-47.2	-68.5

Source: Bank of Ghana Staff Calculations

Table 1.6: Real Effective Exchange Rate for Major Trade Partners

	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
Jul-22	88.34	104.72	-1.86	-0.17	-4.99	2.98
Aug-22	83.41	99.85	-5.91	-4.88	-11.19	-1.75
Sep-22	73.87	89.62	-12.92	-11.42	-25.56	-13.37
Oct-22	55.66	66.46	-32.71	-34.84	-66.63	-52.88

Source: Bank of Ghana Staff Calculations

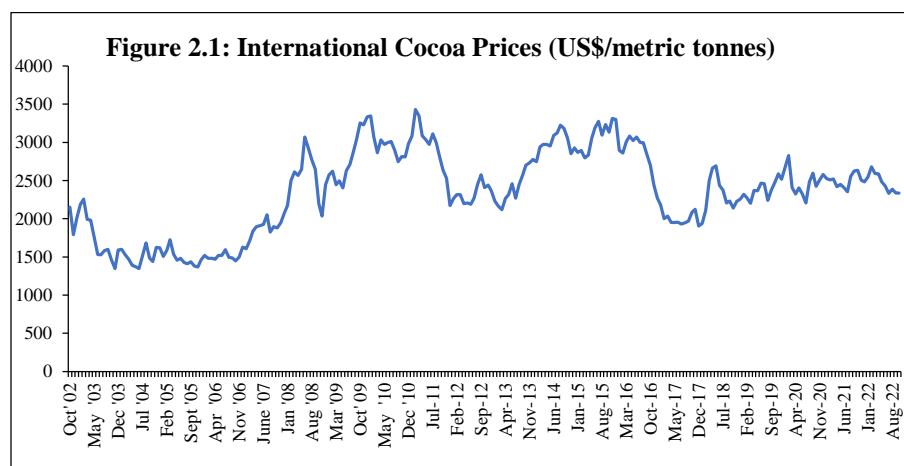
1.5 Global Economic Outlook and Risks

Uncertainty about the global economic outlook remains heightened amid the war in Ukraine, slower growth momentum in China and high global inflation, which has triggered policy tightening in advanced and emerging market economies. Also, the aggressive policy rate tightening by the US Fed has led to a stronger US dollar, adding to the cost of living crisis and inflationary pressures. The effects of these shocks on the Ghanaian economy have been amplified by country specific vulnerabilities and uncertainties.

2. External Sector Developments

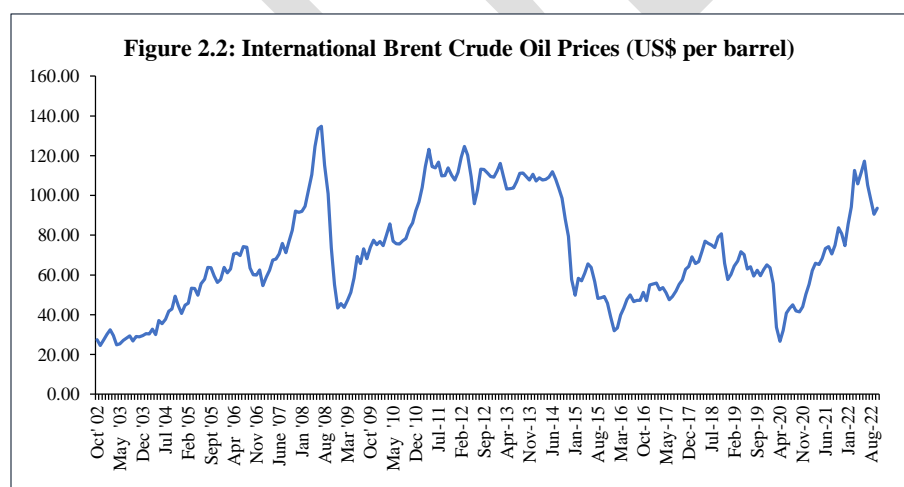
2.0 Commodity Price Trends

Cocoa futures made a marginal loss of 0.04 percent month-on-month to settle at US\$2,337.71 per tonne at the end of October 2022 due to favourable weather patterns in Ivory Coast that boosted the production outlook. Compared with the same period last year, cocoa lost 11.2 percent as concerns about lacklustre demand in major consuming regions amidst rising global inflation pressured cocoa.



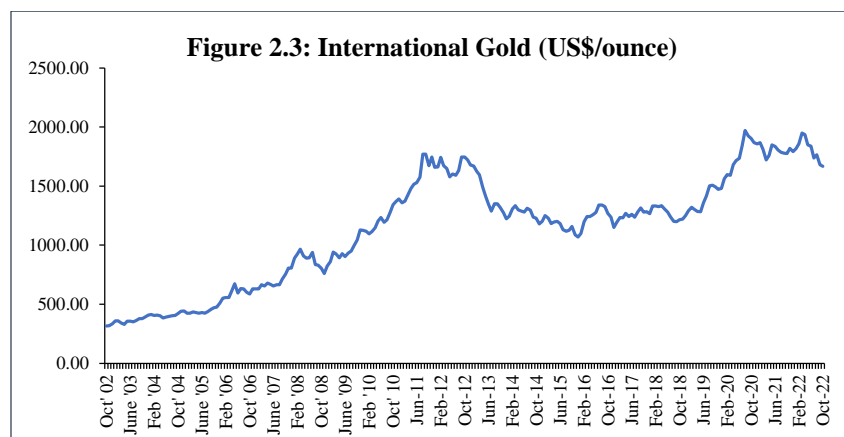
Source: Reuters

Benchmark Brent crude oil prices averaged US\$93.6 per barrel in October, up by US\$3.03 per barrel from the previous month as signs of waning recession fears outweighed concerns over slack demand in China. Expectations of a large cut in crude oil output from the OPEC+ producer group and supply distortions arising from the Russia-Ukraine conflict pushed Brent up by 11.8 percent year-on-year.



Source: Reuters

Spot gold came under pressure from a surging US dollar to close the month of October at US\$1,666.67 per fine ounce, 0.92 percent lower than the previous month. Compared to the same period last year, gold prices lost 6.1 percent as fears of more rate hikes by the Federal Reserve dampened investor appetite for the yellow metal.



Source: Reuters

2.1 Trade Balance

In the first ten months of 2022, transactions recorded in the trade account resulted in a surplus of US\$1.88 billion, 83.9 percent higher than the trade surplus of US\$1.02 billion recorded same time of 2021. The improvement in the trade surplus was on account of higher growth in exports relative to imports. Exports earnings grew by 17.8 percent to US\$14.33 billion, driven mainly by crude oil, gold and non-traditional exports. Crude oil exports increased by 48.4 percent to US\$4.6 billion mainly on the back of higher prices. Gold exports rose by 26.5 percent to US\$5.3 billion, driven by larger volumes while other exports including non-traditional exports increased by 8.8 percent to US\$2.6 billion for the first nine months of 2022. Cocoa exports (beans and products), however, fell by 26.3 percent to US\$1.69 billion mainly due to lower production volumes.

Imports during the period grew by 11.8 percent to US\$12.4 billion driven by 95.0 percent increased demand for fuel products. Non-oil imports, however, compressed by 6.2 percent.

2.2 Current Account

The current account deficit for the first nine months of 2022 was US\$1.83 billion, slightly lower than the deficit of US\$1.86 billion recorded same time of 2021. The stable current account deficit was a result of the improved trade surplus, which was offset by higher services and income payments. Private transfers declined marginally to US\$2.48 billion from US\$2.56 billion recorded during the corresponding period of 2021.

2.3 Capital and Financial Accounts

The capital and financial account recorded significant outflows amounting to US\$1,486 million in the first nine months of 2022. These outflows were mainly explained by portfolio reversals, reduced FDI inflows, lower private capital loan inflows, and higher build-up of deposit taking corporations foreign assets. The combined effect of these transactions in the current account and the capital and financial account culminated in a balance of payments deficit of US\$3.41 billion at the end of September 2022, compared to a surplus of US\$3,491.4 million in the corresponding period of 2021.

2.4 International Reserves

The stock of Gross International Reserves stood at US\$6,675.4 million at the end of October 2022, equivalent to 2.9 months of imports cover. This compares to a stock position of US\$9,695.2 million at the end of December 2021, enough to provide for 4.3 months of imports cover.

2.5 Commodity Price Outlook

Market forces are likely to affect the cocoa market in the 2022/23 crop season. Major headwinds expected to dampen demand include slower economic growth, high inflation and rising interest rates, and concerns about high energy prices. On the supply side, good weather conditions at the start of the new season will be supportive of higher production in the largest growers – Ivory Coast and Ghana. However, rising fertilizer prices will constitute a downside risk to increased production. Despite these, prices are expected to register some modest recovery in the next crop season because of activities of speculators.

The oil market is expected to moderate in 2023 because of fears of economic recession and pro-longed COVID-19 restrictions in China. However, this may be moderated by tight supply from OPEC+ voluntary production cut, the EU ban on Russian oil set to kick off on December 5, 2022 and possibility of reduced supply from the US. Consequently, Brent crude oil prices are forecast to average US\$92 per barrel in 2023, and ease to US\$80 per barrel in 2024.

In the outlook, rising recession risks, ongoing Ukraine war and strong US dollar will continue to drive sentiments around gold prices. The bullion is expected to close the year between US\$1,650 and US\$1,750 per fine ounce. However, analysts forecast prices could trend lower in 2023 towards US\$1,600 per fine ounce as rising inflation spur central banks to speed up the pace of monetary tightening.

Table 2.1: Trade Balance (US\$ million)

	2020 Jan - Oct	2021 Jan - Oct	Prov. 2022 Jan - Oct	Abs Y/Y Chg	Rel Y/Y Chg
Trade Balance	1,686.2	1,021.3	1,877.9	856.6	83.9
<i>Trade Bal (% GDP)</i>	<i>2.5</i>	<i>1.3</i>	<i>2.5</i>		
Total Exports	12,017.6	12,165.7	14,336.6	2,171.0	17.8
Gold (\$'M)	5,729.6	4,215.8	5,332.1	1,116.3	26.5
Volume (fine ounces)	3,279,162	2,340,755	3,032,639	691,884	29.6
Unit Price (\$/fine ounce)	1,747.3	1,801.0	1,758.2	-42.8	-2.4
Cocoa Beans (\$'M)	1,092.4	1,526.0	987.8	-538.2	-35.3
Volume (tonnes)	442,556	598,874	399,831	-199,043	-33.2
Unit Price (\$/tonne)	2,468.4	2,548.1	2,470.4	-77.7	-3.0
Cocoa Products (\$'M)	722.6	915.3	790.6	-124.7	-13.6
Volume (tonnes)	230,281	271,423	260,331	-11,092	-4.1
Unit Price (\$/tonne)	3,138.0	3,372.2	3,036.9	-335.3	-9.9
Crude Oil (\$'M)	2,407.6	3,108.7	4,614.1	1,505.4	48.4
Volume (barrels)	56,816,614	44,861,820	44,736,567	-125,253	-0.3
Unit Price (\$/bbl)	42.4	69.3	103.1	33.8	48.8
Other Exports	2,065.4	2,399.9	2,612.1	212.3	8.8
<i>o/w: Non-Traditional Exports</i>	<i>1,625.4</i>	<i>1,923.5</i>	<i>2,032.2</i>	<i>108.7</i>	<i>5.6</i>
Total Import	10,331.3	11,144.4	12,458.7	1,314.3	11.8
Non-Oil	8,775.1	9,064.0	8,506.1	-557.9	-6.2
Oil and Gas	1,556.2	2,080.4	3,952.6	1,872.2	90.0
<i>of which: Products</i>	<i>1,204</i>	<i>1,906</i>	<i>3,718</i>	<i>1,812</i>	<i>95.0</i>
Gas (\$'M)	148.0	116.6	155.9	18.4	18.2
Crude Oil (\$'M)	204.3	57.4	78.9	21.5	37.4
Volume (barrels)	5,241,474	823,641	755,830	-67,812	-8.2
Unit Price (\$/bbl)	39.0	69.7	104.4	34.7	49.7
Gas (\$'M)	148.0	116.6	155.9	39.3	33.7
Volume (MMBtu)	20,501,320	15,549,233	20,209,356	4,660,123	30.0
Unit Price (\$ mmbtu)	7.2	7.5	7.7	0.2	2.9

Source: Bank of Ghana

3. Real Sector Developments

3.0 Highlights

The latest high frequency indicators moderated somewhat in September 2022 compared to a year ago. Cement sales, port activity and vehicle registration contracted, while Domestic VAT collections, retail sales and industrial consumption of electricity improved in the review period.

3.1 Trends in Real Sector Indicators

Consumer Spending

Consumer spending, proxied by domestic VAT collections and retail sales, posted a positive performance in September 2022, compared with the corresponding period in 2021. Domestic VAT collections increased by 19.9 percent on a year-on-year basis to GH¢755.53 million, from GH¢630.34 million. Cumulatively, total domestic VAT for the first three quarters of 2022 went up by 20.3 percent to GH¢6,073.00 million compared with GH¢5,049.61 million for the corresponding period of last year.

Retail sales increased by 8.9 percent (year-on-year) to GH¢118.78 million in September 2022, up from the GH¢109.10 million recorded in the same period in 2021. On a month-on-month basis, retail sales declined marginally by 1.1 percent in September 2022 from GH¢120.10 million in the preceding month. In cumulative terms, retail sales for the first three quarters of 2022 went up by 4.9 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 September 2022. Total Direct Taxes collected increased by 30.0 percent (year-on-year) to GH¢4,004.27 million in September 2022, relative to GH¢3,080.55 million recorded in a similar period in 2021. Cumulatively, total Direct Taxes collected for the first three quarters of 2022 went up by 25.2 percent to GH¢23,058.72 million, from GH¢18,418.30 million for the same period in 2021. In terms of contributions of the various sub-tax categories, Corporate tax accounted for 57.1 percent, Income tax (PAYE and self-employed) accounted for 28.6 percent, while "Other Tax Sources" contributed 14.3 percent.

Total private sector workers' contribution to the SSNIT Pension Scheme (Tier-1) increased by 14.0 percent (year-on-year) to GH¢245.89 million in September 2022, from GH¢215.67 million collected during the corresponding period in 2021. Cumulatively, for the first three quarters of 2022, the contribution grew by 20.8 percent to GH¢2,293.11 million, relative to GH¢1,898.96 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 20.0 percent (year-on-year) in September 2022 to 255,045.87 tonnes, down from 318,655.90 tonnes recorded a year ago. On a month-on-month basis, total cement sales dipped by 9.1 percent in September 2022 compared with the 280,707.85 tonnes recorded in August 2022. Cement sales for the first three quarters of 2022 went down by 15.6 percent to 2,623,228.51 tonnes, from 3,108,877.03 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 31.9 percent to 12,310 in September 2022, from 18,089 vehicles registered during the corresponding period of 2021. Cumulatively, vehicles registered by the DVLA within the first three quarters of 2022 decreased by 13.3 percent to 192,197 from 221,569 recorded a year ago.

Industrial Consumption of Electricity

Consumption of electricity by industries increased by 14.9 percent on a year-on-year basis during the period under review. Industries consumed 286.76 gigawatts of power in September 2022, as against 249.68 gigawatts recorded for the corresponding period in 2021. On a month-on-month basis, power consumed by industries in September 2022 went up by 8.1 percent from 265.24 gigawatts utilised for August 2022. In cumulative terms, electricity consumed by industries for the first three quarters of 2022 increased by 5.6 percent to 2,454.35 gigawatts from 2,325.24 gigawatts for the corresponding period a year ago.

Passenger Arrivals at the Airport

International tourist arrivals increased in September 2022 by 24.2 percent to 79,637 tourists compared to a similar period in 2021. Compared to August 2022, tourist arrivals dipped by 7.9 percent. For the first three quarters of 2022, there were 645,980 tourist arrivals recorded at KIA and the land borders compared with 420,075 for the corresponding period in 2021, representing a growth of 53.8 percent. The 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 18.9 percent, year-on-year, to 50,807 in September 2022, down from 62,656 for a similar period in 2021. In cumulative terms, total container traffic for the first three quarters of 2022 dipped by 13.2 percent to 502,530 compared with 579,202 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, which partially gauges labour demand in the economy, increased in October 2022 relative to what was observed in the corresponding period a year ago. In total, 3,055 job adverts were recorded as compared with 2,734 for the same period in 2021, indicating an increase of 11.7 percent (year-on-year). On a month-on-month basis, the number of job vacancies in October 2022 went up by 17.0 percent from the 2,611 jobs advertised in September 2022. Cumulatively, for the first ten months of 2022, the total number of advertised jobs declined by 9.5 percent to 26,595 from 29,380 recorded during the same period in 2021.

Private Sector Pension Contributions

Total number of private sector SSNIT contributors, which partially gauges employment conditions, declined marginally to 881,139 in September 2022 compared with 881,325 for the same period in 2021. On a month-on-month basis, total number of private sector SSNIT contributors decreased by 3.8 percent from

¹ The Daily Graphic newspaper was used to represent print media because it is the most widely circulated daily.

² These are job adverts posted on the websites of the 10 main online job advertising/employment companies in Ghana.

the 915,582 individuals recorded in August 2022. Cumulatively, for the first three quarters of 2022, the total number of private sector contributors increased by 8.5 percent to 8,411,419 from 7,750,950 recorded over the corresponding period in 2021.

3.2 Composite Index of Economic Activity

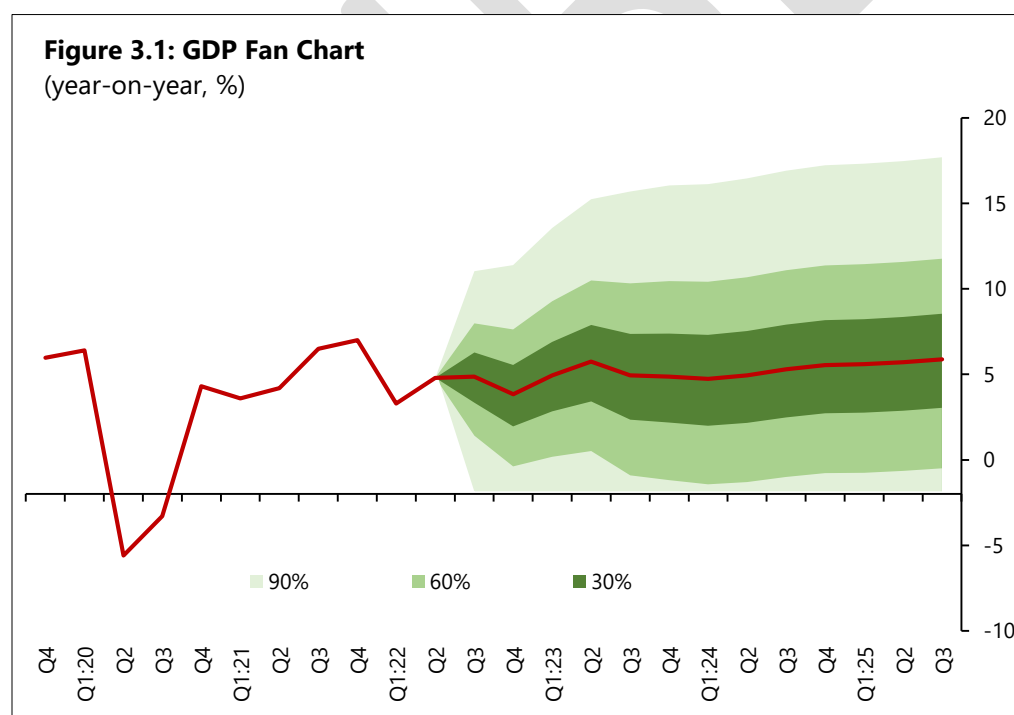
The Bank's updated real Composite Index of Economic Activity (CIEA) contracted by 1.2 percent in September 2022, compared with a growth rate of 11.2 percent in the corresponding period of 2021.

