BANK OF GHANA

QUARTERLY ECONOMIC BULLETIN

FIRST QUARTER 2023

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Overview

This report presents a review of global and the domestic economic developments during the first quarter of 2023. The domestic developments cover the real sector, inflation, monetary aggregates, banking sector credit, exchange rates, interest rates, the capital market, and balance of payments.

Global Economy

The global economy showed initial signs of stabilizing in the first quarter of 2023 on the back of declining food and energy prices, the re-opening of the Chinese economy, and improved business and consumer confidence.

The Domestic Economy

Real Sector

The domestic economy recorded some growth, albeit at a slower pace, during the first quarter of the year. Indicators of consumer spending, manufacturing activities, industrial consumption of electricity, and international tourist arrivals picked up during the review quarter, while construction sector activities, vehicle registration, and port activity declined.

Inflation

Headline inflation declined significantly to 45.0 percent at the end of the first quarter of 2023, from 54.1 percent at the end of Q4:2022, due to favourable base-drift effects, a tight monetary policy stance, falling fuel prices, and observed relative currency stability in the forex market. In year-on-year terms, food inflation slowed to 50.8 percent at the end of Q1:2023, from 59.7 percent at the end of Q4:2022, while non-food inflation declined to 40.6 percent, from 49.9 percent over the same comparative period.

Monetary Aggregates

Growth in broad money supply (M2+) increased to 45.02 percent in the first quarter of 2023, from 19.49 percent in the corresponding period in 2022. M2+ totalled GH¢206,986.41 million at the end of the review period, compared with GH¢412,729.13 million and GH¢180,266.84 million recorded in Q1:2022 and Q4:2022, respectively.

The increase in growth in M2+ was driven by significant expansion in Net Domestic Assets (NDA), although growth in Net Foreign Assets (NFA) contracted. Growth in NDA increased considerably from 34.47 percent recorded in Q1:2022 to 56.07 percent in Q1:2023, while NFA sharply contracted by 596.99 percent in Q1:2023 compared with a contraction of 84.00 percent in Q1:2022.

Banking Sector Credit

Annual growth in banks' outstanding credit to the public and private sectors decreased marginally to 24.58 percent in Q1:2023, from 24.64 percent in Q1:2022. This was also lower than the growth of 30.19 percent recorded for Q4:2022. At the end of Q1:2023, total outstanding credit stood at GH¢73,492.68 million. In real terms, growth in credit from the banks declined to -14.08 percent at the end of Q1:2023, from 4.39 percent in Q1:2022.

The share of total outstanding credit to the private sector decreased marginally to 89.44 percent at the end of Q1:2023, from 90.19 percent recorded in 2022.

Exchange Rates

On the interbank market, the Ghana cedi depreciated on a quarter-on-quarter basis by 22.1 percent against the U.S. dollar, 24.3 percent against the pound sterling, and 23.6 percent against the euro, in Q1:2023.

On the forex bureaux market, the Ghana cedi depreciated on a quarter-on-quarter basis by 5.5 percent, 9.6 percent and 7.4 percent against the U.S. dollar, the pound sterling, and the euro, respectively, in Q1:2023.

Interest Rates

Interest rates generally trended upwards on a year-on-year basis in Q1:2023. Rates on BOG bills and GOG securities all trended upwards compared with rates recorded in the first quarter of 2022.

The Monetary Policy Rate (MPR) at the end of Q1:2023 was 29.50 percent, reflecting a 1,250-basis-point cumulative increase compared with the MPR at the end of Q1:2022.

The interbank weighted average interest rate increased by 1,255 basis points (bps), year-on-year, from 13.32 percent recorded in Q1:2022 to 25.87 percent in Q1:2023.

On the treasury market, the 91-day, 182-day and 364-day T-bill rates increased on a year-on-year basis by 689bps, 925bps and 967bps, to settle at 20.38 percent, 23.01 percent, and 26.67 percent, respectively, at the end of the first quarter in 2023.

Capital Market

The Ghana Stock Exchange Composite Index (GSE-CI) gained 12.33 percent (301.42 points) on a quarter-on-quarter basis at the end of Q1:2023. The performance of the GSE-CI could be attributed to the dividend payments announced by some listed companies, and the marginal recovery of cedi from the slump in 2022.

Total market capitalization at the end of the review period stood at GH¢67,846.89 million, representing an increase of 5.18 percent on a quarter-on-quarter basis.

Balance of Payments

The value of merchandise exports for the quarter under review was provisionally estimated at US$4,366.27 million, indicating a decrease of 1.2 percent compared with US$4,417.75 million recorded in the first quarter of 2022. The decline in exports performance was driven by lower crude oil receipts, although earnings from gold exports and cocoa beans exports increased. Total value of merchandise imports for Q1:2023 was US$2,990.96 million, down by 15.6 percent, compared to US$3,544.92 million recorded in Q1:2022. The decrease in total imports was driven mainly by a reduction in both oil and non-oil imports.