3.3 Consumer and Business Surveys

The consumer and business confidence surveys conducted in October 2022 continue to point to softening economic sentiments. The Consumer Confidence Index dipped from 78.8 in August to 73.9 in October 2022 on account of rising inflation and uncertainty about future economic conditions. The Business Confidence Index also declined from 77.4 in August to 72.6 in October 2022 on concerns about rising operational costs, sharp currency depreciation and weak consumer demand.

3.4 Real Sector Outlook

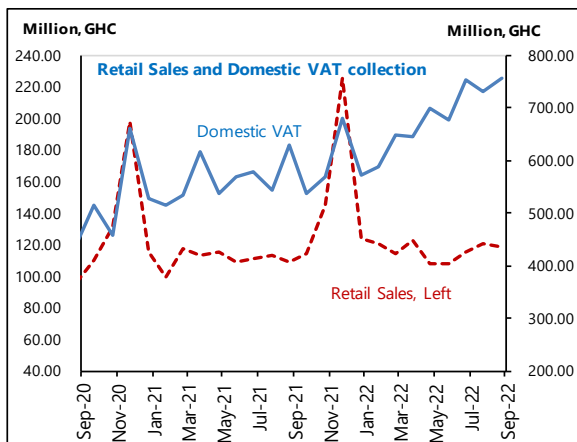
The second quarter GDP growth was strong, however the recent high frequency indicators point to some slowdown. The Banks' CIEA contracted in year-on-year in the third quarter, reflecting weakened consumption, trade, and construction activities. Both business and consumer sentiments continue to soften and remain below potential levels reflecting rising cost of living, high input cost and significant uncertainty. Despite these trends, private sector credit growth, in real terms, remains relatively strong and provides scope for the real sector to continue on the path of sustaining a positive outlook for economic activity.



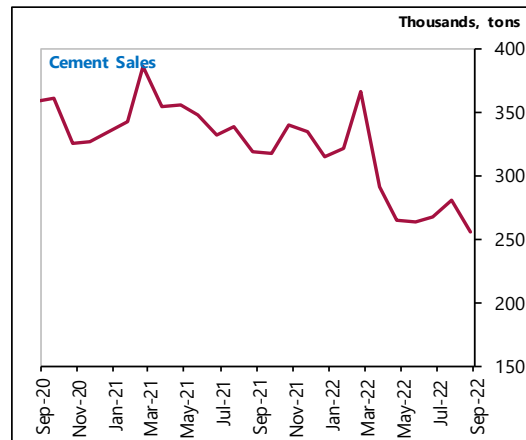
Appendix

Panel 1: Ghana's Leading Indicators of Economic Activity

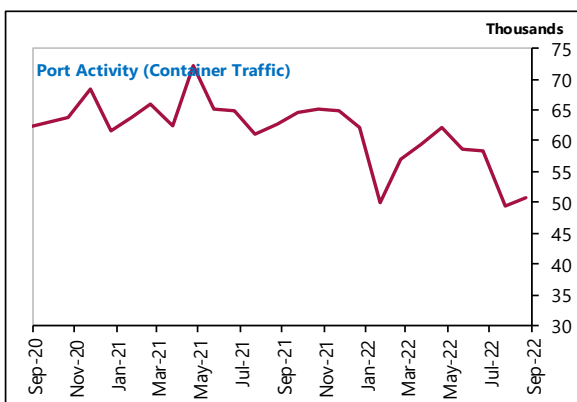
...Domestic VAT collections increased while retail sales dipped in September 2022...



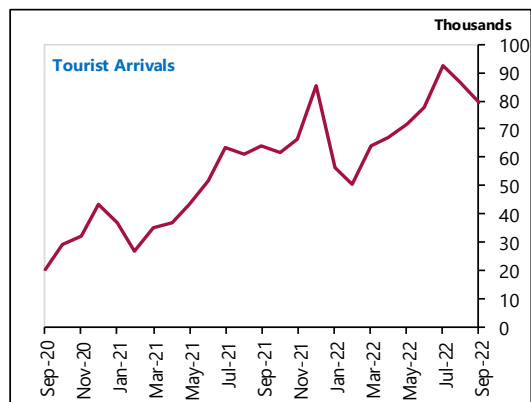
...Construction activities, proxied by cement sales, declined in September 2022...



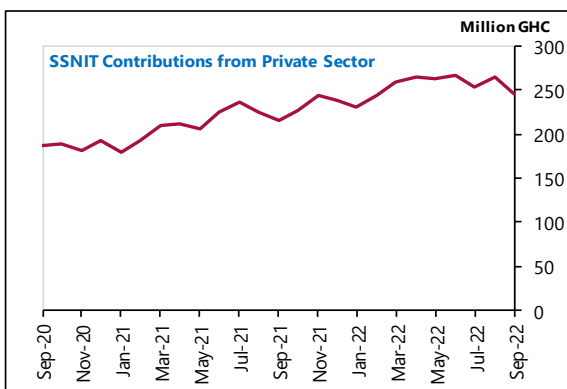
...Port activity improved in September 2022...



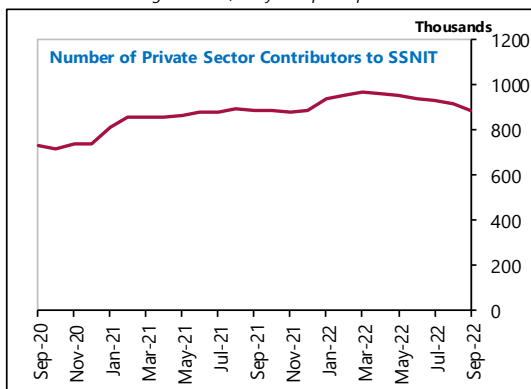
...Tourist arrivals went down in September 2022...



...Labour market conditions softened in September 2022...



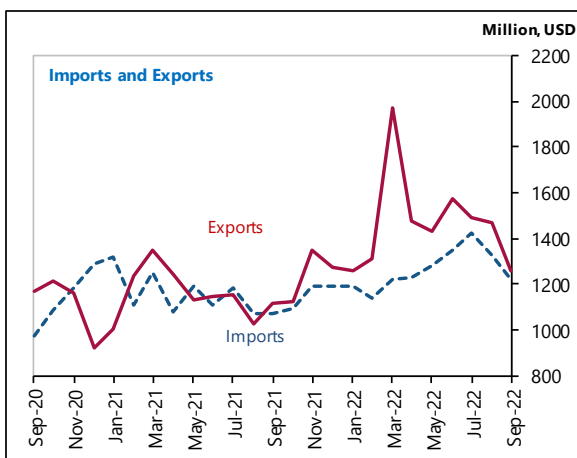
...Labour hiring conditions, proxied by the number of private sector workers contributing to SSNIT, are yet to pick up...



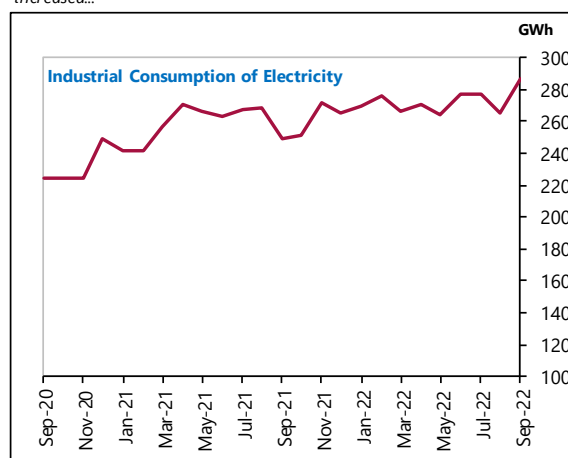
Sources: Bank of Ghana, Various Stakeholders

Panel 2: Ghana's Leading Indicators of Economic Activity

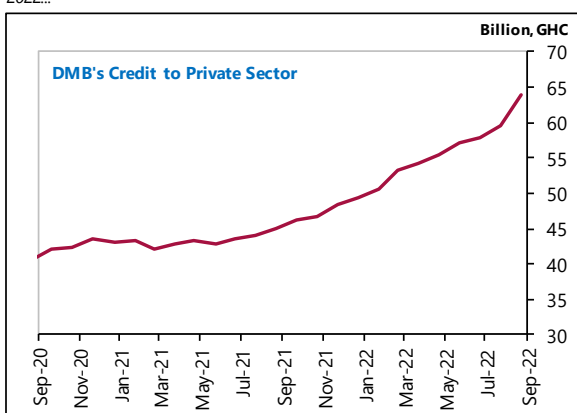
...Exports and imports went down in September 2022...



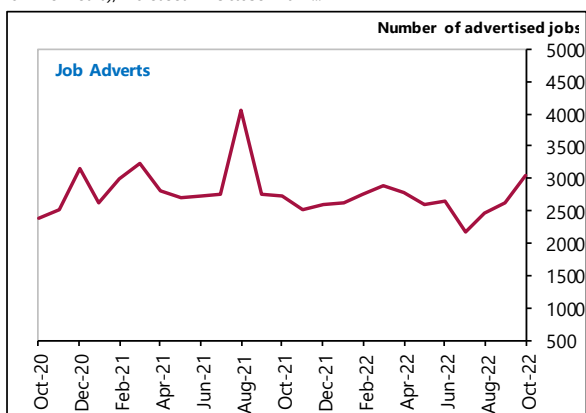
...Industrial activity, proxied by industrial consumption of electricity, increased...



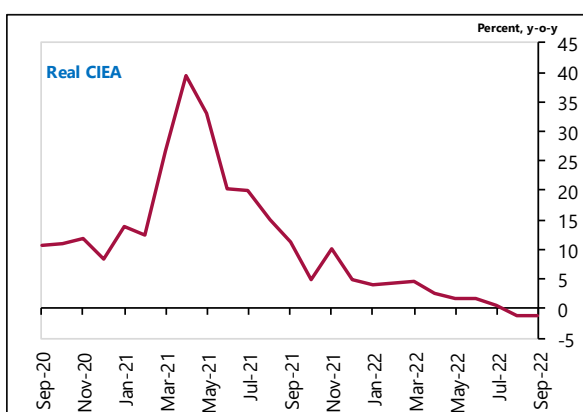
...Commercial banks' credit to the private sector improved in September 2022...



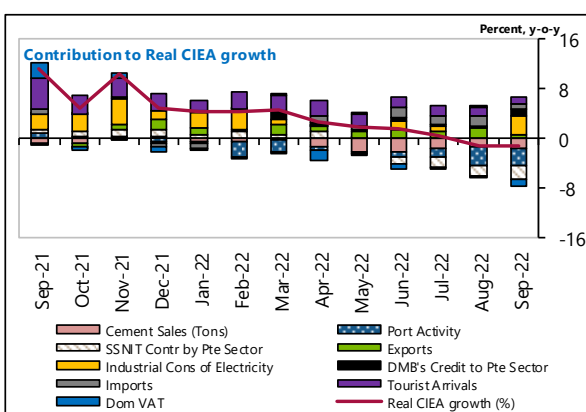
...Demand for labour, proxied by the number of job adverts (in print and online media), increased in October 2022...



...On a year-on-year basis, the real CIEA contracted by 1.2 percent in September 2022, compared with a growth rate of 11.2 percent in September 2021...



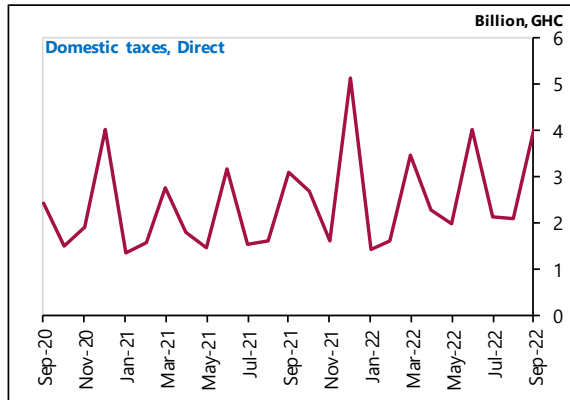
...The decline in the real CIEA was mainly due to a contraction in Port Activity, SSNIT Contributions from the Private Sector, Cement Sales and Domestic VAT...



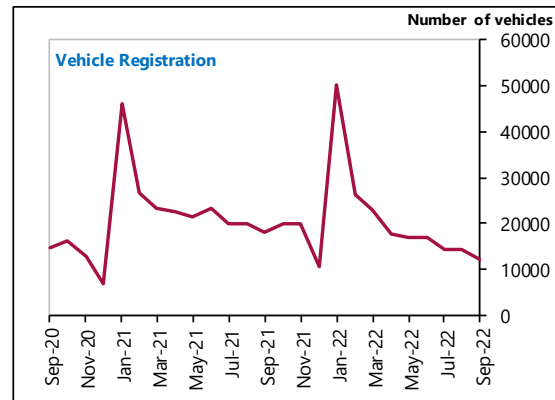
Source: Bank of Ghana, Various Stakeholders

Panel 3: Ghana's Leading Indicators of Economic Activity

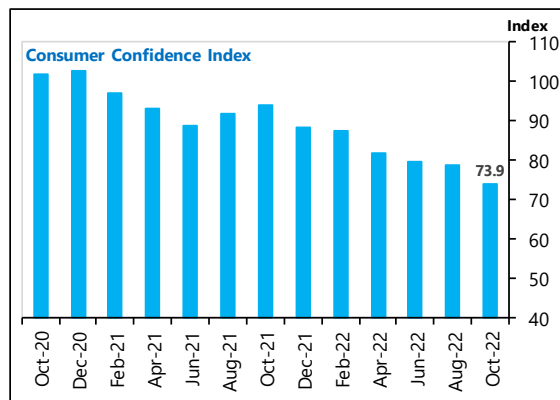
...Domestic tax collection increased in September 2022...



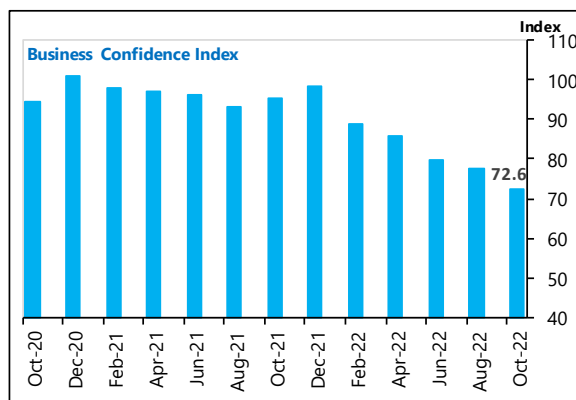
...Vehicle registration dipped in September 2022...



...Consumer confidence softened on account of rising inflation and uncertainty about future economic conditions...



...Business confidence declined as businesses were concerned about rising operational costs, sharp currency depreciation and weak consumer demand...



Source: Bank of Ghana, Various Stakeholders

4. Monetary and Financial Developments

4.0 Highlights

The pace of growth in broad money supply (M2+) accelerated in October 2022, mainly driven by expansion in Net Domestic Assets of the depository corporation sector; Net Foreign Assets, however, contracted significantly. Interest rates in the money market broadly showed upward trends across the spectrum of the yield curve, consistent with the direction of the policy rate. The Ghana Stock Exchange Composite Index declined, on year-to-date basis, driven by a variety of factors including rising inflation and exchange rate pressures, as well as portfolio reversals.

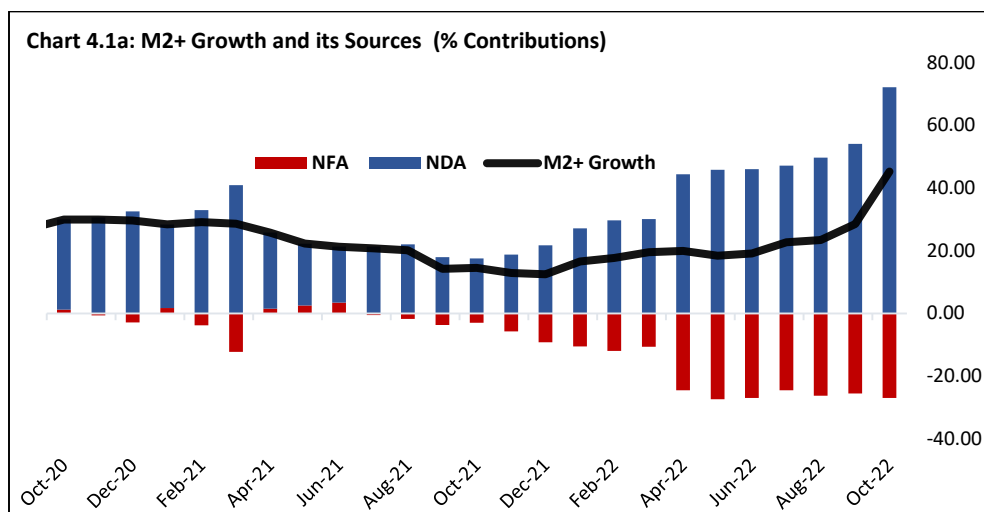
4.1 Developments in Monetary Aggregates

Money Supply

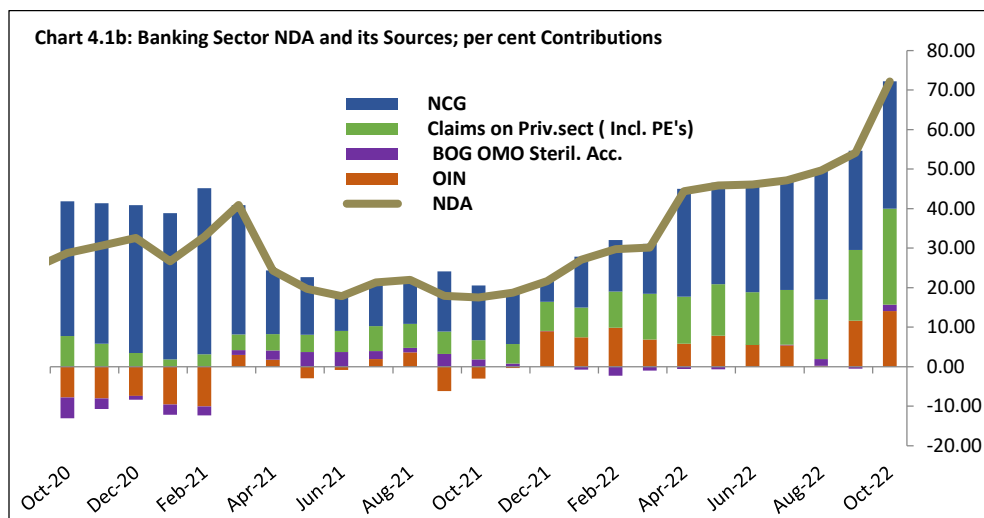
The pace of growth in broad money supply (M2+) increased in October 2022 on account of a significant expansion in the Net Domestic Assets (NDA) of the depository corporation sector, while the Net Foreign Assets (NFA) declined sharply, partially offsetting the expansion in the NDA. M2+ recorded an annual growth of 45.2 percent in October 2022 compared with 14.5 percent in the corresponding period of 2021. Net Foreign Assets (NFA), on the other hand, 2+ decreased to negative 26.9 percent from negative 3.0 percent, while the contribution of the NDA increased to 72.2 percent from 17.5 percent, over the same comparative period.

In terms of annual growth, NFA contracted by 227.6 percent in October 2022 relative to 18.3 percent contraction in October 2021, while NDA expanded by 81.9 percent compared with 21.0 percent, over the same comparative period (Chart 4.1a and Appendix Table 4.1). The increase in the contribution of NDA in the 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 same time in 2021. In addition, the stock of BOG bills held by Deposit Money Banks (DMBs) decreased to reinforce the growth in M2+ over the same comparative period (Chart 4.1b, and Appendix Table 4.1).

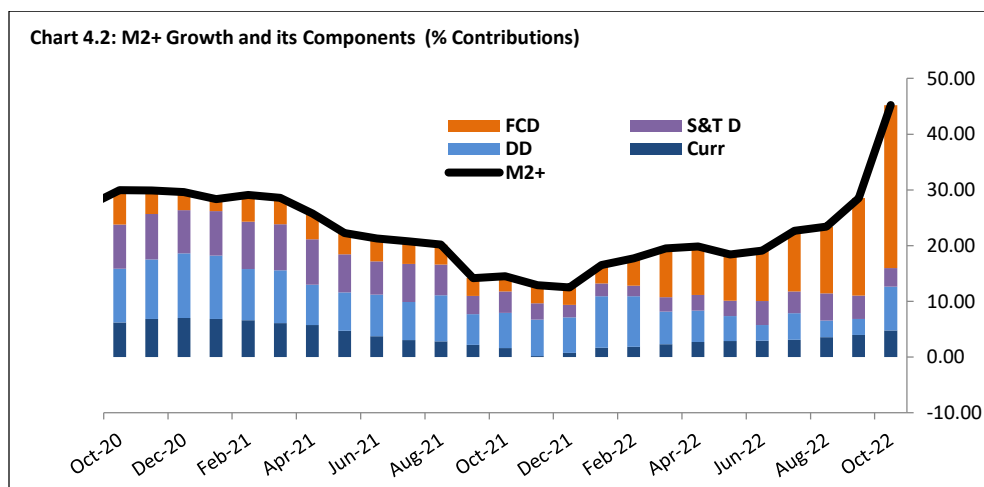
Analysis of the components of M2+ showed that the increase in the growth in M2+ reflected in increased growth in currency, demand deposits, and foreign deposits in October 2022. However, growth in savings and time deposits decreased, relative to same period in 2021. (Chart 4.2; Appendix Table 4.1).



Source: Bank of Ghana Staff Calculations



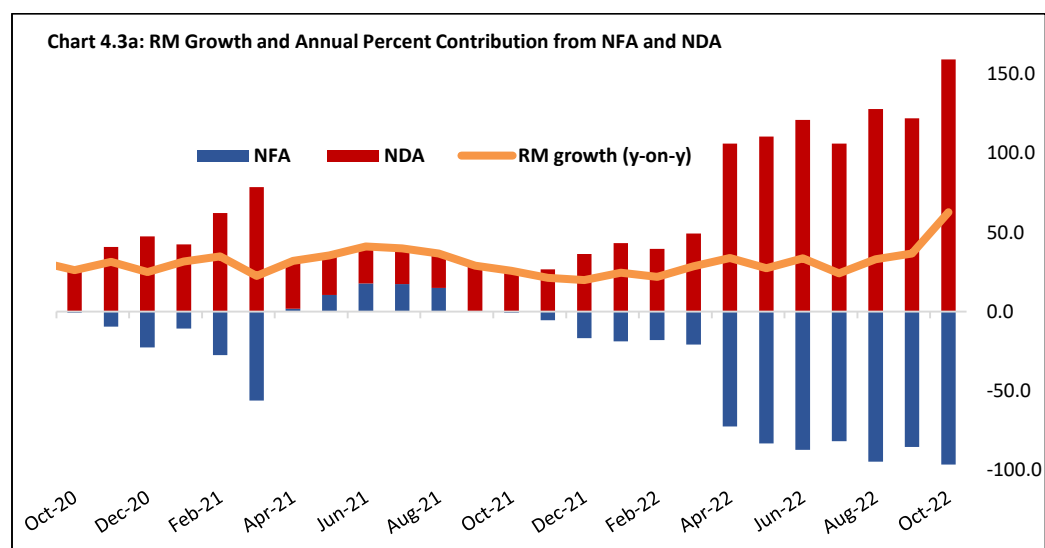
Source: Bank of Ghana Staff Calculations



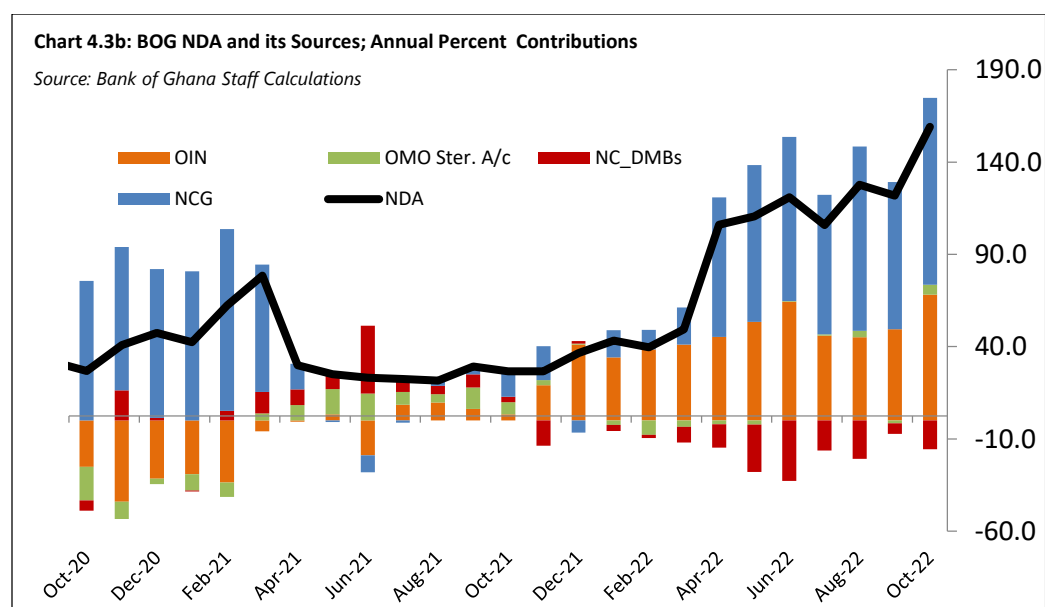
Source: Bank of Ghana Staff Calculations

4.2 Reserve Money

Annual growth in Reserve Money (RM) increased considerably to 62.7 percent in October 2022, from 25.9 percent recorded in the corresponding period of 2021. The increased pace of growth in RM was mainly due to expansion in the NDA of the Central Bank, reflecting increased Net Claims on Government (NCG) and outflows through the OIN. OMO sterilization, however, declined, on account of relatively higher yields on alternative investments securities. The NDA accounted for 159.1 percent of the growth in RM in October, 2022 relative to 26.64 percent, same time last year. In contrast, the NFA of the central bank contracted significantly, reflecting increased 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 96.4 percent in October 2022, relative to negative 0.78 percent recorded in the corresponding period of 2021 (Chart 4.3a, 4.3b, and Appendix 4.2).



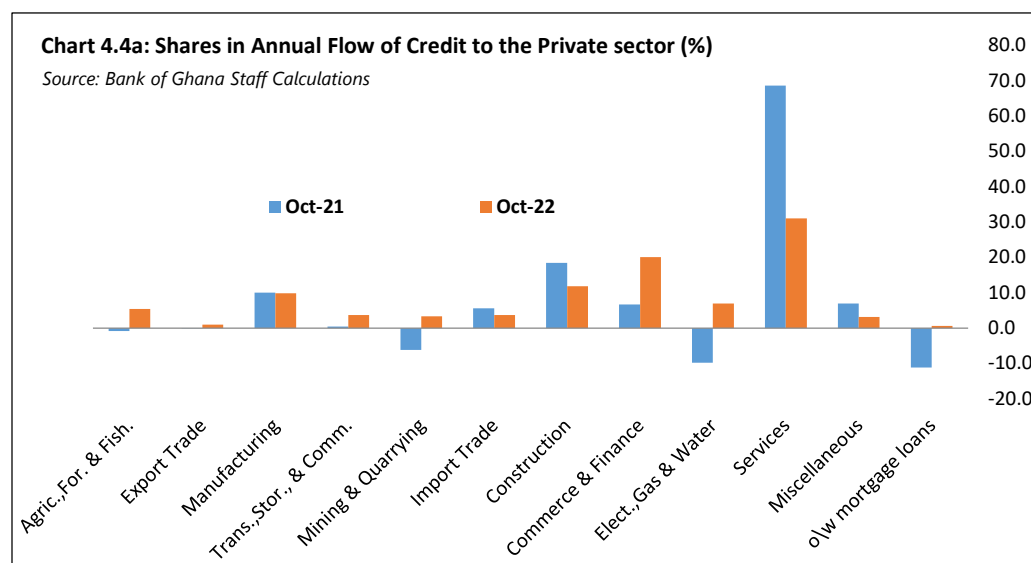
Source: Bank of Ghana Staff Calculations



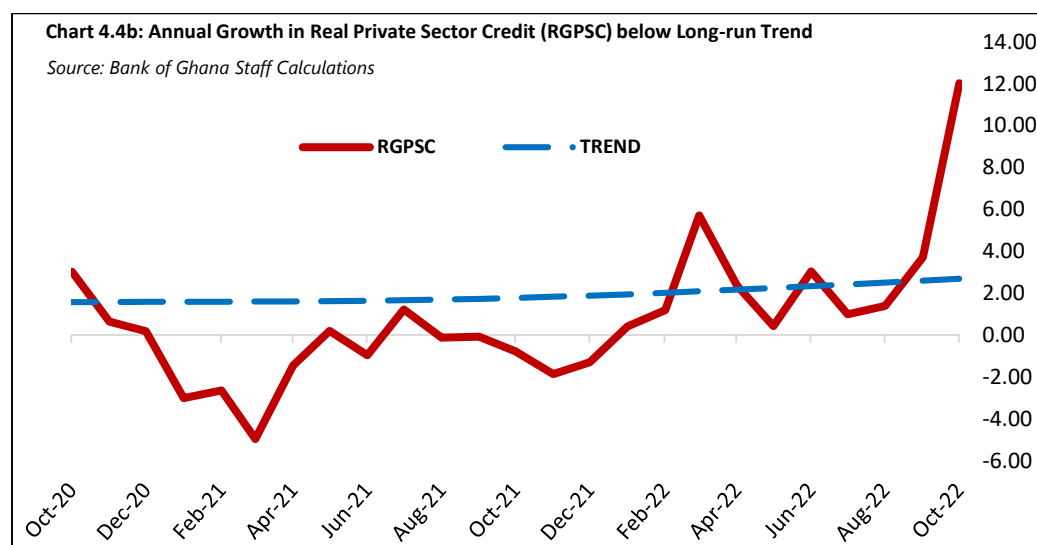
Source: Bank of Ghana Staff Calculations

4.3 Deposit Money Banks Credit Developments

DMBs' credit to the private sector and public institutions increased significantly by GH¢29,645.87 million (57.48%) in October 2022 compared with GH¢4,216.35 million (8.90%) recorded in October 2021. Credit to the private sector increased by GH¢26,532.74 million (57.28%) in October 2022 compared with GH¢4,260.83 million (10.13%) recorded in the corresponding period of 2021. The significant increase in the nominal growth in private sector credit reflects banks' portfolio rebalancing and exchange rate translational effects on foreign currency denominated credit. Private sector credit accounted for 89.5 percent of total flow of credit extended to both private and public institutions in October 2022, relative to 101.2 percent recorded in the corresponding period of 2021. Credit flow to the private sector remained concentrated in four sectors, comprising: services; commerce and finance; construction; and manufacturing sectors (Chart 4.4a).



Source: Bank of Ghana Staff Calculations



Source: Bank of Ghana Staff Calculations

Outstanding credit to the private sector at the end of October 2022 was GH¢72,851.57 million, compared with GH¢46,318.83 million recorded in October 2021. In real terms, private sector credit increased

significantly by 12.0 percent in October 2022, compared with a contraction by 0.78 percent, recorded in the corresponding period of 2021. Real growth in private sector credit moved sharply above the long-run trend (Chart 4.4b).

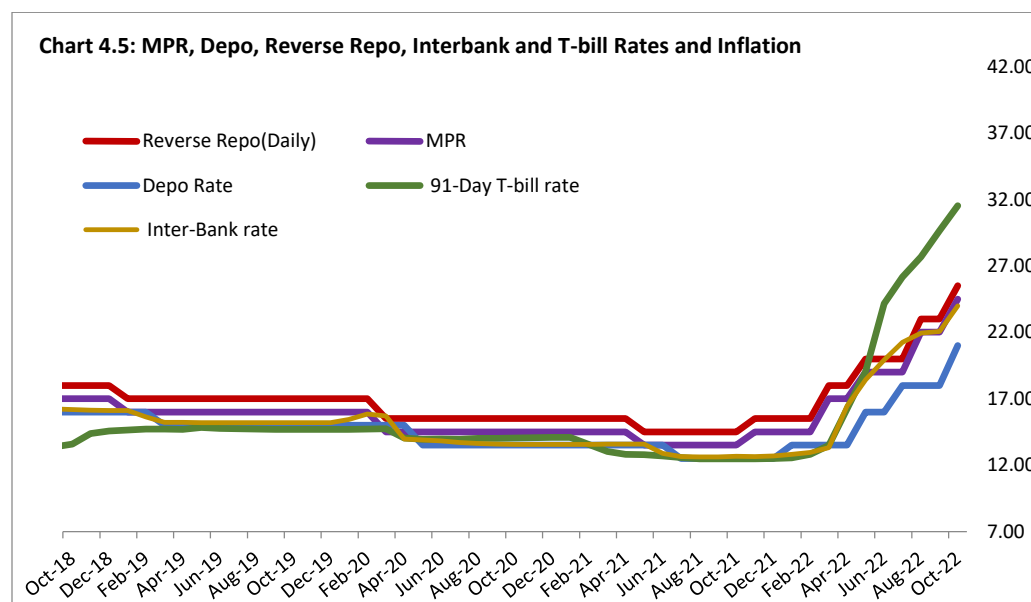
4.5 Money Market Developments

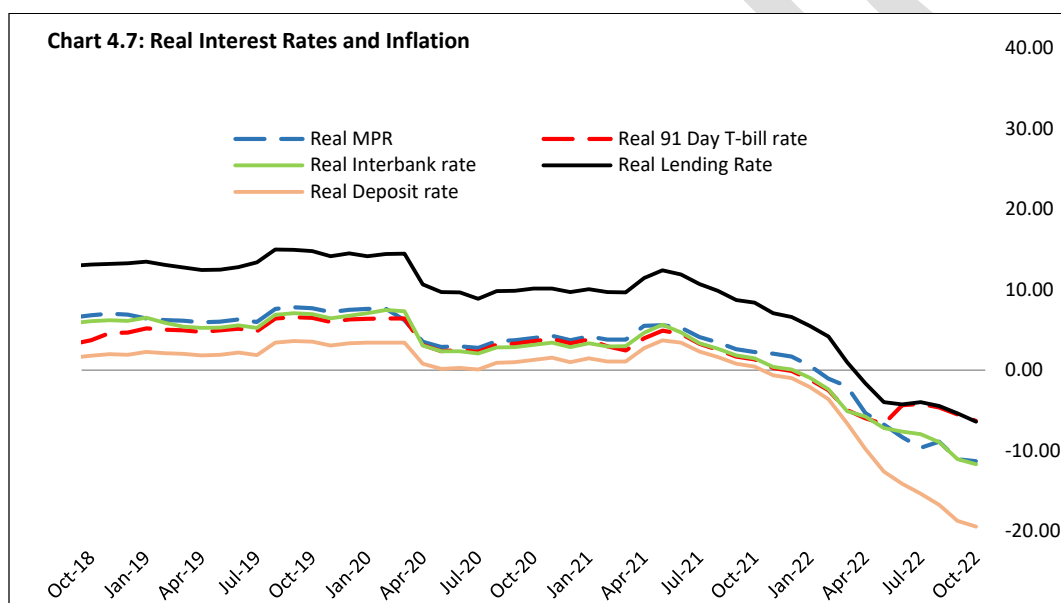
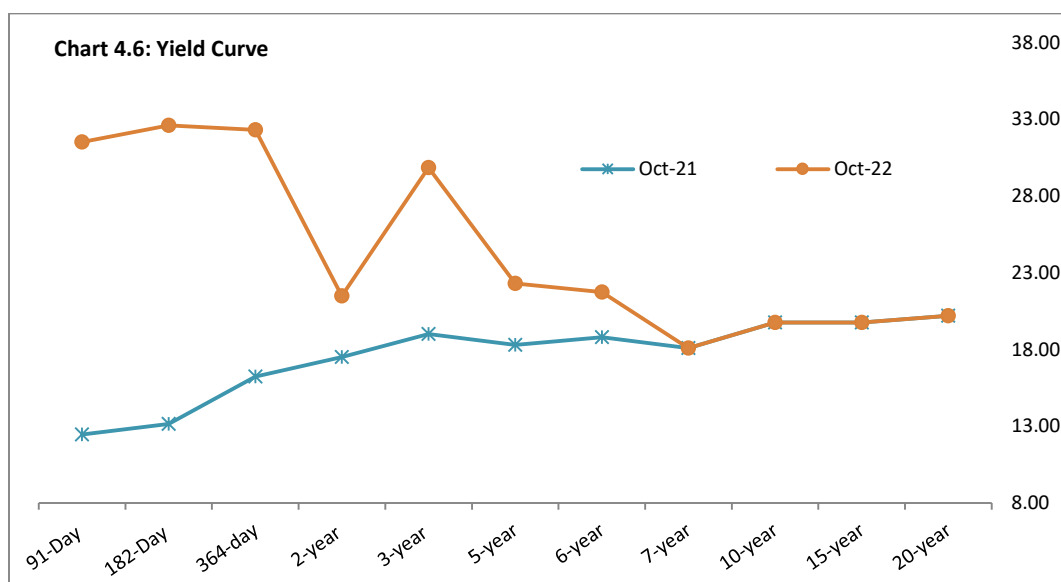
Monetary Policy Rate, Repo, Interbank, Treasury bill and Bond rates

Developments in interest rates broadly showed upward trends across the spectrum of the yield curve, reinforced by the tight monetary policy stance and the relatively tight liquidity conditions in the money market. The 91-day and 182-day Treasury bill rates increased to 31.53 percent and 32.61 percent respectively, in October 2022, from 12.46 percent and 13.16 percent respectively, in the same period of 2021. Similarly, the rate on the 364-day instrument increased to 32.32 percent in October 2022 from 16.24 percent in October 2021.

Rates on the 2-year, 3-year, 5-year and 6-year bonds increased to 21.50 percent, 29.85 percent, 22.30 percent, and 21.75 percent, respectively, from 17.50 percent, 19.00 percent, 18.30 percent and 18.80 percent, respectively. Rates on the longer-dated bonds, however, remained broadly unchanged during the review period.