The provisional trade balance was a surplus of US$1,375.31 million in the first quarter of 2023, higher than the surplus of US$872.84 million recorded in the corresponding quarter in 2022. The improvement in the trade surplus was on account of a lower import bill.

The country's Gross International Reserves (GIR) stood at US$5,110.73 million (2.4 months of import cover) at the end of March 2023, from a stock position of US$6,238.19 million (2.7 months of import cover) at the end of December 2022.

1. Developments in the World Economy

The global economy showed initial signs of stabilizing in early 2023, on the back of declining food and energy prices, the re-opening of the Chinese economy, and improved business and consumer confidence. Headline inflation continued to moderate in many economies, reflecting synchronized monetary policy tightening and falling energy and food prices. However, underlying inflationary pressures remained strong due to the lingering effects of past cost shocks, tight labour markets and strong wage growth.

Table 1.1: Overview of World Economic Outlook Projections
(% change, otherwise stated)
Source: *IMF World Economic Outlook*

	Year-over-Year			
	Estimate		Projections	
	2021	2022	2023	2024
World Output	**6.2**	**3.4**	**2.8**	**3.0**
Advanced Economies	**5.4**	**2.7**	**1.3**	**1.4**
United States	5.9	2.1	1.6	1.1
Euro Area	5.3	3.5	0.8	1.4
Germany	2.6	1.8	-0.1	1.1
France	6.8	2.6	0.7	1.3
Italy	6.7	3.7	0.7	0.8
Spain	5.5	5.5	1.5	2.0
Japan	2.1	1.1	1.3	1.0
United Kingdom	7.6	4.0	-0.3	1.0
Canada	5.0	3.4	1.5	1.5
Other Advanced Economies	5.3	2.6	1.8	2.2
Emerging Market and Developing Economies	**6.7**	**4.0**	**3.9**	**4.2**
Emerging and Developing Asia	7.4	4.4	5.3	5.1
China	8.4	3.0	5.2	4.5
India	8.7	6.8	5.9	6.3
Emerging and Developing Europe	6.9	0.8	1.2	2.5
Russia	4.7	-2.1	0.7	1.3
Latin America and the Caribbean	7.0	4.0	1.6	2.2
Brazil	5.0	2.9	0.9	1.5
Mexico	4.7	3.1	1.8	1.6
Middle East and Central Asia	4.5	5.3	2.9	3.5
Saudi Arabia	3.2	8.7	3.1	3.1
Sub-Saharan Africa	4.7	3.9	3.6	4.2
Nigeria	3.6	3.3	3.2	3.0
South Africa	4.9	2.0	0.1	1.8

Central banks continued to tighten policy rates but at a slower pace, amid signs that inflation had peaked. The anticipation of weaker growth and less hawkish path of monetary policy led to a decline in government bond yields in advanced economies. Global equity prices fell following the failure of Sillicon Valley Bank, but have since recovered.

In the outlook, global growth will remain weak. Asia will be the main driver of growth in 2023 with China accounting for more than half of their contribution to growth. The downside risks to global activity persist, stemming from vulnerability in the banking sector, difficult policy trade-offs, systemic sovereign debt distress in Emerging Markets and Developing Economies (EMDEs), and uncertainty about the course of the war in Ukraine.

1.1 United States

Economic activity in the U.S. slowed, with annualized GDP growth of 1.3 percent in Q1:2023, amid rising interest rates and uncertainty stemming from the effects of Russia-Ukraine war. There was some weakness in the manufacturing sector due to rising interest rates and subdued consumer confidence. The U.S. economy experienced some financial distress in the last month of Q1:2023 leading to the collapse of some banks. A contagion was avoided as regulators moved in quickly to support the industry with liquidity. Looking ahead, growth in the United States is projected to slow to 1.6 percent in 2023, with risks to the outlook tilted to the downside.

1.2 United Kingdom

The U.K. economy expanded by 0.1 percent in Q1:2023, unchanged from Q4:2022. The relatively subdued growth performance reflected rising interest rates and elevated inflation was partly offset by some improvements in employment growth and improving consumer sentiment in Q1:2023. In the outlook, the IMF projects growth of 0.3 percent in 2023, down from a growth of 4.0 percent in 2022, reflecting tighter financial conditions, rising uncertainty due to the effects of the Russia-Ukraine war, and cooling consumer and business confidence.

1.3 Euro Area

The Euro area grew marginally by 0.1 percent in Q1:2023, recovering slightly from the flat growth in Q4:2022. The bloc faced several headwinds, including the global fight against inflation, effects of the COVID-19 pandemic, the war in Ukraine and weaker consumer confidence. The IMF projects growth in the Euro area to remain weak at 0.8 percent in 2023, before rising to 1.4 percent in 2024.