The interbank weighted average rate increased to 23.98 percent in October 2022 from 12.66 percent in October 2021, consistent with the increases in the policy rate and the systematic increases in the Cash Reserve Ratio. In tandem, the average lending rates of banks increased to 31.40 percent in October 2022 from 20.34 percent in the same 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 2,460.31 points in October 2022 from 2,864.31 points recorded in the corresponding period of 2021. This translates into a year-on-year loss of 14.1 percent in October 2022 compared to a gain of 55.9 percent in October 2021. The GSE-Financial Stocks Index (GSE-FSI) closed at 2,069.89 points, representing a loss of 0.59 percent, compared to a gain of 26.1 percent, over the same comparative period in 2021.

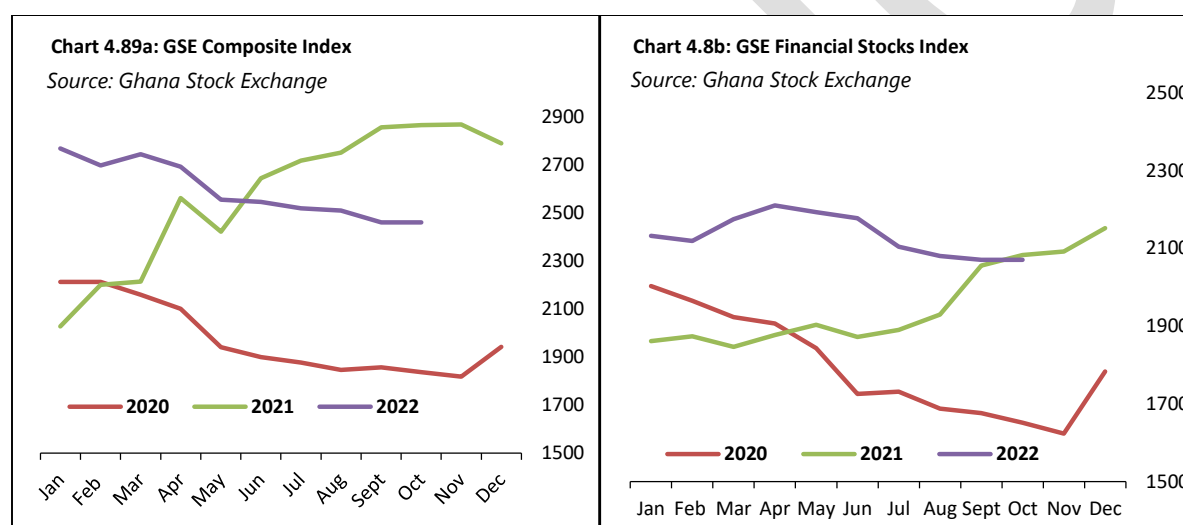
On year-to-date basis, the GSE-CI and GSE-FI recorded losses of 11.8 percent and 3.8 percent respectively. The year-to-date loss is attributed to portfolio reversals and a shift to alternative assets to hedge against exchange rate depreciation.

Total market capitalisation of the GSE at the end of October 2022 was GH¢64.7 billion representing a marginal growth of 0.71 percent (GH¢456.72 million), compared with a growth 21.0 percent (GH¢11.16 billion) in October 2021. On year-to-date basis, total market capitalisation decreased by 0.36 percent. The marginal improvement in market capitalization was largely on account of the listing of Ashanti Gold Corporation (ASG). (Table 4.1, Charts 4.8a, 4.8b).

Table 4.1: Performance of GSE

Performance of Ghana Stock Exchange (Table 2)														
										Changes Y-O-Y		Y-T-D	M-O-M	
	Dec-20	Oct-21	Dec-21	Mar-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	2021	2022	2022	2021	2022
GSE CI	1941.59	2864.31	2789.34	2742.85	2545.48	2518.86	2508.99	2460.12	2460.31	55.90	-14.10	-11.80	0.32	0.01
GSE FI	1782.76	2082.12	2151.85	2174.96	2176.97	2103.58	2079.94	2070.1	2069.89	26.09	-0.59	-3.81	1.31	-0.01
Market Capitalization	54374.86	64270.46	64495.21	64029.79	64841.21	64383.34	64445.45	63985.83	64727.18	21.00	0.71	0.36	0.16	1.16

Source: Ghana Stock Exchange and Bank of Ghana Staff Calculations



4.7 Conclusion

The pace of growth in broad money supply (M2+) increased in October 2022 due to the significant expansion in the Net Domestic Assets (NDA) of the depository corporations sector. Similarly, annual growth in reserve money increased considerably, on the back of expansion in the NDA of Bank of Ghana, reflecting increased Net Claims on Government (NCG) and outflows through the OIN. In contrast, the NFA declined on account of increased balance of payment support, and increased interventions on the foreign exchange market to mute the pressures on the domestic currency.

Growth in credit to the private sector improved in nominal and real terms, reflecting portfolio rebalancing by DMBs and exchange rate translational effects. Money market rates broadly trended upwards, reinforced by the tight monetary policy stance and relatively tight liquidity conditions. The weighted average interbank rate increased significantly, inducing upward adjustments in the rates at the retail-end of the market.

Appendix Table 4.2

Appendix 1: Sources of Growth in Total Liquidity (M2+) (millions of Ghana cedis unless otherwise stated)										
	Dec-19	Dec-20	Oct-21	Dec-21	Mar-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
1 Net Foreign Assets	21293.01	18598.06	15304.21	10302.96	2415.79	(7470.94)	(8977.30)	(13987.40)	(16665.29)	(19528.25)
Bank of Ghana	20622.55	14121.48	17247.01	11018.62	4485.86	(6401.93)	(8995.20)	(14375.54)	(16871.08)	(21098.91)
Commercial Banks	670.46	4476.57	(1942.80)	(715.67)	(2070.07)	(1069.01)	17.89	388.14	205.79	1570.66
2 Net Domestic Assets	71682.47	101923.76	113926.79	125295.07	140313.35	152627.87	159392.80	166443.23	176822.88	207187.45
ow: Claims on government (net)	34214.54	68965.59	79598.07	75314.27	87787.70	96441.19	101424.76	111504.72	108948.92	121169.24
4 ow: Claims on Private sector(Incl. PE's)	49713.15	52943.18	58428.89	60279.46	66810.38	71346.80	72395.35	74602.10	79449.02	89844.06
BOG OMO Sterilisation Acc.	(4924.64)	(5789.95)	(7805.91)	(5654.59)	(6289.35)	(4583.13)	(5040.89)	(5068.15)	(6940.43)	(5699.78)
5 Total Liquidity (M2+)	92975.47	120521.82	129231.01	135598.03	142729.13	145156.93	150415.50	152455.83	160157.59	187659.20
6 ow: Broad Money Supply (M2)	69973.10	94491.75	101128.67	105779.55	106050.89	106488.56	109303.85	110233.88	110613.58	121790.71
7 ow: Foreign Currency Deposits(€million)	23002.37	26030.07	28102.33	29818.48	36678.24	38668.37	41111.65	42221.95	49544.01	65868.49
Change from previous year (in per cent)										
8 Net Foreign Assets	51.69	(12.66)	(18.26)	(44.61)	(84.00)	(129.43)	(142.57)	(175.84)	(209.64)	(227.60)
9 Net Domestic Assets	14.98	42.19	21.02	22.93	34.47	58.15	56.95	58.36	61.63	81.86
10 ow: Claims on government (net)	24.18	101.57	24.28	9.21	20.86	52.40	50.56	56.79	40.31	52.23
11 ow: Claims on Private sector(Incl. PE's)	19.73	6.50	10.47	13.86	26.01	29.46	30.51	33.12	38.98	53.77
12 ow: BOG OMO Sterilisation Acc.	14.76	(17.57)	20.92	2.34	(22.79)	1.79	4.73	18.45	(9.79)	26.98
13 Total Liquidity (M2+)	21.73	29.63	14.51	12.51	19.49	19.09	22.64	23.40	28.54	45.21
12 Broad Money Supply (M2)	16.13	35.04	15.14	11.95	13.76	13.03	15.25	14.73	14.22	20.43
14 Foreign Currency Deposits (FCDs)	42.65	13.16	12.29	14.55	39.89	39.69	47.85	53.72	78.49	134.39
Cumulative change from previous year end (in per cent)										
15 Net Foreign Assets	51.69	(12.66)	(17.72)	(59.51)	(67.92)	(199.20)	(219.20)	(285.72)	(321.28)	(359.29)
16 Net Domestic Assets	14.98	42.19	11.78	25.61	9.60	19.22	24.50	30.01	38.12	61.83
17 ow: Claims on government (net)	24.18	101.57	15.42	9.21	16.56	28.05	34.67	48.05	44.66	60.88
18 Broad Money(M2+)	21.73	29.63	7.23	12.47	5.29	7.08	10.96	12.47	18.15	38.44
Annual per cent contribution to money growth										
19 Net Foreign Assets	9.50	(2.90)	(3.03)	(6.88)	(10.62)	(26.95)	(24.51)	(26.25)	(25.57)	(26.95)
20 NDA	12.23	32.53	17.54	19.39	30.11	46.04	47.16	49.65	54.12	72.17
21 Total Liquidity (M2+)	21.73	29.63	14.51	12.51	19.49	19.09	22.64	23.40	28.54	45.21
Memorandum items										
22 Reserve Money	28896.02	36082.06	39785.36	43244.90	44866.58	48237.98	49549.65	49977.35	53503.90	64737.95
23 NFA (\$million)	3847.88	3228.72	2593.54	1715.42	339.67	(1033.25)	(1179.36)	(1699.05)	(1735.10)	(1501.18)
24 Currency ratio	0.18	0.21	0.18	0.19	0.18	0.18	0.17	0.18	0.17	0.16
25 FCD/M2+	0.25	0.22	0.22	0.22	0.26	0.27	0.27	0.28	0.31	0.35
26 FCD/Total Deposit	0.29	0.26	0.26	0.26	0.30	0.31	0.32	0.33	0.36	0.41
27 RM multiplier	2.42	2.62	2.54	2.44	2.36	2.21	2.21	2.21	2.07	1.88

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	Oct-21	Dec-21	Mar-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
1 Net Foreign Assets (NFA)	20622.55	14123.29	17247.01	11018.62	4485.86	(6401.93)	(8995.20)	(14375.54)	(16871.08)	(21098.91)
2 Net Domestic Assets (NDA)	8273.47	22001.49	22538.35	32281.40	40380.73	54639.91	58544.85	64352.89	70374.98	85836.86
of which:										
3 ow: Claims on government (net)	8468.74	31731.12	33808.99	29389.54	39496.69	51437.82	54279.69	63633.39	62420.49	74101.60
4 Claims on DMB's (net)	5302.04	5736.58	538.07	2725.48	(1896.17)	(4678.86)	(5593.02)	(7136.80)	(1494.48)	(5679.57)
5 OMO Sterilisation Account.	(4924.64)	(5789.95)	(7805.91)	(5654.59)	(6289.35)	(4583.13)	(5040.89)	(5842.44)	(6940.43)	(5699.78)
6 Reserve Money (RM)	28896.02	36124.78	39785.36	43300.02	44866.58	48237.98	49549.65	49977.35	53503.90	64737.95
7 ow:Currency	14358.06	20889.63	19497.85	21816.17	22090.81	22102.32	22355.72	23075.40	23786.09	25674.07
8 DMB's reserves	11850.56	11860.85	16277.89	17235.93	18451.87	21821.29	22431.00	22516.91	25120.26	33358.59
9 Non-Bank deposits	2687.40	3374.30	4009.62	4247.91	4323.90	4314.37	4762.93	4385.04	4597.55	5705.29
Change from previous year (in per cent)										
10 Net Foreign Assets	61.58	(31.52)	(1.41)	(22.65)	(61.79)	(125.57)	(138.16)	(167.91)	(202.22)	(222.33)
11 Net Domestic Assets	(5.32)	165.93	59.64	47.83	74.32	395.38	259.09	292.69	210.68	280.85
12 ow: Claims on government (net)	(17.05)	274.69	14.68	(7.38)	21.52	165.95	124.88	143.54	100.20	119.18
13 Claims on DMB's (net)	6.32	(8.20)	228.16	(17.48)	277.29	165.74	708.00	1183.15	301.86	1155.54
14 OMO Sterilisation Account.	14.76	(17.57)	20.92	2.34	(22.79)	1.79	4.73	18.45	(9.79)	26.98
15 Reserve Money (RM)	34.39	25.02	25.86	20.00	28.54	33.76	24.25	33.07	36.64	62.72
16 ow:Currency	20.24	45.49	10.10	4.44	14.31	19.11	20.33	23.64	26.44	31.68
Cumulative change from previous year end (in per cent)										
17 Net Foreign Assets (NFA)	61.58	(30.93)	21.08	(42.10)	(45.61)	(177.63)	(209.07)	(274.31)	(304.57)	(355.84)
18 Net Domestic Assets (NDA)	(5.32)	163.95	3.21	60.26	15.38	56.12	67.28	83.88	101.08	145.26
19 ow: Claims on government (net)	(17.05)	274.69	6.55	(7.38)	34.39	75.02	84.69	116.52	112.39	152.14
20 Reserve Money (RM)	34.39	25.02	10.13	19.85	3.75	11.55	14.58	15.57	23.72	49.70
Annual per cent contribution										
21 Net Foreign Assets	36.56	(22.49)	(0.78)	(8.94)	(20.78)	(87.17)	(81.67)	(94.64)	(85.24)	(96.38)
22 Net Domestic Assets (NDA)	(2.16)	47.51	26.64	28.94	49.32	120.93	105.92	127.71	121.88	159.10
23 RM growth (y-o-y)	34.39	25.02	25.86	20.00	28.54	33.76	24.25	33.07	36.64	62.72

Source: Bank of Ghana Staff Calculations

5. Banking Sector Developments

5.0 Highlights

The banking sector recorded a strong balance sheet performance and improved profitability during the first ten months of the year, despite emerging signs of spillovers from the recent macroeconomic challenges. Total assets increased sharply underpinned by sustained growth in deposits and borrowings. Portfolio rebalancing by banks continued into October 2022, with slowdown in investment growth, in contrast to higher credit growth partly due to the revaluation of foreign currency loans.

Key financial soundness indicators remained broadly positive, and within the regulatory and prudential benchmarks. The industry's NPL ratio improved on the back of stronger growth in loans and advances relative to the growth in the NPL stock. Core liquidity ratios were also higher in October 2022 relative to the same period last year due to the higher primary reserve requirement. The industry's CAR however recorded a sharp decline during the period under review, reflecting the impact of the ongoing macroeconomic developments and the increase in the risk-weighted assets of banks from the high growth in credit. The outlook for the sector remains stable in the medium term.

5.1 Banks' Balance Sheet

Total assets of the banking sector grew by 43.7 percent to GH¢249.9 billion at end-October 2022, compared with 16.1 percent growth recorded in October 2021. The higher growth in the industry's assets was reflected in the growth of foreign assets by 125.3 percent from the 21.1 percent contraction in the corresponding period last year; as well as a 39.7 percent growth in domestic assets, which was above the 18.9 percent growth in October 2021. Accordingly, the share of foreign assets in total assets increased from 4.7 percent to 7.4 percent, while that of domestic assets declined from 95.3 percent to 92.6 percent during the reference period (Table 5.1).

The stock of the industry's investments stood at GH¢85.0 billion in October 2022 from GH¢83.4 billion in October 2021. On year-on-year terms, investments recorded a sharp decline in growth from 25.5 percent to 1.9 percent, reflecting the portfolio reallocation by banks in favour of loans and other assets. Consequently, the share of investments in total assets declined to 34.0 percent in October 2022 from 48.0 percent in October 2021. The slowdown in investments was pronounced in short-term bills which contracted by 45.5 percent compared with the 21.1 percent growth in the previous year, while growth in long-term securities moderated to 20.9 percent from 27.4 percent growth a year earlier.

The strong growth in credit persisted, with gross loans and advances recording an annual growth of 57.5 percent to GH¢81.2 billion at end-October 2022 compared to 8.9 percent growth in October 2021, reflecting increases in domestic currency loans and the revaluation of foreign currency denominated loans. Similarly, net loans and advances (gross loans adjusted for provisions and interest in suspense) recorded a sharp growth of 60.8 percent in October 2022 to GH¢72.1 billion, compared to a growth of 8.8 percent in the previous year.

Deposits continued to dominate the funding mix of banks, increasing by 46.5 percent to GH¢172.1 billion in October 2022, compared with the 17.2 percent growth in October 2021. Borrowings also increased by 47.6 percent to GH¢30.4 billion in October 2022 compared with 14.6 percent growth in October 2021. The increase in total borrowings during the year was seen largely in the short-term and long-term foreign

borrowings which recorded higher annual growth rates, partly on account of the currency depreciation on the foreign sources of borrowings. Short-term and long-term foreign borrowings increased by 85.0 percent and 54.3 percent respectively in October 2022 from the previous year's growth of -1.1 percent and 24.9 percent respectively. On the domestic front, short term domestic borrowing increased marginally by 29.8 percent from 29.1 percent, whereas long-term domestic borrowing rebounded in growth to 29.4 percent from the contraction of 35.5 percent during the same reference period.

The industry's shareholders' funds increased by 11.9 percent to GH¢26.5 billion in October 2022 from GH¢23.7 billion (15.6% y/y growth) in October 2021. The slowdown in the growth of shareholders' funds was on the back of a slowdown in the accumulation of reserves, while growth in paid-up capital was higher at 4.4 percent from 1.6 percent in the previous year.

Overall, the banking sector maintained a robust balance sheet performance during the first ten months of 2022, with improvements in most of the key indicators.