1.4 Japan

The Japanese economy expanded by 0.4 percent in Q1:2023 after registering no growth in Q4:2022. The expansion in economic activity was on the back of the lifting of border controls and increase in private consumption, compared to the previous quarter. Also, business investment unexpectedly increased by 0.9 percent, rebounding strongly from a 0.7 percent fall previously. Relative to Q4:2022, new machinery orders were up 4.7 percent in January and February, while both consumer confidence and the services PMI averaged higher over Q1:2023 as a whole. However, real merchandise exports were down 3.1 percent in Q1:2023 compared to Q4:2022, due to a weak external sector. The Japanese economy is projected to grow marginally at 1.3 percent in 2023, with continued monetary and fiscal policy support. However, growth will slow to 1.1 percent in 2024 as the effects of past stimulus dissipate.

1.5 China

Economic activity in China grew by 2.2 percent in Q1:2023, from a growth of 0.6 percent in Q4:2022, reflecting the reopening of the country and the release of pent-up demand. The People's Bank of China cut reserve requirements for lenders in March to support both business and consumption activity, while the government pledged to launch more fiscal stimulus to offset some of the headwinds to growth. The Chinese economy is projected to grow by 5.2 percent in 2023, on the back of a rapidly improving mobility. Growth will, however, moderate to 4.5 percent in 2024 due to waning of fiscal stimulus and pent up demand.

1.6 Emerging Markets and Developing Economies

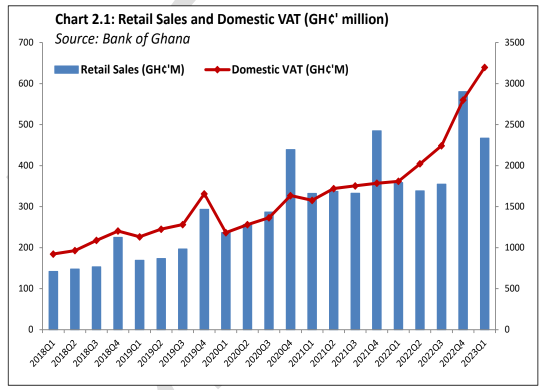
Economic activity in EMDEs decelerated sharply in 2022 to an estimated 3.9 percent, from 6.7 percent in the previous year, amid the global fight against inflation, the lingering effects of geopolitics, uncertainty about the global economic prospects, and lower commodity prices. Growth is expected to remain unchanged at 3.9 percent in 2023, but is expected to rise to 4.2 percent in 2024. The level of economic activity, however, differed across EM countries, with Indonesia shrinking by 0.9 percent in Q1:2023 due to a slowdown in China. Weaker activity in Brazil, Poland and Thailand reflected tighter financial conditions weighing on investment and consumption spending. In the outlook, tightening financial conditions, alongside elevated debt levels, are likely to threaten macroeconomic stability in many of EMDEs.

1.7 Sub-Sahara African Countries

The region faced several headwinds in 2022, including high borrowing costs, unsustainable debt levels, and depreciating currencies, all of which exacerbated inflationary pressures. The IMF projects that growth in Sub-Saharan Africa (SSA) will moderate to 3.6 percent in 2023, from a growth outturn of 3.9 percent in 2022, reflecting weakening external demand, high inflation, and tightening global financial conditions. The slowdown in larger economies such as Nigeria and South Africa will weigh on regional growth in 2023. South Africa's economy contracted by 1.3 percent in Q4:2022, reflecting severe power outages. However, recent data has pointed to stronger exports, which has offset the negative impact of continued power disruptions. In Nigeria, the Stanbic IBTC Bank PMI was contractionary in Q1:2023 on the back of a reduction in private sector business activity. In the outlook, prolonged weakness in major economies, higher borrowing costs, above-target inflation and elevated unemployment will affect demand, debt servicing costs and public finances. Also, waning fiscal support, amid elevated debt levels in the absence of debt sustainability, is a downside risk to growth.

2. Real Sector Developments

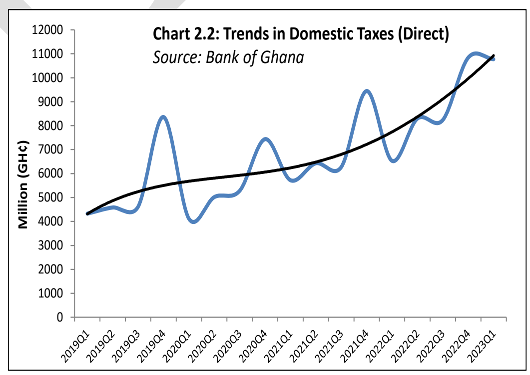
A review of selected real sector indicators revealed some moderation in domestic economic activity during the first quarter of 2023, compared with trends observed during the same period in 2022. The relative slowdown in real sector activities is mainly due to the challenging macroeconomic environment.



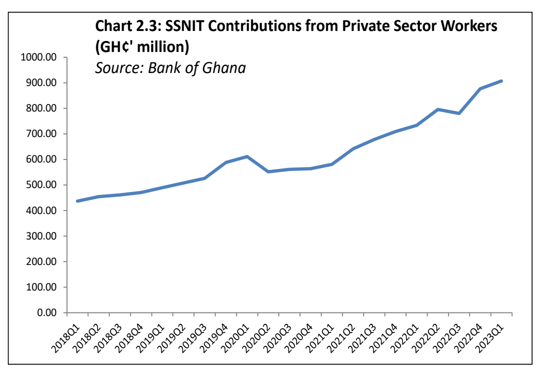
2.1 Indicators of Economic Activity

Consumer Spending

Consumer spending, proxied by domestic VAT collections and retail sales, improved in Q1:2023, compared with figures recorded in the corresponding period of 2022. Domestic VAT collections grew by 76.8 percent (year-on-year) to GH¢3,196.30 million, relative to GH¢1,808.04 million collected during the corresponding quarter in 2022. Domestic VAT also increased by 14.2 percent, from GH¢2,799.24 million collected in Q4:2022.



Retail sales increased by 30.3 percent (year-on-year), recording GH¢467.00 million in Q1:2023, compared with GH¢358.50 million recorded in the corresponding quarter of 2022. The improvement in retail sales could be attributed to an increase in household spending during the review period.



Manufacturing Activities

Manufacturing-related activities, as proxied by trends in the collection of direct taxes (income, corporate and others) and private sector workers' contributions to the SSNIT Pension Scheme (Tier-1), posted a positive outturn in Q1:2023, compared with what was observed in the same period of 2022. Total direct taxes collected increased by 65.0 percent to GH¢10,773.16 million in Q1:2023, from GH¢6,529.91 million recorded in Q1:2022. Total direct taxes collected for the quarter under review, however, moderated marginally by 0.6 percent, from GH¢10,835.71 million collected in Q4:2022. In terms of contribution of the various sub-tax categories, Corporate Tax accounted for 50.4 percent, followed by Income Tax (PAYE and Self-employed) with 37.7 percent, while other tax sources contributed 11.9 percent.

Similarly, private sector workers' contributions to the SSNIT Pension Scheme (Tier-1) rose by 23.7 percent to GH¢906.95 million in Q1:2023, from GH¢733.45 million collected in the same quarter of 2022. Total contribution in the review period also increased by 3.5 percent when compared with GH¢876.49 million for Q4:2022. The improvement in private workers' contributions to the Tier-1 pension scheme was due to the registration of new employees as well as improved compliance by private sector employers.

Construction Sector Activities

Economic activity in the construction sector, as proxied by the volume of cement sales, declined by 28.6 percent to 715,070.24 tonnes in Q1:2023, from 1,001,259.90 tonnes recorded in Q1:2022. Similarly, total cement sales during the review period decreased by 8.9 percent when compared with 785,170.61 tonnes recorded in Q4:2022. The year-on-year decline in total cement sales was due to a slowdown in construction activities during the review period.

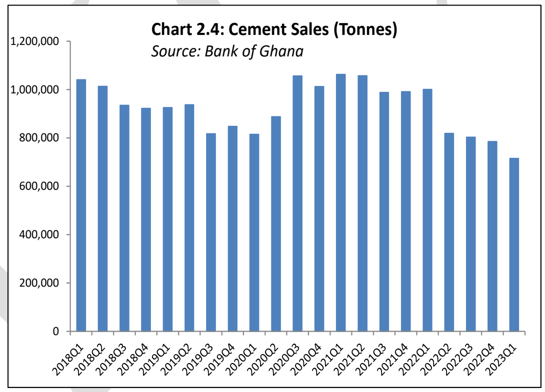


Chart 2.4: Cement Sales (Tonnes)
Source: Bank of Ghana

Vehicle Registration

Transport-related economic activities, gauged by vehicle registration by the Driver and Vehicle Licensing Authority (DVLA), declined by 45.2 percent to 54,568 in Q1:2023, from 99,514 vehicles registered during the corresponding quarter of 2022. Conversely, the number of vehicles registered during the review period increased significantly by 131.4 percent relative to 23,579 vehicles recorded in Q4:2022. The decline recorded in vehicle registration, year-on-year, was due to a moderation in vehicle importation during the quarter.