	(GH c'million)			Y-on-Y Growth (%)		year-to-date growth (%)			Shares (%)	
	Oct-21	Aug-22	Oct-22	Oct-21	Oct-22	Oct-21	Aug-22	Oct-22	Oct-21	Oct-22
TOTAL ASSETS	173,834.7	204,571.8	249,854.9	16.1	43.7	16.4	13.8	39.0	100.0	100.0
A. Foreign Assets	8,164.7	12,891.4	18,398.0	(21.1)	125.3	(32.7)	23.3	76.0	4.7	7.4
B. Domestic Assets	165,670.0	191,680.3	231,456.9	18.9	39.7	20.8	13.2	36.7	95.3	92.6
Investments	83,415.8	80,959.2	85,028.4	25.5	1.9	29.5	(2.6)	2.3	48.0	34.0
i. Bills	23,758.3	14,437.7	12,954.8	21.1	(45.5)	67.3	(28.8)	(36.1)	13.7	5.2
ii. Securities	59,435.3	66,291.8	71,842.2	27.4	20.9	18.9	5.9	14.7	34.2	28.8
Advances (Net)	44,849.2	58,530.1	72,108.0	8.8	60.8	7.3	24.2	53.0	25.8	28.9
of which Foreign Currency	13,624.4	18,706.6	29,987.7	10.5	120.1	11.5	35.8	117.6	7.8	12.0
Gross Advances	51,580.2	66,100.9	81,226.0	8.9	57.5	8.0	22.9	51.1	29.7	32.5
Other Assets	7,497.7	10,661.7	18,950.8	15.8	152.8	16.0	31.3	133.5	4.3	7.6
Fixed Assets	5,206.4	5,450.3	5,728.7	9.6	10.0	3.8	3.2	8.4	3.0	2.3
TOTAL LIABILITIES AND CAPITAL	173,834.7	204,571.8	249,854.9	16.1	43.7	16.4	13.8	39.0	100.0	100.0
Total Deposits	117,429.6	136,674.7	172,092.6	17.2	46.5	13.1	12.9	42.2	67.6	68.9
of which Foreign Currency	29,816.4	41,748.8	69,552.6	14.7	133.3	10.7	43.9	139.7	17.2	27.8
Total Borrowings	20,609.8	23,478.3	30,410.6	14.6	47.6	42.0	6.5	38.0	11.9	12.2
Foreign Liabilities	10,803.5	13,556.8	18,098.5	16.6	67.5	31.2	13.4	51.4	6.2	7.2
i. Short-term borrowings	4,216.5	6,171.9	7,801.7	(1.1)	85.0	20.6	14.6	44.8	2.4	3.1
ii. Long-term borrowings	5,448.4	5,662.4	8,406.2	24.9	54.3	36.5	3.1	53.0	3.1	3.4
iii. Deposits of non-residents	1,138.6	1,722.5	1,890.7	78.8	66.0	52.3	60.3	76.0	0.7	0.8
Domestic Liabilities	138,328.3	163,411.5	204,422.6	15.3	47.8	15.5	15.0	43.9	79.6	81.8
i. Short-term borrowing	9,802.6	10,312.9	12,724.5	29.1	29.8	96.1	2.9	26.9	5.6	5.1
ii. Long-term Borrowings	1,142.4	1,331.1	1,478.3	(35.5)	29.4	(43.6)	17.4	30.4	0.7	0.6
iii. Domestic Deposits	116,291.0	134,952.2	170,202.0	16.8	46.4	12.8	12.5	41.9	66.9	68.1
Other Liabilities	12,142.7	17,793.7	20,875.3	10.0	71.9	24.5	49.6	75.5	7.0	8.4
Paid-up capital	9,950.1	10,265.1	10,386.1	1.6	4.4	2.0	1.0	2.2	5.7	4.2
Shareholders' Funds	23,652.6	26,625.0	26,476.3	15.6	11.9	11.3	7.3	6.7	13.6	10.6

Source: Bank of Ghana

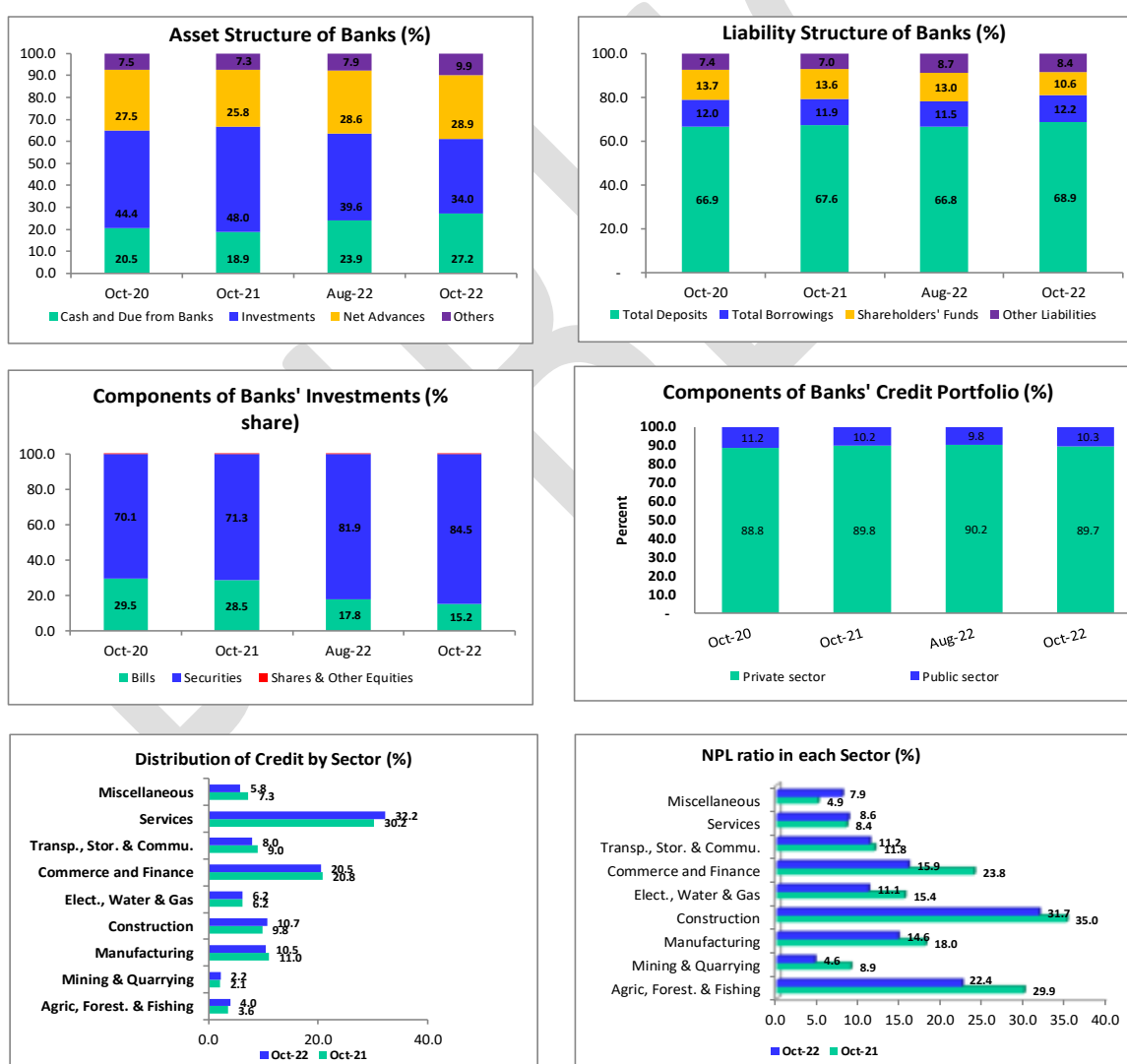
5.1.1 Asset and Liability Structure

Despite the portfolio rebalancing by banks, investments remained the highest component of banks' assets as at October 2022 and the asset structure of the industry remained tilted towards less risky assets. The share of investments (comprising bills, securities and equity) in total assets declined from 48.0 percent in October 2021 to 34.0 percent in October 2022 as a result of the slowdown in the growth of investments. The share of cash and bank balances increased from 18.9 percent to 27.2 percent during the review period, partly due to increases in the CRR. Investments and cash and bank balances (less risky assets) jointly accounted for 61.2 percent of total assets in October 2022, compared to a share of 66.9 percent in October 2021. Net loans and advances, maintained its position as the second largest component of total assets,

increasing from 25.8 percent to 28.9 percent on the back of the sharp growth in credit. The share of banks' non-earning assets (fixed assets and other assets) increased marginally to 9.9 percent from 7.3 percent during the review period (Annexes Table 5.1).

On the liability side, the share of deposits increased to 68.9 percent in October 2022 from 67.6 percent in the corresponding period last year, reflecting the higher growth in deposits during the period. The share of borrowings also increased marginally to 12.2 percent from 11.9 percent, also attributable to the higher growth in total borrowings. The component of shareholders' funds in banks' liabilities declined during the period under review by 3 percentage-points from 13.6 percent to 10.6 percent following the slowdown in the growth of shareholders' funds, while the share of other liabilities increased to 8.4 percent from 7.0 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) remained the largest component of banks' investment portfolio as at end-October 2022. The share of securities rose to 84.5 percent in October 2022 from 71.3 percent in October 2021. On the other hand, the share of short-term bills in total investments declined to 15.2 percent from 28.5 percent. The share of equity investments remained negligible at 0.3 percent from 0.2 percent during the same review period (Figure 5.1).

5.2 Credit Risk

The industry's exposure to credit risk appeared mixed in October 2022 relative to the same period in 2021 with an increase in the stock of non-performing loans (NPLs) while the NPL ratio declined.

5.2.1 Credit Portfolio Analysis

The stock of gross loans and advances increased by 57.4 percent (year-on-year) to GH¢81.2 billion at end-October 2022 compared to a growth of 8.9 percent in October 2021. The stronger growth in gross loans and advances reflected in both private and public sector credit. Private sector credit (comprising private enterprises and households) grew strongly by 57.2 percent to GH¢72.9 billion in October 2022 compared with a growth of 10.2 percent in the previous year. In the same vein, public sector credit recorded a sharp rebound in growth by 59.2 percent to GH¢8.4 billion compared to the 0.8 percent contraction in the previous year. In relative terms however, private sector credit to total credit moderated to 89.7 percent in October 2022 from 89.8 percent in October 2021, while the share of public sector credit in total credit increased marginally to 10.3 percent from 10.2 percent over the same comparative period (Annexes Tables 5.2 & 5.4).

On a year-to-date basis, gross loans increased by 50.6 percent in the October 2022 compared to the 8.0 percent growth recorded during the same period in 2021. Similarly, growth in private sector credit rebounded to 50.1 percent from 6.4 percent during the same comparative period. The pickup in the growth of credit to the private sector reflected in all components of private sector credit except household loans which saw a marginal decline. Year-to-date growth in public sector credit was also higher at 55.6 percent from 24.2 percent during the same review period. The industry's strong credit outturn partly reflects the revaluation effect of foreign currency loans (Annexes Table 5.2).

In terms of classification, the services sector held the largest share of credit of 32.2 percent as at October 2022, followed by the commerce and finance, and construction sectors with relative shares of 20.5 percent and 10.7 percent respectively (Figure 5.1). Together, these three sectors accounted for 63.4 percent of total credit in October 2022 compared with 60.8 percent in October 2021. The mining and quarrying sector remained the lowest recipient of industry credit, maintaining a share of 2.2 percent during the period under review (Figure 5.1).

5.2.2 Off - Balance Sheet Activities

Banks increased off-balance sheet transactions (comprising largely trade finance and guarantees) during the review period. Off-balance sheet transactions (contingent liabilities) amounted to GH¢31.2 billion as at end-October 2022, representing a 72.3 percent annual growth, compared to a growth of 44.8 percent during the same period in 2021. Accordingly, banks' contingent liabilities as a percentage of total liabilities increased to 14.0 percent from 11.0 percent during the review period (Annexes Table 5.3).

5.2.3 Asset Quality

The industry's asset quality (NPL ratio) improved during the period under review from 16.4 percent in October 2021 to 14.0 percent in October 2022. When adjusted for the fully provisioned loan loss category, the industry's NPL ratio declined sharply from 6.2 percent to 3.9 percent (Figure 5.2). The decline in the NPL ratio was due to higher growth in total loans (57.7% y/y growth) relative to the NPL stock (34.2% y/y growth) during the review period. The industry's NPL stock, however, increased to GH¢11.3 billion in October 2022 from GH¢8.4 billion in October 2021, also partly reflecting the revaluation of the foreign currency NPLs and deterioration in some domestic currency portfolios.

With the exception of the services sector, which recorded an increase in NPL ratio from 8.4 percent in October 2021 to 8.6 percent in October 2022, the NPL ratios for all the other sectors declined. Specifically, the NPL ratio of the commerce and finance sector declined from 23.8 percent in October 2021 to 15.9 percent in October 2022, while that of agriculture, forestry and fishing declined from 29.9 percent to 22.4 percent during the same comparative period. Five (5) other sectors also recorded declines in NPL ratios, namely, mining and quarrying sector (from 8.9% to 4.6%); manufacturing (from 18.0% to 14.6%); electricity, water and gas (from 15.4% to 11.1%); transport, storage and communications (from 11.8% to 11.2%), and; construction (from 35.0% to 31.7%). The NPL ratio for the construction sector was the highest at 31.7 percent, followed by agriculture, forestry and fishing at 22.4 percent, while the mining and quarrying sector maintained the lowest NPL ratio of 4.6 percent during the period under review (Figure 5.1).

5.3 Financial Soundness Indicators

The industry's Financial Soundness Indicators (FSIs) as at October 2022 remained broadly positive despite the moderation in some indicators.

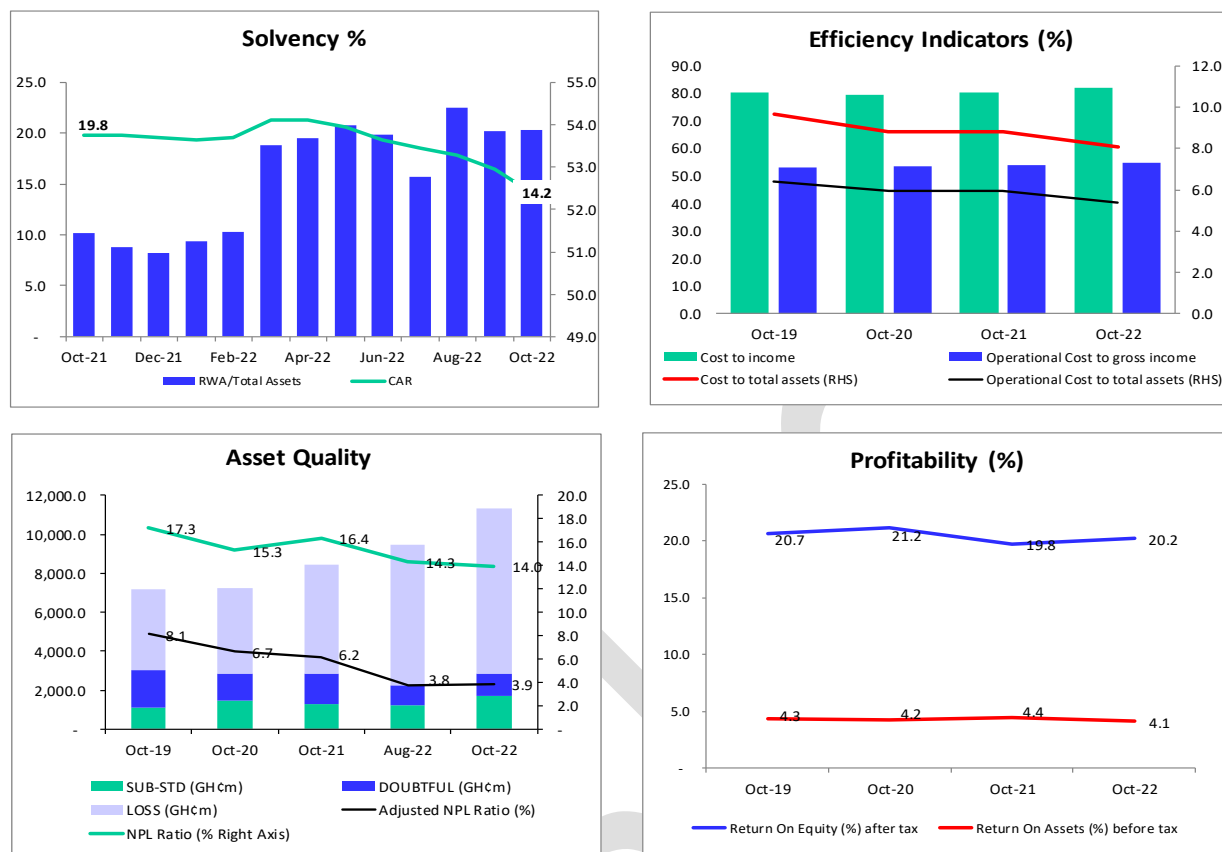
5.3.1 Liquidity Indicators

The industry's liquidity position remained strong with improvements in the core measures, following the increase in the CRR requirement. The ratio of core liquid assets (mainly cash and due from banks) to total deposits increased to 39.5 percent in October 2022 from 28.0 percent in October 2021. Similarly, the ratio of core liquid assets to total assets increased to 27.2 percent from 18.9 percent over the same comparative period. The broad liquid assets to total deposits ratio, however, declined to 88.8 percent from 98.8 percent, while broad liquid assets to total assets ratio declined to 61.2 percent from 66.7 percent over the review period. The decline in the broad liquidity measures partly reflects the significant decline in investments during the review period. (Annexes Table 5.5).

5.3.2 Capital Adequacy Ratio

The industry's solvency position, measured by the Capital Adequacy Ratio (CAR) was 14.2 percent in October 2022, higher than the prudential minimum of 13 percent, but a decline from the 19.8 percent recorded during the same period last year. The marked decline in the industry's CAR is reflective of the current macroeconomic developments, particularly the impact of the currency depreciation, the mark-to-market investment losses by some banks, and the expansion of banks' weighted assets on the back of the sharp credit growth which is weighing down the industry's CAR.

Figure 5.2: Key Financial Soundness Indicators (FSIs)



Source: Bank of Ghana Staff Calculations

5.3.4 Profitability

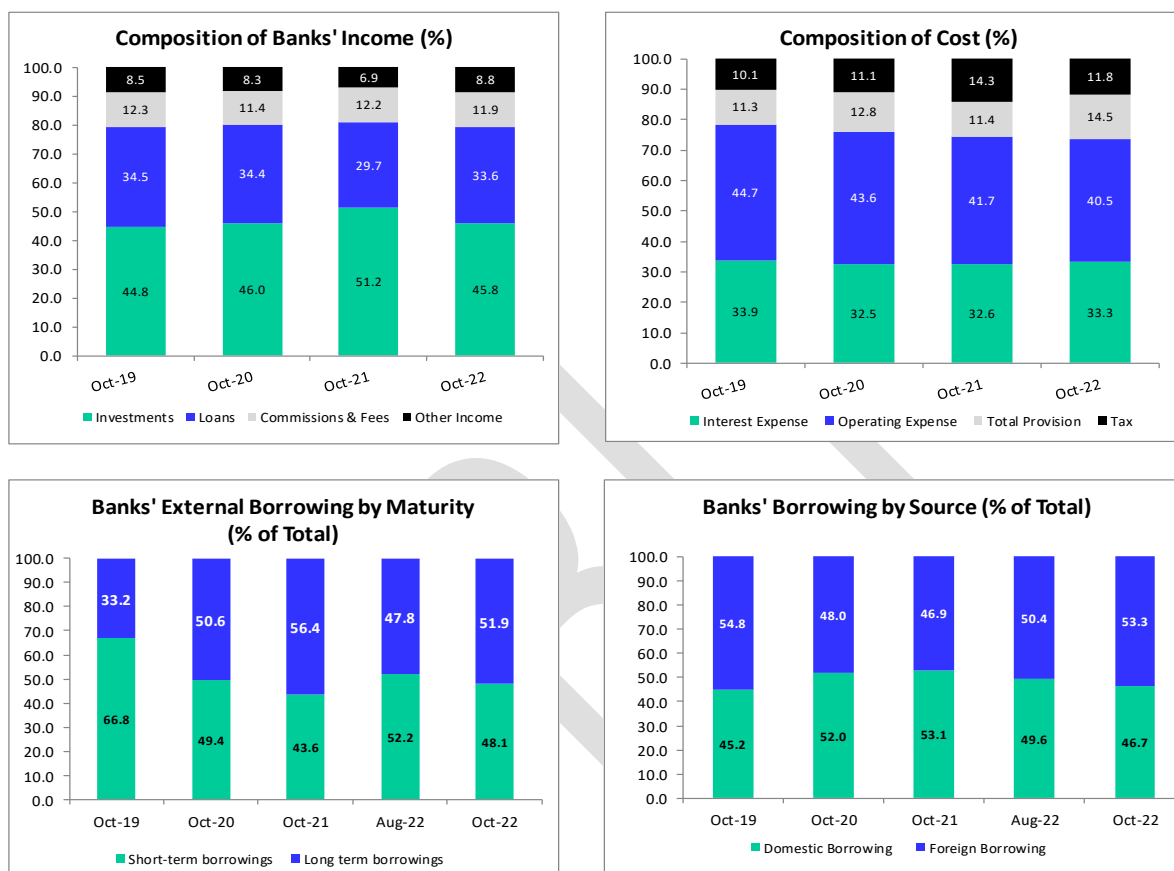
The industry's profit-after-tax improved over the first ten months of the year to GH¢4.4 billion, representing an increase of 17.2 percent, compared with the 10.0 percent growth recorded during the same period last year. Profit-before-tax also grew by 14.1 percent to GH¢6.8 billion in October 2022, compared to a growth of 21.8 percent in October 2021.