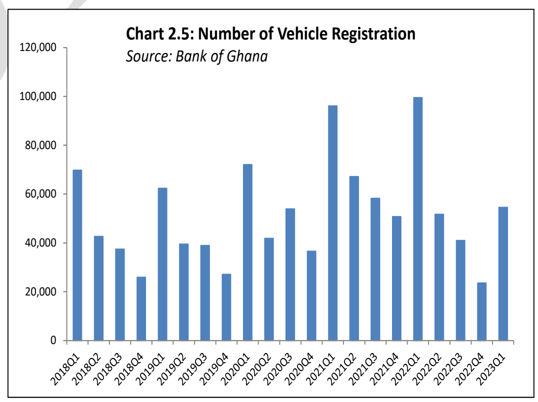


Chart 2.5: Number of Vehicle Registration
Source: Bank of Ghana

Industrial Consumption of Electricity

The consumption of electricity by industries, which is a proxy for activities within the productive sectors of the economy, went up by 5.8 percent during Q1:2023, compared with observations made in Q1:2022. Industries utilised 859.11 giga-watts of power in Q1:2023, as against 812.29 giga-watts recorded in

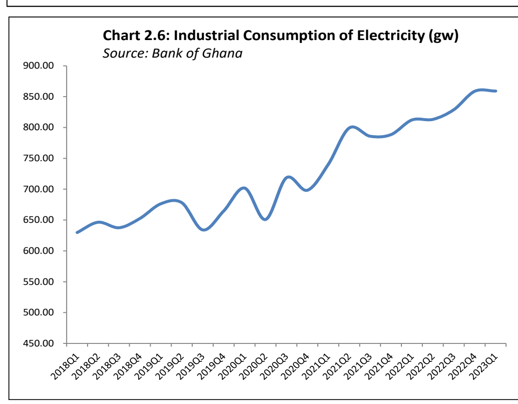
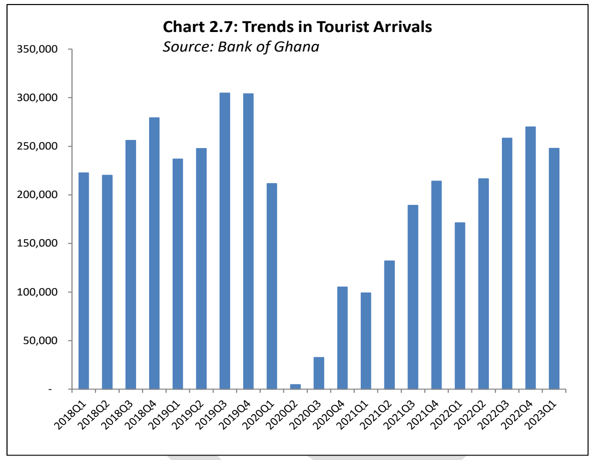


Chart 2.6: Industrial Consumption of Electricity (gw)
Source: Bank of Ghana

Q1:2022. The improvement in the electricity consumed by industries, year-on-year, could be attributed to increased industrial activity during the review period.

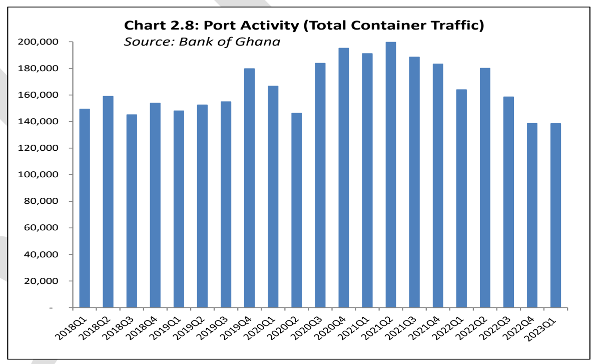
International Tourist Arrivals

Tourist arrivals through the country's various ports of entry improved in Q1:2023 when compared with figures recorded in the same quarter of 2022. A total of 247,834 tourists entered the country during the review period, as against 171,145 visitors received in Q1:2022, indicating an improvement of 44.8 percent. Tourist arrivals during the period, however, went down by 8.2 percent when compared with 269,845 visitors received in Q4:2022. The year-on-year increase in tourist arrivals was due to a rise in tourism-related activities during the review period.



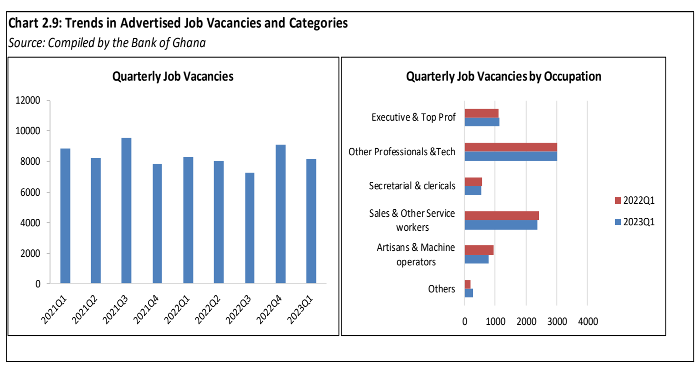
Port Activity

International trade at the country's two main harbours (Tema and Takoradi), as measured by laden container traffic for inbound and outbound containers, recorded a decline in Q1:2023, compared with what was observed in Q1:2022. Total container traffic for inbound and outbound containers decreased by 15.6 percent to 138,430, from 163,936 recorded in Q1:2022. The decline in port activities, year-on-year, was due to a slowdown in international trade activities amid ongoing geopolitical tensions during the review period.