Net interest income growth increased by 22.7 percent from 15.2 percent during the same review period on account of a higher nominal increase in interest income relative to interest expense. In year-on-year terms, while interest income increased by 26.7 percent in October 2022 from 15.5 percent in October 2021, interest expenses increased by 34.9 percent from 16.2 percent during the same comparative period. The increase in the growth of interest income is attributable to the strong credit growth, while the higher growth in interest expenses was mainly on account of increases in the interest rates on money market instruments as well as increased borrowings this year.

Net fees and commissions, on the other hand, recorded a growth of 25.4 percent in October 2022 from 22.9 percent in October 2021, whereas other income, increased sharply by 63.7 percent from a contraction of 3.8 percent, boosting the industry's income performance. These developments culminated in a 29.1 percent growth in the industry's gross income at end-October 2022 compared with the 14.8 percent growth recorded in the comparative period in 2021.

The industry's operating expenses grew by 28.1 percent in October 2022, compared to 11.0 percent in October 2021 due to higher staff costs and other operating expenses as a result of the current challenging operating environment. Provisions also increased by 66.8 percent in October 2022 from 3.8 percent during the same period last year, reflecting the pickup in credit growth and elevated credit risk 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 marginally to 20.2 percent in October 2022 from 19.8 percent in October 2021. Return on Assets (ROA) however, declined, albeit marginally, to 4.1 percent from 4.4 percent during the review period (Figure 5.2 and Annexes Table 5.6).

(b) Interest Margin and Spread

Banks' interest spread moderated to 9.2 percent in October 2022 from 9.3 percent in October 2021, on the back of the increase in interest payable to 4.8 percent from 4.4 percent which offset the increase in gross yields to 14.1 percent from 13.8 percent during the same reference period. Interest margin to total assets dipped to 5.1 percent from 6.0 percent, while interest margin to gross income ratio declined to 52.1 percent from 54.8 percent during the period under review. The ratio of gross income to total assets (asset utilisation) also decreased to 9.9 percent from 11.0 percent, while the profitability ratio declined to 18.0 percent from 20.9 percent over the review period (Annexes Table 5.6).

(c) *Composition of Banks' Income*

Income from investments remained the largest component of banks' income streams in October 2022, although its share moderated to 45.8 percent from 51.2 percent a year ago following the slowdown in the growth of investments. The share of interest income from loans, however, increased to 33.6 percent from 29.7 percent, in line with the pickup in credit growth during the review period. The share of banks' income from fees and commissions, however, moderated to 11.9 percent from 12.2 percent during the period under review, while the share of income from other sources increased to 8.8 percent from 6.9 percent (Figure 5.3).

5.3.5 Operational Efficiency

The industry's efficiency indicators broadly weakened during the period under review on the back of the current challenging operating environment. Cost-to-income ratio of the industry increased to 82.1 percent in October 2022 from 80.2 percent in October 2021, while the ratio of operational cost to total income edged up to 54.8 percent from 54.1 percent during the same reference period. The higher growth in the industry's total assets in October 2022 relative to October 2021 however resulted in an improvement in the cost-to-total assets ratio to 8.1 percent from 8.8 percent, while operational cost-to-total assets ratio improved to 5.4 percent from 5.9 percent (Figure 5.2).

5.3.6 Banks' Counterparty Relationships

Total offshore balances increased by 152.6 percent to GH¢16.4 billion at end-October 2022, compared to a contraction of 30.7 percent a year earlier driven largely by a sharp increase in offshore placements. Industry placements recorded a sharp growth of 148.0 percent in October 2022, compared to the contraction of 18.5 percent last year. Nostro balances also increased by 158.3 percent this year after recording a contraction of 38.8 percent in October 2021. As a result, the ratio of offshore balances to net worth increased to 62.0 percent in October 2022 from 27.5 percent in October 2021 (Annexes Table 5.8).

The share of banks' external borrowings in total borrowings also increased to 53.3 percent in October 2022 from 46.9 percent in October 2021, while domestic borrowings declined to 46.7 percent from 53.1 percent during the same review period. Banks' external borrowings remained tilted towards long-term instruments, although the share of long-term borrowings in total external borrowing declined to 51.9 percent from 56.4 percent, while that of short-term borrowings increased to 48.1 percent from 43.6 percent over the review period (Figure 5.3).

5.4 Credit Conditions Survey

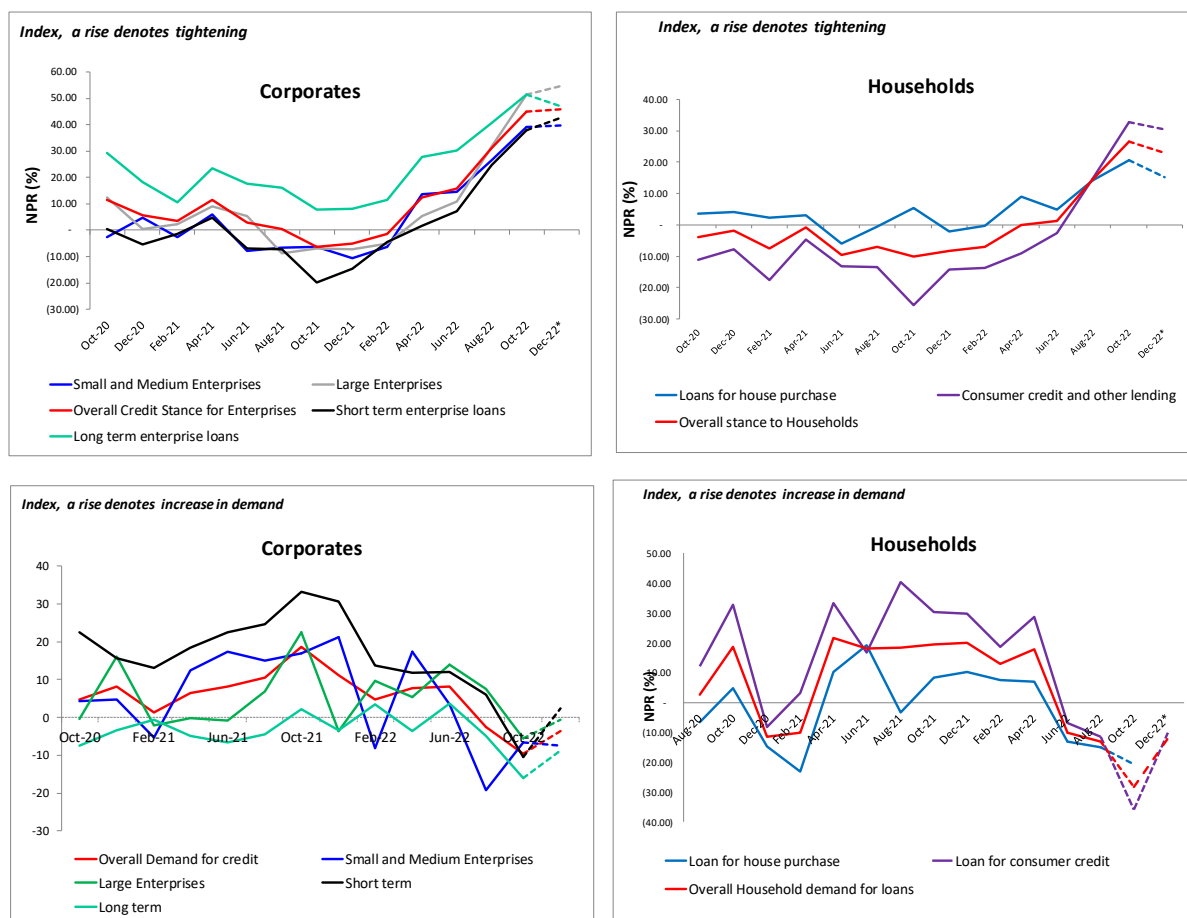
Results of the October 2022 Credit Conditions Survey indicated net tightening in the overall credit stance on loans to enterprises, driven by a net tightening in the stance on all components of enterprise loans. With the exception of long-term enterprise loans, banks project further tightening in the overall credit stance on loans to enterprises for the last two months of the year.

Similarly, the overall credit stance on household loans recorded a net tightening in September and October 2022, driven by net tightened stance on both sub-categories of household loans (consumer credit and other lending and loans for house purchase). Over the next two months, banks project an easing in the overall stance on loans to households which will be reflected in both loans for house purchases and consumer credit.

The survey indicated a decline in overall demand for all categories of enterprise loans except SME loans. Banks however project an increase in the overall demand for loans in the next two months, driven by

increases in demand for all categories of enterprise loans apart from SME loans which is projected to decline. Credit demand by households also declined during this survey round on the back of declines in the demand for both consumer credit and mortgages. Over the next two months, banks expect a rebound in the demand for both consumer credit and loans for house purchases to drive an increase in overall demand for household loans (Figure 5.4).

Figure 5.4: Credit Conditions Survey Results



Source: Bank of Ghana Staff Calculations

5.5 Conclusion and Outlook

The banking sector performed strongly, despite the prevailing macroeconomic challenges. While the balance sheet indicators improved, there are emerging signs of weakness in some FSIs due to the challenging macroeconomic environment. These developments will be closely monitored to ensure continued stability and soundness of the sector.

Annexes

Table 5.1: Asset and Liability Structure of the Banking Sector

	<u>Oct-19</u>	<u>Oct-20</u>	<u>Oct-21</u>	<u>Aug-22</u>	<u>Oct-22</u>
Components of Assets (% of Total)					
Cash and Due from Banks	23.3	20.5	18.9	23.9	27.2
Investments	39.2	44.4	48.0	39.6	34.0
Net Advances	30.2	27.5	25.8	28.6	28.9
Others	7.3	7.5	7.3	7.9	9.9
Components of Liabilities and Shareholders' Funds (% of Total)					
Total Deposits	66.0	64.2	67.1	65.7	66.8
Total Borrowings	13.8	10.6	11.3	13.2	11.5
Shareholders' Funds	14.5	14.2	14.1	13.1	13.0
Other Liabilities	5.7	10.9	7.5	8.0	8.7

Bank of Ghana Staff Calculations

Table 5.2: Credit Growth

Economic Sector	Ghc/million				y/y growth (%)		year-to-date growth(%)	
	Oct-20	Oct-21	Aug-22	Oct-22	Oct-21	Oct-22	Oct-21	Oct-22
Public Sector	5,305.81	5,261.33	6,452.26	8,374.46	-0.8	59.2	24.2	55.6
Private Sector	42,058.00	46,332.38	59,648.67	72,851.57	10.2	57.2	6.4	50.1
- Private Enterprises	30,502.98	33,299.75	43,930.46	55,763.72	9.2	67.5	1.7	60.6
o/w Foreign	3,471.45	4,393.76	6,717.59	10,603.48	26.6	141.3	14.3	115.5
Indigeneous	27,031.53	28,905.99	37,212.87	45,160.25	6.9	56.2	0.0	51.5
- Households	10,247.48	11,480.31	13,837.50	14,773.68	12.0	28.7	20.1	19.5
Gross Loans	47,363.8	51,593.7	66,100.9	81,226.0	8.9	57.4	8.0	50.6

Bank of Ghana Staff Calculations

Table 5.3: Contingent Liability

	<u>Oct-19</u>	<u>Oct-20</u>	<u>Oct-21</u>	<u>Aug-22</u>	<u>Oct-22</u>
Contingent Liabilities (GHc/million)	10,620.9	11,430.2	16,532.8	23,097.1	31,219.8
Growth (y-o-y)	11.9	- 0.3	44.8	51.8	72.3
% of Total Liabilities	10.2	8.8	11.0	13.0	14.0

Bank of Ghana Staff Calculations

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

	Oct-20		Oct-21		Aug-22		Oct-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	11.2	4.2	10.2	4.0	9.8	4.1	10.3	5.0
i. Government	4.1	0.5	4.9	1.8	5.1	1.6	5.3	1.4
ii. Public Institutions	3.6	0.1	2.3	0.0	1.8	0.2	1.7	0.1
iii. Public Enterprises	3.5	3.6	3.1	2.2	2.8	2.4	3.3	3.5
b. Private Sector	88.8	95.8	89.8	96.0	90.2	95.9	89.7	95.0
i. Private Enterprises	64.4	84.1	64.5	87.4	66.5	84.4	68.7	85.8
o/w Foreign	7.3	5.9	8.5	7.9	10.2	10.5	13.1	12.9
Indigenous	57.1	78.1	56.0	79.5	56.3	73.9	55.6	72.9
ii. Households	21.6	8.7	22.3	7.0	20.9	9.2	18.2	8.3
iii. Others	2.8	3.0	3.0	1.6	2.8	2.3	2.8	0.8

Bank of Ghana Staff Calculations

Table 5.5: Liquidity Ratios

	Oct-19	Oct-20	Oct-21	Aug-22	Oct-22
Liquid Assets (Core) - (GHC'million)	28,158.91	30,723.4	32,822.33	48,950.15	68,018.63
Liquid Assets (Broad) -(GHC'million)	75,200.31	96,981.2	116,015.99	129,679.62	152,815.62
Liquid Assets to total deposits (Core)-%	35.7	30.7	28.0	35.8	39.5
Liquid Assets to total deposits (Broad)- %	95.3	96.8	98.8	94.9	88.8
Liquid assets to total assets (Core)- %	23.3	20.5	18.9	23.9	27.2
Liquid assets to total assets (Broad)- %	62.1	64.8	66.7	63.4	61.2

Source: Bank of Ghana Staff Calculations

Table 5.6: Profitability Indicators (%)

	Oct-19	Oct-20	Oct-21	Oct-22
Gross Yield	14.9	14.1	13.8	14.1
Interest Payable	5.1	4.5	4.4	4.8
Spread	9.8	9.6	9.3	9.2
Asset Utilisation	12.0	11.1	11.0	9.9
Interest Margin to Total Assets	6.2	6.1	6.0	5.1
Interest Margin to Gross income	52.0	54.5	54.8	52.1
Profitability Ratio	19.5	20.7	20.9	18.0
Return On Equity (%) after tax	20.7	21.2	19.8	20.2
Return On Assets (%) before tax	4.3	4.2	4.4	4.1

Source: Bank of Ghana Staff Calculations

Table 5.7: DMBs' Income Statement Highlights

	Oct-19	Oct-20	Oct-21	Oct-22	Oct-20	Oct-21	Oct-22
	<u>(GH c'million)</u>				<u>Y-on-y Growth (%)</u>		
Interest Income	11,530.5	13,360.9	15,437.1	19,552.8	15.9	15.5	26.7
Interest Expenses	(3,966.1)	(4,292.7)	(4,986.0)	(6,727.1)	8.2	16.2	34.9
Net Interest Income	7,564.4	9,068.2	10,451.1	12,825.7	19.9	15.2	22.7
Fees and Commissions (Net)	1,785.7	1,895.2	2,329.0	2,921.6	6.1	22.9	25.4
Other Income	1,233.5	1,372.9	1,320.1	2,161.4	11.3	(3.8)	63.7
Operating Income	10,583.5	12,336.3	14,100.2	17,908.7	16.6	14.3	27.0
Operating Expenses	(5,233.7)	(5,753.7)	(6,389.1)	(8,184.8)	9.9	11.0	28.1
Staff Cost (deduct)	(2,853.9)	(3,040.2)	(3,461.7)	(4,312.3)	6.5	13.9	24.6
Other operating Expenses	(2,379.7)	(2,713.5)	(2,927.4)	(3,872.5)	14.0	7.9	32.3
Net Operating Income	5,349.9	6,582.5	7,711.1	9,723.9	23.0	17.1	26.1
Total Provision (Loan losses, Depreciation & others)	(1,325.0)	(1,687.0)	(1,750.4)	(2,920.3)	27.3	3.8	66.8
Income Before Tax	4,024.9	4,895.6	5,960.7	6,803.6	21.6	21.8	14.1
Tax	(1,182.2)	(1,461.0)	(2,183.9)	(2,377.8)	23.6	49.5	8.9
Net Income	2,842.7	3,434.5	3,776.8	4,425.8	20.8	10.0	17.2
Gross Income	14,549.6	16,628.9	19,086.2	24,635.8	14.3	14.8	29.1

Source: Bank of Ghana Staff Calculations

Table 5.8: Developments in Offshore Balances

	<u>Oct-19</u>	<u>Oct-20</u>	<u>Oct-21</u>	<u>Aug-22</u>	<u>Oct-22</u>
Offshore balances as % to Networth	50.9	45.8	27.5	41.7	62.0
Annual Growth in Offshore balances (%)	-9.0	6.2	-30.7	74.6	152.6
Annual Growth in Nostro Balances (%)	7.0	23.4	-38.8	48.9	158.3
Annual Growth in Placement (%)	-21.8	-12.4	-18.5	112.8	147.9

Source: Bank of Ghana Staff Calculations

6. Fiscal Developments

6.0 Highlights

Government fiscal operations for the first nine months of 2022 indicated:

- *Revenue shortfalls relative to the expected target.*
- *Government expenditure and arrears clearance was broadly within the programmed target.*
- *The fiscal deficit of 7.4 percent of GDP, against the target of 6.2 percent of GDP.*
- *The primary balance recorded a deficit of 2.0 percent of GDP, above the expected deficit target of 1.0 percent of GDP.*
- *The overall fiscal deficit was financed largely from domestic sources.*
- *Higher stock of public debt at the end of September 2022.*

6.1 Total Revenue and Grants

The pace of revenue mobilisation remained below target, reflecting in both tax and non-tax revenue. For the first nine months of 2022, total Revenue & Grants was GH¢65,398.8 million (11.1% of GDP), lower than the target of GH¢67,307.4 million (11.4% of GDP). The revenue outturn represented 97.2 percent of the target and recorded a year-on-year growth of 38.5 percent. During the review period, domestic revenue totalled GH¢64,601.4 million (10.9% of GDP), below the target of GH¢66,503.4 million (6.9% of GDP).

The revenue outcomes reflected mixed performances for both tax and non-tax proceeds.