2.2 Labour Market Conditions

The number of jobs advertised in selected print[1] and online[2] media, which gauges labour demand in the economy, decreased in Q1:2023 relative to what was observed in Q1:2022. In total, 8,126 job adverts were recorded in Q1:2023, as compared with 8,252 for Q1:2022, indicating a marginal decline of 1.5 percent (year-on-year). Also, the number of job vacancies advertised in the review period went down by 10.8 percent, from 9,111



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

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

Sectoral Distribution and Skill Set of Job Adverts

The Services Sector maintained its dominance as the leading job-providing sector in the economy, accounting for 82.0 percent of total job adverts recorded in Q1:2023. This compares with its share of 79.7 percent recorded in Q1:2022. Industry followed with a share of 14.2 percent, down from 16.7 percent in Q1:2022, while the Agriculture Sector accounted for 3.8 percent of the job adverts during the period, compared with 3.6 percent of total job adverts recorded for the corresponding quarter of 2022.

Further analysis revealed that the main requirements for skilled employees were tertiary education qualification(s) and a minimum of three years' working experience. This category, classified as Professionals and Technicians, collectively accounted for 50.9 percent of total jobs advertised in Q1:2023, relative to 49.8 percent recorded in the corresponding quarter of 2022. This was followed by the categories classified as Sales & Other Service Workers (29.0% in Q1:2023 vs. 29.3% in Q1:2022), Artisans & Machine Operators (9.8% vs. 11.4%), Secretarial & Clerical Staff (6.8% vs. 7.1%) and Others (3.5% vs. 2.4%).

3. Price Developments

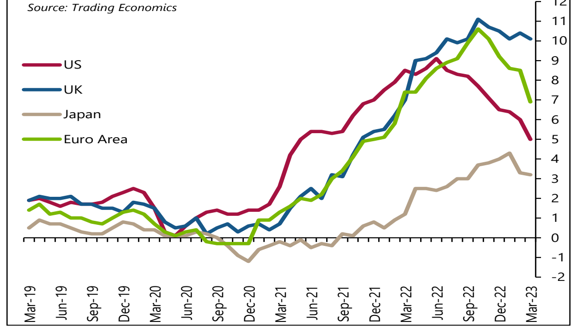
3.1 Global Inflation

Headline inflation continued to decline in some advanced and emerging market economies in the first quarter of 2023, supported by declining commodity prices, weaker demand and easing of supply-chain bottlenecks. This notwithstanding, there were underlying inflation pressures from the pass-through effects of past input costs, rising wages (especially in Advanced Economies), and currency depreciation against the U.S. dollar.

Advanced Economies

Inflation in the **United States** slowed to 5.0 percent in March 2023, down from 6.5 percent at the end of the last quarter of 2022, on the heels of a slower increase in food prices and energy costs as well as a sustained decline in the cost of used cars and trucks. Core consumer price inflation, which excludes volatile items such as food and energy, declined to 5.6 percent at the end of Q1:2023, from 5.7 percent in December 2022.

Chart 3.1: Inflation in Advanced Economies (year-on-year, percent)
Source: Trading Economics

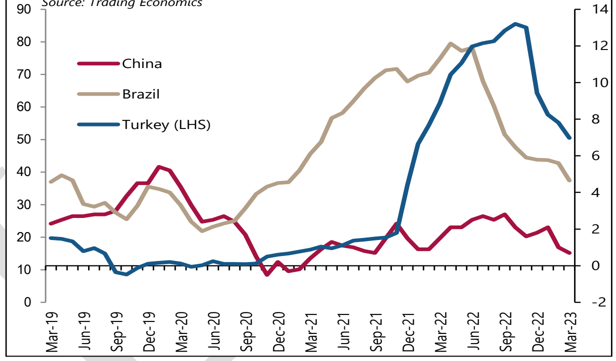


The annual inflation in the **United Kingdom** reduced to 10.1 percent in March 2023, from 10.5 percent in December 2022, mainly due to a slowdown in the pace of increase in prices of food & non-alcoholic beverages, transport, miscellaneous goods & services and housing & utilities. Core inflation rate in the United Kingdom inched down to 6.2 percent in March 2023, from 6.3 percent in December 2022.