- Tax revenue, comprising taxes on income & property, taxes on domestic goods and services and international trade taxes, was GH¢49,055.3 million (8.3% of GDP), lower than the target of GH¢50,414.8 million (8.5% of GDP). This represented a negative deviation of 2.7 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¢24,787.2 million (4.2% of GDP). This outturn was 3.2 percent below the target of GH¢25,601.9 million (4.3% of GDP).
- Taxes on Domestic Goods and Services comprising Domestic VAT, Excise Duty, GET Fund Levy, National Health Insurance Levy (NHIL), Communication Service Tax (CST), Electronic-Transaction Levy (E-Levy) and COVID-19 Health Levy all summed up to GH¢20,889.0 million (3.5% of GDP) and exceeded the target of GH¢20,787.1 million by 0.5 percent. On a year-on-year basis, the outturn recorded a growth of 30.2 percent.
- Taxes on International trade mainly from import duties was GH¢6,221.6 million (1.1% of GDP), below the target of GH¢6,133.8 (1.0% of GDP) by 1.4 percent, and represented 26.8 percent year-on-year growth.
- Tax refunds was GH¢2,842.5 million, higher than the target of GH¢2,107.9 million for the period and registered a year-on-year growth of 39.1 percent

Non-Tax revenue for the review period totalled GH¢11,048.9 million, representing 90.8 percent of the target, and a year-on-year growth of 81.7 percent. The underperformance of this revenue handle was mainly

due to lower collection efforts by some large and medium collectors as well as unrealised dividend payments.

Other revenue measures made up of ESLA proceeds, raked in a total of GH¢4,217.3 million and was 19.3 percent above the target of GH¢3,535.3 million. Government received project grants in the sum of GH¢797.4 million lower than the envisaged target of GH¢804.0 million by 0.8 percent. This outturn was also lower than the GH¢847.4 million recorded in the corresponding period of 2021, thus reflecting a year-on-year decline of 6.0 percent.

Table 6.1: Total Revenue and Grants

<i>Million Ghana Cedis</i>	2020 JAN-SEP OUTTURN	2021 JAN-SEP OUTTURN	2022 JAN-SEP OUTTURN	2022 JAN-SEP PROG	2022 OUTTURN/ PROG %	2022 Y-O-Y GROWTH
TAX REVENUE	29,792.61	37,145.39	49,055.30	50,414.79	97.30	32.06
<i>(percent of GDP)</i>	7.60	8.09	8.29	8.52		
TAXES ON INCOME & PROPERTY	15,007.57	18,235.23	24,787.22	25,601.88	96.82	35.93
Personal	5,610.73	6,573.01	7,937.38	8,827.78	89.91	20.76
Companies	6,636.97	7,557.68	9,598.60	9,629.12	99.68	27.00
Company taxes on oil	496.21	933.18	2,463.30	2,462.36	100.04	163.97
Others	2,263.64	3,171.36	4,787.93	4,682.63	102.25	50.97
Airport Tax	138.11	207.65	432.95	292.81	147.86	108.50
TAXES ON DOMESTIC GOODS AND SERVICES	12,680.84	16,045.29	20,888.95	20,787.07	100.49	30.19
Excises	3,173.83	3,622.22	3,844.41	4,574.38	84.04	6.13
Excise Duty	304.97	361.82	382.12	486.70	78.51	5.61
Petroleum tax	2,868.86	3,260.40	3,462.28	4,087.69	84.70	6.19
VAT	6,499.48	8,367.72	10,332.77	10,815.21	95.54	23.48
Domestic	3,797.24	4,735.71	5,561.97	6,254.49	88.93	17.45
External	2,702.24	3,632.01	4,770.80	4,560.72	104.61	31.35
National Health Insurance Levy (NHIL)	1,279.25	1,673.76	2,391.29	2,147.04	111.38	42.87
Customs Collection	515.16	656.78	853.90	820.47	104.07	30.01
Domestic Collection	764.09	1,016.98	1,537.39	1,326.57	115.89	51.17
GET Fund Levy	1,291.14	1,675.07	2,391.97	1,767.43	135.34	42.80
Customs Collection	526.79	658.09	854.58	652.86	130.90	29.86
Domestic Collection	764.35	1,016.98	1,537.39	1,114.57	137.94	51.17
Communication Service Tax	437.14	344.25	458.40	407.13	112.59	33.16
E- Transaction Levy	0.00	0.00	319.14	336.05	94.97	
Covid-19 Health Levy	0.00	362.27	1,150.98	739.83	155.57	217.71
TAXES ON INTERNATIONAL TRADE	3,847.24	4,908.26	6,221.59	6,133.77	101.43	26.76
Imports	3,847.24	4,908.26	6,221.59	6,133.77	101.43	26.76
Import duty	3,847.24	4,908.26	6,221.59	6,133.77	101.43	26.76
Tax Refunds	-1,743.04	-2,043.39	-2,842.46	-2,107.93	134.85	39.11
SOCIAL CONTRIBUTIONS	45.72	448.40	280.00	383.42	73.03	
NON-TAX REVENUE	4,785.92	6,082.23	11,048.87	12,169.96	90.79	81.66
Retention	2,920.70	3,198.03	5,445.92	6,210.37	87.69	70.29
Lodgment	1,865.22	2,884.20	5,602.95	5,959.59	94.02	94.26
OTHER REVENUE	1,957.25	2,711.62	4,217.27	3,535.25	119.29	55.53
ESLA Proceeds	1,957.25	2,711.62	4,217.27	3,535.25	119.29	55.53
Energy Debt Recovery Levy	1,456.91	1,773.33	1,858.50	2,161.13	86.00	4.80
Public Lighting Levy	93.36	106.59	92.60	172.59	53.65	
National Electrification Scheme Levy	65.00	71.39	66.05	114.97	57.45	
Price Stabilization & Recovery Levy	341.97	306.81	1,122.22	538.70	208.32	265.76
Delta Fund	0.00	265.30	732.55	373.35	196.21	176.13
Pollution and Sanitation Levy	0.00	188.19	345.35	174.50	197.90	83.51
DOMESTIC REVENUE	36,581.49	46,387.64	64,601.44	66,503.42	97.14	39.26
GRANTS	856.71	847.38	797.37	803.97	99.18	-5.90
Project grants	856.71	847.38	797.37	803.97	99.18	-5.90
TOTAL REVENUE & GRANTS	37,438.21	47,235.02	65,398.81	67,307.39	97.16	38.45

Source: Ministry of Finance

6.2 Total Expenditures

Government spending and arrears clearance was broadly within target, however, some key expenditure lines recorded overruns. Total expenditures & arrears clearance, for the first nine months of 2022, summed

up to GH¢99,570.1 million (16.8% of GDP), below the target of GH¢102,566.8 million (17.3% of GDP). This outturn represented a year-on-year growth of 30.1 percent. The outturn was also 97.1 percent of the target. Of the expenditures,

- Compensation of Employees (including wages and salaries, pensions & gratuities, and other wage related expenditure) was GH¢27,146.3 million, lower than the target of GH¢27,947.0 million. This outturn represented 97.1 percent of the target. In terms of fiscal flexibility, compensation of employees constituted 42.0 percent of domestic revenue mobilized, better than the 50.4 percent recorded in the corresponding period of 2021.
- Use of Goods and Services totalled GH¢4,233.9 million, lower than the expected target of GH¢5,117.2 million. The outturn was 17.3 percent below the target, but recorded a year-on-year growth of 25.9 percent.
- Total interest payments of GH¢32,101.1 million was higher than the projected target of GH¢30,890.5 million by 3.9 percent, and accounted for 32.2 percent of total expenditure. It also constituted 49.7 percent of domestic revenue, compared with 54.7 percent recorded in the corresponding period of 2021. Domestic interest payments accounted for 78.0 percent of the total interest payments during the period under review.
- Grants to other Government units consisting 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¢17,562.0 million, above the envisioned target of GH¢16,820.1 million by 4.4 percent. It also recorded a year-on-year growth of 57.7 percent.

Other Expenditure made up of ESLA Transfers, Covid-19 related expenditure, and Other critical spending, for the first nine months of 2022 was GH¢7,093.9 million. ESLA transfers of GH¢3,816.3 million was above the projected target of GH¢3,319.8 million by 15.0 percent.

Acquisition of Non-Financial Assets for the period under review was GH¢10,891.7 million (1.8% of GDP), lower than the programmed target of GH¢12,028.3 million (2.0% of GDP) by 9.5 percent. This outturn represented a year-on-year increase of 20.0 percent. Foreign-financed capital expenditure accounted for 84.9 percent of the total.

Table 6.2: Total Expenditures

Million Ghana Cedis	2020 JAN-SEP	2021 JAN-SEP	2022 JAN-SEP	2022 JAN-SEP	2022 OUTTURN/ PROG %	2022 Y-O-Y GROWTH
	OUTTURN	OUTTURN	OUTTURN	PROG		
Compensation of Employees	20,447.99	23,393.65	27,146.29	27,947.04	97.13	16.04
Wages & Salaries	18,080.81	21,524.51	24,793.61	24,202.12	102.44	15.19
Social Contributions	2,367.17	1,869.14	2,352.69	3,744.92	62.82	25.87
Pensions	894.54	948.47	1,047.50	1,112.66	94.14	10.44
Gratuities	185.84	611.20	180.77	267.49	67.58	-70.42
Social Security	1,286.79	309.48	1,124.41	2,364.77	47.55	263.33
Use of Goods and Services	5,541.73	3,362.46	4,233.87	5,117.24	82.74	25.92
o/w Recurrent Expenditure share of ABFA from Oil (30% of ABFA)	464.33	0.00	696.88	3,647.47	19.11	-
Interest Payments	18,825.64	25,393.68	32,101.07	30,890.50	103.92	26.41
Domestic	14,276.26	20,575.94	25,053.93	23,887.87	104.88	21.76
External (Due)	4,549.38	4,817.74	7,047.15	7,002.62	100.64	46.27
Subsidies	168.12	135.93	167.03	215.48	77.52	22.88
Subsidies to Utility Companies	0.00	0.00	0.00	0.00		
Subsidies on Petroleum products	168.12	135.93	167.03	215.48	77.52	22.88
Grants to Other Government Units	9,257.70	11,138.96	17,562.03	16,820.07	104.41	57.66
National Health Fund (NHF)	943.58	1,307.55	1,446.69	1,273.75	113.58	10.64
Education Trust Fund	830.10	892.92	1,437.90	1,211.30	118.71	61.03
Road Fund	542.00	792.61	1,096.27	960.74	114.11	38.31
Energy Fund	0.00	17.09	0.00	0.00		
Petroleum Related Fund	136.43	0.00	22.37	19.61	114.11	-
Dist. Assemblies Common Fund	1,813.68	1,393.36	1,962.75	2,064.02	95.09	40.86
o/w ABFA	0.00	123.31	100.00	171.47	58.32	-18.91
Ghana Infrastructure Fund	0.00	345.28	417.95	685.89	60.94	21.05
o/w ABFA	0.00	0.00	0.00	0.00		
Retention of Internally-generated funds (IGFs)	2,920.70	3,198.03	5,445.92	6,210.37	87.69	70.29
Transfer to GNPC from Oil Revenue	816.66	634.76	2,243.10	1,253.95	178.88	253.38
Other Earmarked Funds	1,254.55	2,557.35	3,489.08	3,140.45	111.10	36.43
Social Benefits	150.08	0.00	374.19	127.20		
Lifeline Consumers of Electricity	150.08	0.00	374.19	127.20		
Other Expenditure	7,814.15	4,027.20	7,093.90	9,420.99	75.30	76.15
ESLA Transfers	1,957.25	2,135.40	3,816.34	3,319.77	114.96	78.72
Energy Sector Payment Shortfalls	0.00	0.00	3,277.56	6,101.22		
Covid-Related Expenditure	4,856.90	1,891.80	0.00	0.00		
Financial Sector Cost (Cash) / Other Critical spending	1,000.00	0.00	0.00	0.00		
Acquisition of Non-Financial Assets	8,978.36	9,073.76	10,891.73	12,028.28	90.55	20.04
Domestic financed	3,654.13	2,181.54	1,643.28	3,282.50	50.06	-24.67
Foreign financed	5,324.23	6,892.22	9,248.45	8,745.79	105.75	34.19
TOTAL EXP. & NET LENDING	71,183.77	76,525.66	99,570.13	102,566.81	97.08	30.11

Source: Ministry of Finance

6.3 Budget Balance and Financing

Government budgetary operations resulted in an overall budget deficit of GH¢44,021.8 million (7.4% of GDP) at the end of the first nine months of 2022. This was higher than the target of GH¢36,684.4 million (6.2% of GDP) by 20.0 percent.

The overall fiscal deficit of GH¢44,021.8 million was financed largely from domestic sources with some external support. Domestic financing (net) was GH¢36,801.4 million (6.2% of GDP), substantially higher than the target of GH¢26,324.7 million (4.4% of GDP). Foreign financing on the other hand, was a net inflow of GH¢6,531.0 million (1.1% of GDP), far lower than the target of GH¢12,459.4 million (2.1 % of GDP).

Table 6.3: Budget Balance and Financing

Million Ghana Cedis	2020 JAN-SEP OUTTURN	2021 JAN-SEP OUTTURN	2022 JAN-SEP OUTTURN	2022 JAN-SEP PROG	2022 OUTTURN/ PROG %	2022 Y-O-Y GROWTH
Revenue & Grants	37,438.21	47,235.02	65,398.81	67,307.39	97.16	38.45
Expenditure	71,183.77	76,525.66	99,570.13	102,566.81	97.08	30.11
Overall balance (commitment)	(33,745.56)	(29,290.63)	(34,171.32)	(35,259.42)	96.91	16.66
(percent of GDP)	(8.61)	(10.14)	(5.77)	(5.96)	96.91	(43.08)
Road Arrears (net change)	(1,438.90)	(2,339.23)	(9,860.02)	(1,425.00)	691.93	321.51
Overall balance (cash)	(35,184.46)	(31,629.87)	(44,031.34)	(36,684.42)	120.03	39.21
(percent of GDP)	(8.98)	(6.89)	(7.44)	(6.20)	120.03	7.99
Discrepancy	2,313.94	(2,204.02)	9.53	0.00		(100.43)
Overall balance (incl. Divestiture and Discrepancy)	(32,870.52)	(33,833.89)	(44,021.81)	(36,684.42)	120.00	30.11
(percent of GDP)	(8.39)	(10.63)	7.44	6.20	120.00	(169.99)
Financing	32,870.52	33,833.89	44,021.81	36,684.42	120.00	30.11
Foreign (net)	1,816.37	13,470.03	6,530.98	12,459.43	52.42	(51.51)
Borrowing	12,123.95	22,491.06	15,116.01	19,439.86	77.76	(32.79)
Project loans	4,467.52	6,044.83	8,451.09	7,941.82	106.41	39.81
Programme Loans	0.00	0.00	803.91	1,567.67	51.28	
Sovereign Bond	7,656.44	0.00	5,861.02	9,930.37	59.02	
Amortization (due)	(10,307.59)	(9,021.03)	(8,585.03)	(6,980.43)	122.99	(4.83)
Domestic (net)	31,575.16	21,956.88	36,801.40	26,324.66	139.80	67.61
Banking	20,540.61	7,764.34	33,634.65	16,100.41	208.91	333.19
Bank of Ghana	20,700.92	108.41	33,030.95	8,387.66	393.80	30,367.91
Comm. Banks	(160.31)	7,655.93	603.70	7,712.74	7.83	(92.11)
Non-banks	8,759.09	14,192.54	3,166.75	10,224.25	30.97	(77.69)
o/w Non-residents	(727.65)	4649.12	0.00	0.00		
Other Domestic	2,275.46	0.00	0.00	0.00		
Ghana Petroleum Funds	1,243.24	(932.91)	(631.04)	(730.50)	86.39	(32.36)
Transfer to Ghana Petroleum Funds	-449.38	-932.91	(2,103.47)	(2,099.67)	100.18	125.48
o/w Stabilization Fund	-305.33	-615.81	(1,472.43)	(1,469.77)	100.18	139.10
o/w Heritage Fund	-144.05	-317.09	(631.04)	(629.90)	100.18	99.01
Transfer from Stabilization Fund	1,692.63	0.00	1,472.43	1,369.17	107.54	
Sinking Fund	(488.91)	0.00	1,320.47	(1,369.17)	(96.44)	
Contingency Fund	(1,203.72)	(660.12)	0.00	0.00		
Nominal GDP (Including Oil)	391,940.73	459,130.92	591,883.32	591,883.32		
Nominal GDP (Excluding oil)	368,105.71	431,156.34	550,324.49	550,324.49		

Source: Ministry of Finance

6.4 Public Debt

The stock of public debt (excluding overdraft, SOEs and SPVs) at the end of September 2022 stood at GH¢470,937.0 million, showing an increase of GH¢119,145.9 million over the end December 2021 stock

of GH¢351,791.1 million. In terms of GDP, the total public debt as at End-September 2022 was 79.6 percent, higher than the 76.6 percent recorded in December 2021.

The domestic component was GH¢195,641.5 million (33.1% of GDP), representing a year-to-date increase of 7.1 percent and accounted for 41.5 percent of the total public debt, lower than the 51.7 percent recorded in December 2021. The increase was driven mainly by increases of GH¢3,579.7 million, GH¢9,377.5 million and GH¢645.8 million in the short, medium and long-term instruments, respectively. In terms of the holding structure, the non-bank sector recorded a year-to-date increase of GH¢16,186.7 million, with the banking sector holdings up by GH¢9,606.5 million. However, the holdings of non-resident investors decreased by GH¢11,933.0 million due to the sharp portfolio reversals over the period.

On year-to-date basis, total external debt, in dollar terms, increased by US\$323.1 million to US\$28,662.3 million. However, due to exchange rate effect, total external debt in Ghana Cedi terms, increased by GH¢105,285.7 million to GH¢275,295.5 million (46.5% of GDP) at the end of September 2022. External debt also constituted 58.5 percent of total public debt at the end of September 2022 compared 48.3 percent in December 2021.

Table 6.4: Public Debt

	2021	2022	2022	2022	2022	Sep 2022 - Dec 2021
	DECEMBER	MARCH	JUNE	JULY	SEPTEMBER	CHANGE
TOTAL DOMESTIC DEBT (GH¢ m)	181,781.3	190,199.8	190,074.4	190,244.6	195,641.5	13,860.2
SHORT TERM	22,617.0	22,854.2	20,885.4	22,616.5	26,196.7	3,579.7
MEDIUM-TERM	115,074.3	122,116.2	124,091.1	122,552.5	124,451.8	9,377.5
LONG-TERM	43,710.1	44,643.7	44,512.3	44,462.6	44,355.9	645.8
STANDARD LOANS	380.0	585.6	585.6	613.0	637.1	257.1
HOLDINGS OF DOMESTIC DEBT	181,781.3	190,199.8	190,074.4	190,244.6	195,641.5	13,860.2
BANKING SYSTEM	91,415.3	95,920.8	92,417.2	93,821.1	101,021.9	9,606.5
NON-BANK	61,170.4	65,160.1	70,116.7	72,831.8	77,357.2	16,186.7
FOREIGN SECTOR (Non-Resident)	29,195.5	29,119.0	27,540.6	23,591.7	17,262.5	(11,933.0)
TOTAL EXTERNAL(US\$ m)	28,339.2	28,379.1	28,135.9	28,035.8	28,662.3	323.1
MULTILATERAL	8,192.4	8,150.0	8,073.6	8,066.2	7,939.6	(252.8)
BILATERAL	3,912.0	3,900.0	3,740.1	3,694.5	3,661.1	(251.0)
COMMERCIAL	16,234.7	16,329.1	16,322.1	16,275.1	17,061.6	826.9
TOTAL EXTERNAL(GH¢ m)	170,009.8	201,945.4	203,369.0	212,113.0	275,295.5	105,285.7
TOTAL PUBLIC DEBT (GH¢ m)	351,791.1	392,145.3	393,443.4	402,357.7	470,937.0	119,145.9
Exchange Rate (e.o.p. selling) (US\$/GH¢)	5.9991	7.1160	7.2281	7.5658	9.6048	
Nominal GDP (GH¢ m)	459,130.9	591,883.3	591,883.3	591,883.3	591,883.3	
MEMORANDUM ITEMS						
TOTAL DEBT /GDP RATIO (%)	76.62	66.25	66.47	67.98	79.57	
EXTERNAL DEBT/GDP	37.0	34.1	34.4	35.8	46.5	
DOMESTIC DEBT/GDP	39.6	32.1	32.1	32.1	33.1	
EXTERNAL DEBT/TOTAL DEBT	48.3	51.5	51.7	52.7	58.5	
DOMESTIC DEBT/TOTAL DEBT	51.7	48.5	48.3	47.3	41.5	

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 stem partly from lower-than expected receipts. The expenditures performance on the other hand could be attributed to the build-up of arrears, considering the low statutory transfers. Aggressive revenue mobilization and strengthened commitment controls in the ensuing months of 2022 will contribute immensely to achieving the revised end year budget deficit of 6.6 percent of GDP and primary surplus of 0.1 percent of GDP.