Headline inflation in the **Euro Area** was pegged at 6.9 percent, year-on-year, at the end of Q1:2023, down from 9.2 percent in December 2022, on account of a decline in energy prices and the ease in non-energy industrial goods inflation. However, core inflation, which strips out volatile items such as energy and food, edged up to 5.7 percent in March 2023, from 5.2 percent at the end of the previous quarter.

Consumer prices in **Japan** decreased to 3.2 percent in March 2023, from 4.0 percent recorded in December 2022. It was the lowest reading since the third quarter of 2022, as transport costs rose the least in two quarters, while the prices of fuel, light, and water declined much faster. Core inflation, which excludes fresh food but includes fuel costs, also decreased to 3.1 percent, year-on-year, from 4.0 percent in December 2022.

Chart 3.2: Inflation in Emerging Market Economies (year-on-year, percent)
Source: Trading Economics



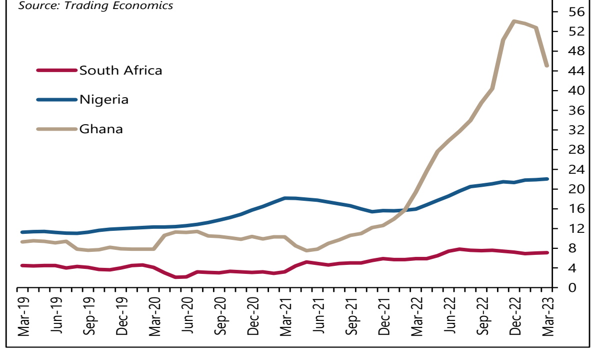
Emerging Market Economies

China's inflation rate fell from 1.8 percent in December 2022 to 0.7 percent in March 2023. Following the abolition of the zero-COVID policy, prices for both food and non-food items declined as a result of an uneven economic recovery. Despite a faster acceleration in pork prices, food inflation eased on account of a sharper decline in the price of fresh vegetables. Additionally, non-food prices continued to fall due to further drops in the cost of housing and transportation. Core inflation in China remained unchanged at 0.7 percent at the end of Q1:2023.

The headline inflation rate in **Brazil** declined to 4.6 percent at the end of Q1:2023, from 5.8 percent at the end of the previous quarter, as prices continued to ease for transport, and food & non-alcoholic beverages. Over the period, core inflation in Brazil, which excludes fuel and volatile food and beverages, also eased to 7.3 percent in March 2023 from 7.8 percent in December 2022.

Turkey's inflation rate slowed significantly to 50.5 percent in Q1:2023, from 64.3 percent in December 2022. Except for the recreation and culture subgroup, price pressures softened in all components in March 2023, largely due to a favourable base effect. Core inflation, defined to exclude energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold, also dropped to 47.4 percent at the end of Q1:2023, from 51.9 percent at the end of December 2022.

Chart 3.3: Inflation in Sub-Saharan Africa (year-on-year, percent)
Source: Trading Economics



Sub-Saharan Africa

The headline inflation rate in **South Africa** dropped to 7.1 percent at the end of Q1:2023, from 7.2 percent at the end of Q4:2022. The main drivers of inflation in the first quarter were significant drops in the prices of food and non-alcoholic beverages, transport, miscellaneous goods & services and housing & utilities. However, core inflation, which excludes prices of food, non-alcoholic beverages, fuel and energy, rose to 5.2 percent at the end of Q1:2023, from 4.9 percent at the end Q4:2022.

In **Nigeria**, headline inflation increased from 21.3 percent in December 2022 to 22.04 percent at the end of Q1:2023. Food prices rose due to increases in prices of oil and fats, bread and cereals, potatoes, yam and other tubers, fish, fruits, meat, vegetables and spirits. Additional upward pressures came from prices of transportation, and housing & utilities due to the progressive hikes in electricity tariffs, fuel prices and prices of miscellaneous goods & services. Core inflation, which strips out the prices of agricultural produce, surged to 19.9 percent in March 2023, from 18.5 percent in December 2022.

3.2 Domestic Inflation

Headline Inflation

Headline inflation declined to 45.0 percent in March 2023, from 54.1 percent in December 2022. The deceleration was occasioned by a significant drop in both food and non-food prices in Q1:2023. Food inflation slowed markedly to 50.8 percent in March 2023, from 59.7 percent in December 2022. Non-food inflation also declined to 40.6 percent in March 2023, from 49.9 percent in December 2022. Overall, price pressures eased considerably across all items in the basket due to favourable base-drift effects, a tight monetary policy stance, falling fuel prices, and relative currency stability in the forex market.