Appendix 1: Fiscal indicators

<i>Million Ghana Cedis</i>	2020	2021	2022	2022
	JAN-SEP	JAN-SEP	JAN-SEP	JAN-SEP
	OUTTURN	OUTTURN	OUTTURN	PROG
Taxes on income and property	15,007.57	18,235.23	24,787.22	25,601.88
per cent of GDP	3.83	3.97	4.19	4.33
Taxes on goods and services	12,680.84	16,045.29	20,888.95	20,787.07
per cent of GDP	3.24	3.49	3.53	3.51
Taxes on international trade	3,847.24	4,908.26	6,221.59	6,133.77
per cent of GDP	0.98	1.07	1.05	1.04
Tax revenue including oil	29,792.61	37,145.39	49,055.30	50,414.79
per cent of GDP	7.60	8.09	8.29	8.52
Tax revenue excluding oil	28,594.73	34,888.79	39,800.61	40,949.39
per cent of GDP	7.77	8.09	6.72	6.92
Nontax revenue	4,785.92	6,082.23	11,048.87	12,169.96
per cent of GDP	1.22	1.32	1.87	2.06
Domestic revenue including oil	36,581.49	46,387.64	64,601.44	66,503.42
per cent of GDP	9.33	10.10	10.91	6.88
Domestic revenue excluding oil	35,383.62	44,131.04	55,346.76	57,038.01
per cent of GDP	9.61	10.24	9.35	6.22
Grants	856.71	847.38	797.37	803.97
per cent of GDP	0.22	0.18	0.13	0.14
Total revenue and grants	37,438.21	47,235.02	65,398.81	67,307.39
per cent of GDP	9.55	10.29	11.05	11.37
Compensation of Employees	20,447.99	23,393.65	27,146.29	27,947.04
per cent of GDP	5.22	5.10	4.59	4.72
Goods and services	5,541.73	3,362.46	4,233.87	5,117.24
per cent of GDP	1.41	0.73	0.72	0.86
Interest payments	18,825.64	25,393.68	32,101.07	30,890.50
per cent of GDP	4.80	5.53	5.42	5.22
Subsidies	168.12	135.93	167.03	215.48
per cent of GDP	0.04	0.03	0.03	0.04
Non-Financial Assets (Capital Expenditure)	8,978.36	9,073.76	10,891.73	12,028.28
per cent of GDP	2.29	1.98	1.84	2.03
Total expenditure & net lending	71,183.77	76,525.66	99,570.13	102,566.81
per cent of GDP	18.16	16.67	16.82	17.33
Overall Budget Balance	(32,870.52)	(33,833.89)	(44,021.81)	(36,684.42)
per cent of GDP	(8.39)	(7.37)	(7.44)	(6.20)
Domestic Expenditure	44,719.95	46,443.77	58,211.07	62,930.52
per cent of GDP	11.41	10.12	9.83	10.63
Domestic Primary Balance	(8,138.46)	(56.14)	6,390.37	3,572.90
per cent of GDP	(2.08)	(0.01)	1.08	0.60
Primary Balance	(14,044.88)	(8,440.20)	(11,920.74)	(5,793.92)
per cent of GDP	(3.58)	(1.84)	(2.01)	(0.98)
Nominal GDP (Including Oil)	391,940.73	459,130.92	591,883.32	591,883.32

Source: Ministry of Finance

7. Inflation Outlook and Analysis

7.0 Global Developments

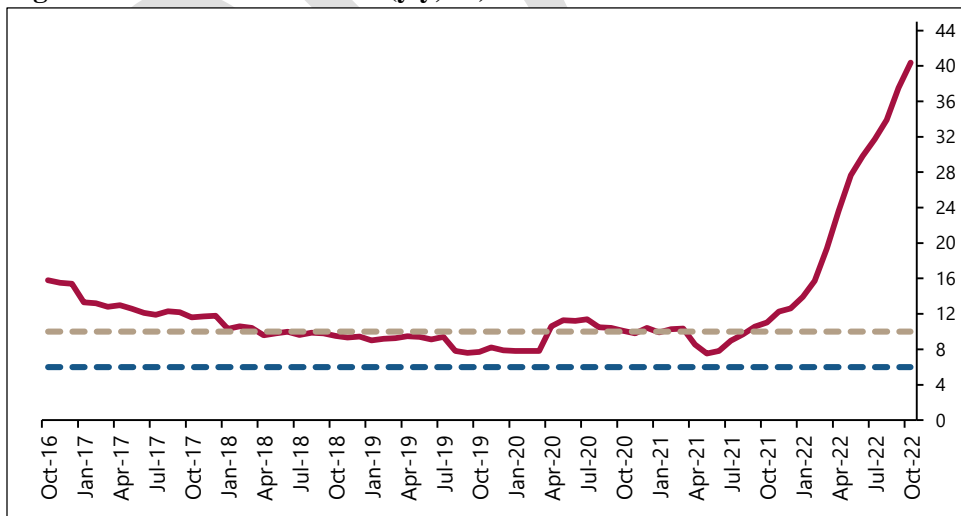
Global inflation remains significantly above targets in several advanced and emerging market economies, driven by pressures from food and energy prices, tighter labour market conditions, pass-through of currency depreciation, geopolitical tensions and supply chain constraints. The IMF projects global inflation to reach 8.8 percent by the end of 2022, before declining to 4.1 percent in 2024. The global inflation outlook is however conditioned on easing supply chain constraints, slowing global economic growth, lowering global food and crude oil prices.

Global financing conditions have tightened further, reflecting the synchronised monetary policy hikes in both advanced and emerging economies to contain the persistent rise in inflation. In response to the policy tightening, the US dollar has strengthened while longer-term bond yields have risen, which have in turn triggered currency pressures and volatility in equity markets across emerging markets and developing economies. Meanwhile, stock prices have remained subdued amid rising interest rates and growing uncertainty about global growth prospects in the near-term. In the outlook, global financing conditions are expected to remain tight, subject to easing inflationary pressures in advanced economies.

7.1 Domestic Price Developments

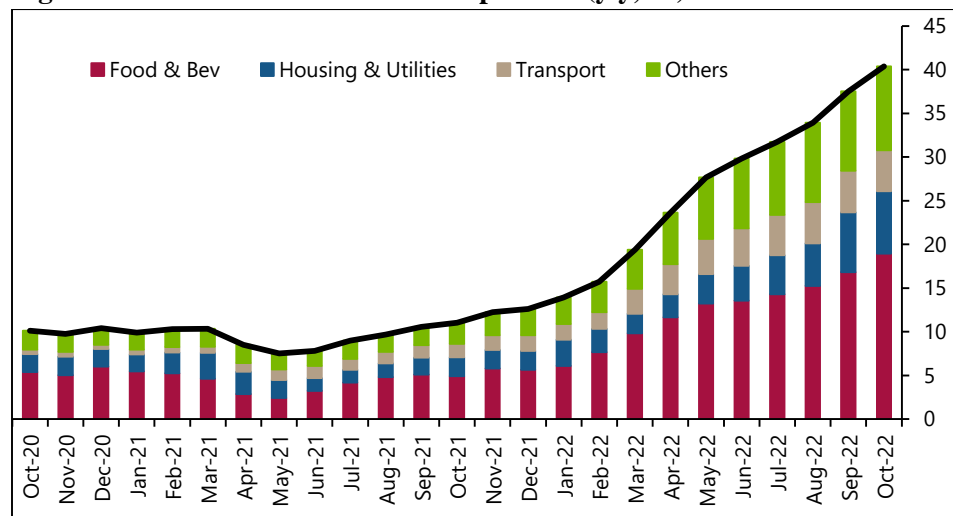
Headline inflation remains elevated, underpinned by strong underlying food price and currency pressures. In October 2022, headline inflation surged further to 40.4 percent, from 37.5 percent in September 2022 (Figure 7.1), largely driven by food price pressures and to some extent the currency depreciation. Food inflation increased from 38.8 percent in September 2022 to 43.7 percent in October, while non-food inflation inched up by 1.3 percentage points to 37.8 percent from 36.5 percent over the same period (Table 7.1 & 7.2).

Figure 7.1: Headline Inflation (y/y, %)



Source: BOG Staff Calculations and Ghana Statistical Service (GSS)

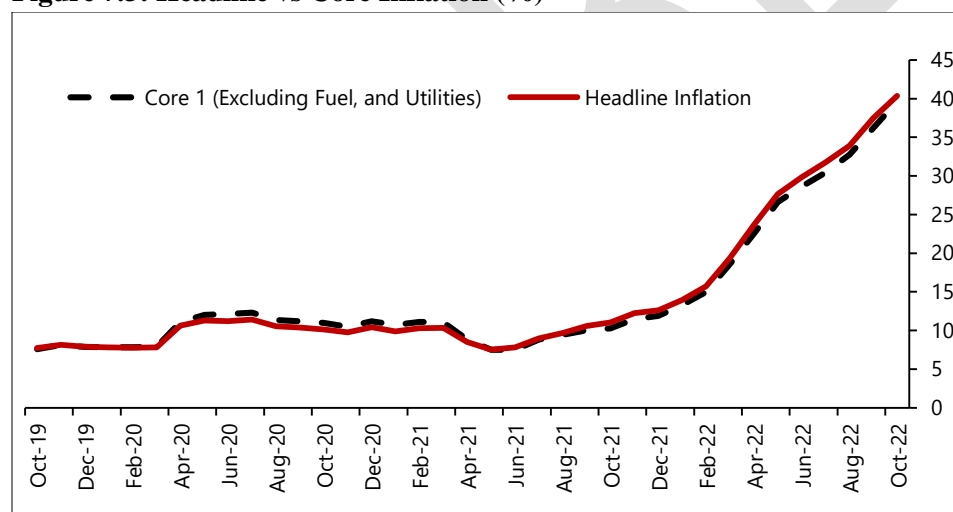
Figure 7.2: Headline Inflation Decomposition (y/y, %)



Source: BOG Staff Calculations and Ghana Statistical Service (GSS)

Underlying inflationary pressures have also heightened further, suggesting that price pressures have broadened than before. The Bank's main measure for core inflation, which excludes energy and utility prices, increased to 39.7 percent in October 2022 from 36.2 percent in September (Figure 7.3). At the same time, consumer, business and financial sector inflation expectations increased.

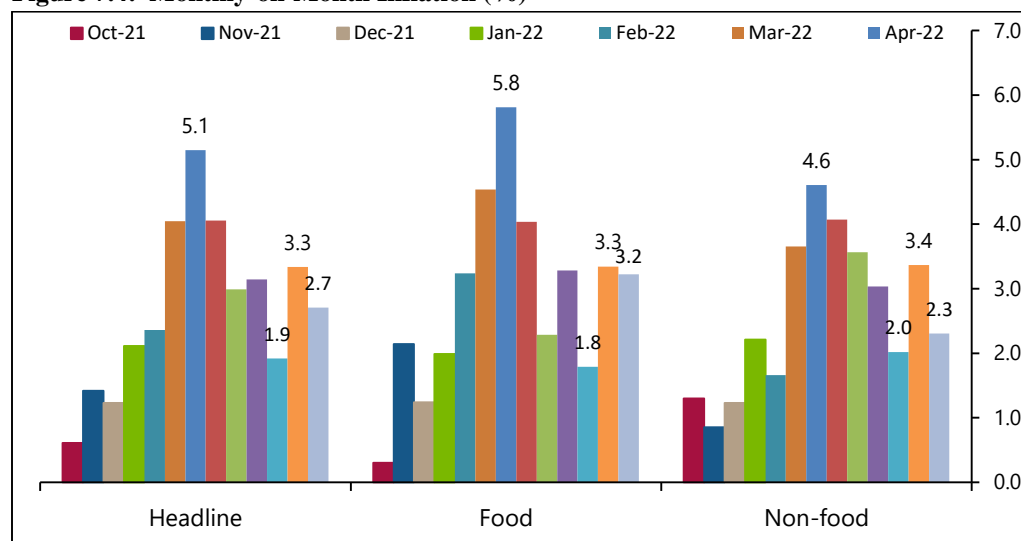
Figure 7.3: Headline vs Core Inflation (%)



Source: BOG Staff Calculations and Ghana Statistical Service (GSS)

Trends in month-on-month inflation suggests a deceleration in October compared to September. The monthly headline inflation declined to 2.7 percent in October 2022, down from 3.3 percent in September (Figure 7.4). Month-on-month food inflation similarly declined marginally to 3.2 percent in October, from 3.3 percent in September. Non-food monthly inflation also decelerated to 2.3 percent in October 2022 from 3.4 percent in September (Table 7.1).

Figure 7.4: Monthly-on-Month Inflation (%)



Source: BOG Staff Calculations and Ghana Statistical Service (GSS)

7.2 Inflation Outlook

Inflationary pressures remained heightened on account of the persistent upward adjustments in ex-pump petroleum prices and transport fares, together with increased utility tariffs and pass-through effects of continued currency depreciation. The heightened inflation expectations, alongside rising production costs, and tightened external financing conditions are likely to further exert upward pressures on inflation, going forward. However, if these risk factors moderate in 2023, some base drift effects could instigate disinflationary trends.

7.3 Inflation Risk Assessment

In the outlook, significant upside risks remain arising from both domestic and foreign sources. Global inflation remains high and persistent, driven largely by food and energy prices. Central banks' concerted efforts to contain price pressures globally have led to aggressive policy tightening across advanced economies. The US Federal Reserve has frontloaded its policy tightening cycle, resulting in a stronger US dollar against other trading currencies. These developments have complicated access to external capital markets by emerging markets and frontier economies, and spilled over into acute capital flow reversals, currency pressures and inflation. The external shocks have had severe consequences on the domestic economy and complicated the policy environment.

The foreign exchange market witnessed increased volatility, with intense pressure on the local currency, especially in September and October. More recently, the sharp depreciation episode has been driven by speculation of a possible debt restructuring which led to portfolio rebalancing in favour of foreign currency holdings. Looking ahead, the next few readings of inflation will shed light on the extent of pass-through of the accelerated depreciation of the Ghana cedi in October on inflation dynamics.

On the transmission of monetary policy changes to inflation, there is evidence that the policy rate increases in the past few months have helped dampen the pace of monthly price increases. Between May and August 2022, the monthly inflation numbers eased from a peak of 5.1 percent to 1.9 percent. However, this was reversed in September and October on account of additional shocks from upward adjustment in ex-pump petroleum prices, utility tariff adjustments, and transport fare increases. In the event, inflation jumped in

October 2022 to 40.4 percent and has dragged along with it, core inflation, which is almost at par with headline inflation, indicating significant underlying inflation pressures.

In the outlook, the latest forecast shows that inflation will likely peak in the first quarter of 2023, and ease to around 25 percent by the end of 2023. This forecast is conditioned on the tightness of monetary policy and the deployment of tools to contain excess liquidity in the economy. There are, however, upside risks to the outlook, emanating from the persistent upward adjustments in ex-pump petroleum products and transport fares with associated second-round effects on the pricing of goods and services. Additionally, the proposed VAT increase and currency pressures may exert upward pressures on headline inflation. Amid these concerns, however, it is expected that the continued tight monetary policy stance would moderate the spillover effects. Therefore, continued vigilance to the evolution of these potential price pressures in the outlook will be key.

7.4 Conclusion

The Monetary Policy Committee was of the view that significant upside risks to the inflation outlook remain and decided to increase the policy rate by 250 basis points to 27.0 percent, to re-anchor inflation expectations.

Appendix Table 7.1: Headline Inflation

	Headline Inflation (%)			Monthly Changes in CPI (%)		
	Combined	Food	Non-food	Combined	Food	Non-food
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	2.0	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
Jul	31.7	32.3	31.3	3.1	3.3	3.0
Aug	33.9	34.4	33.6	1.9	1.8	2.0
Sep	37.5	38.8	36.5	3.3	3.3	3.4
Oct	40.4	43.7	37.8	2.7	3.2	2.3

Source: Ghana Statistical Service

Appendix Table 7.2: CPI Components

CPI Components (%)												
	Weights (%)	2020	2021				2022					
		Dec	Mar	Jun	Oct	Dec	Mar	Jun	Jul	Aug	Sep	Oct
Overall	100.0	10.4	10.3	7.8	11.0	12.6	19.4	29.8	31.7	33.9	37.2	40.4
Food and Beverages	43.1	14.1	10.8	7.3	11.0	12.8	22.4	30.7	32.3	34.4	37.8	43.7
Non-food	56.9	7.7	10.0	8.2	11.0	12.5	17.0	29.1	31.3	33.6	36.5	37.8
Alcoholic Beverages, Tobacco	3.7	6.0	7.0	6.5	10.0	9.6	11.4	21.4	21.2	23.7	22.0	24.3
Clothing and footwear	8.1	7.9	6.0	6.0	7.7	8.6	12.2	23.8	24.7	26.2	28.7	30.8
Housing and Utilities	10.2	20.1	29.0	14.2	20.6	20.7	21.4	38.4	43.0	46.7	68.8	69.6
Household Equipment and Maintenance	3.2	4.7	4.7	4.7	7.3	9.6	18.5	39.6	42.0	44.7	51.5	55.7
Health	0.7	6.0	7.1	6.0	5.2	6.0	8.8	12.8	14.1	16.2	22.8	26.1
Transport	10.1	4.8	6.8	13.4	14.9	17.6	27.6	41.6	44.6	45.7	46.8	46.3
Information and Communication	3.6	7.0	8.1	4.9	7.8	9.0	13.4	14.5	14.3	15.0	14.9	15.7
Recreation & Culture	3.5	1.8	4.0	3.6	7.2	11.4	17.0	31.3	33.8	36.4	36.3	38.1
Education	6.5	0.2	0.4	0.9	0.9	1.0	2.9	4.4	5.1	7.2	8.3	9.5
Restaurants and Accommodation	4.6	5.4	6.1	4.8	4.0	8.9	12.6	20.2	20.9	22.4	11.1	11.0
Insurance and Financial services	0.2	3.3	7.8	5.5	7.1	6.3	3.0	5.8	5.3	5.4	13.6	13.0
Personal care & Miscellaneous goods	2.4	3.8	4.5	4.5	8.5	10.6	17.0	31.7	33.7	36.0	42.6	45.5
Source: Ghana Statistical Service												