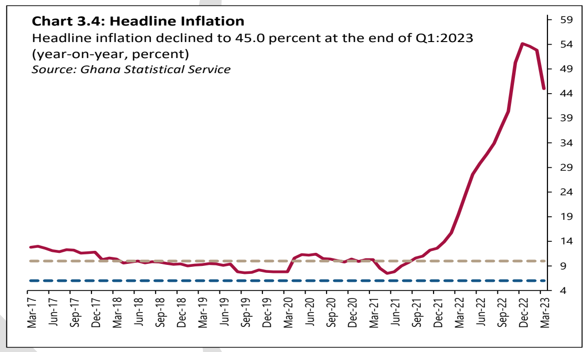


Chart 3.4: Headline Inflation
Headline inflation declined to 45.0 percent at the end of Q1:2023
(year-on-year, percent)
Source: Ghana Statistical Service

The Bank's core measure of inflation, defined to exclude energy and utility prices, also eased sharply to 44.6 percent in Q1:2023, from 53.2 percent in December 2022.

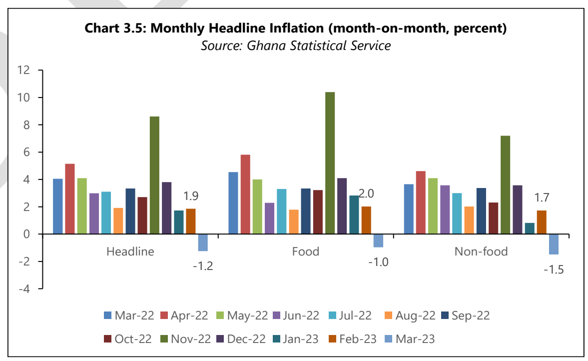


Chart 3.5: Monthly Headline Inflation (month-on-month, percent)
Source: Ghana Statistical Service

Monthly Inflation

On a month-on-month basis, prices increased at a much slower pace of -1.2 percent in March 2023, relative to 1.9 percent in February and 1.7 percent in January 2023, due to deceleration in both food and non-food inflation. Monthly inflation in Q1:2023 averaged 0.8 percent, compared to an average of 5.0 percent in the previous quarter. Average monthly food inflation dropped to 1.3 percent in Q1:2023, compared to an average of 5.9 percent in Q4:2022. Also, average monthly non-food inflation slowed to 0.4 percent, relative to 4.4 percent over the same comparative period.

Table 3.1: Headline Inflation and Components

	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						
Jun	7.8	7.3	8.2	1.3	1.8	0.8
Jul	9.0	9.5	8.6	1.6	2.0	1.3
Aug	9.7	10.6	8.7	0.3	0.2	0.3
Sept	10.6	11.5	9.9	0.6	0.0	1.2
Oct	11.0	11.0	11.0	0.6	0.3	1.3
Nov	12.2	13.1	11.6	1.4	2.1	0.9
Dec	**12.6**	**12.8**	**12.5**	**1.2**	**1.2**	**1.2**
2022						
Jan	13.9	13.7	14.1	2.1	1.9	2.2
Feb	15.7	17.4	14.5	2.4	3.2	1.7
Mar	**19.4**	**22.4**	**17.0**	**4.0**	**4.5**	**3.7**
Apr	23.6	26.6	21.3	5.1	5.8	4.6
May	27.6	30.1	25.7	4.1	4.0	4.1
Jun	29.8	30.7	29.1	3.0	2.3	3.6
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
Sept	37.2	37.8	36.8	2.0	2.2	1.7
Oct	40.4	43.7	37.8	2.7	3.2	2.3
Nov	50.3	55.3	46.5	8.6	10.4	7.2
Dec	54.1	59.7	49.9	3.8	4.1	3.6
2023						
Jan	53.6	61.0	47.9	1.7	2.8	0.8
Feb	52.8	59.1	47.9	1.9	2.0	1.7
Mar	**45.0**	**50.8**	**40.6**	**-1.2**	**-0.9**	**-1.5**

Source: Ghana Statistical Service

3.3 Inflation Outlook

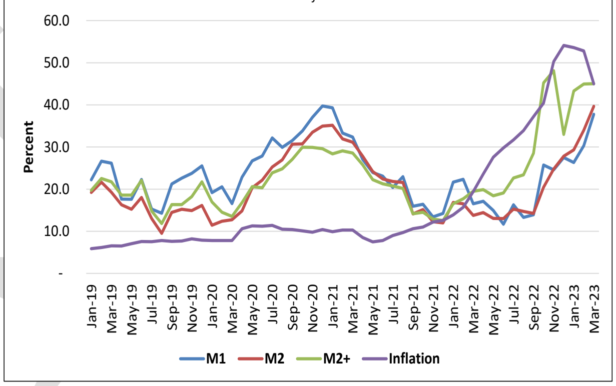
In the outlook, the disinflation process is expected to continue. However, inflation could remain above the upper band of the medium-term target of 8±2 percent until 2025. Risks are tilted to the downside, mainly characterized by favourable base drift effects, the potential impact of the expected IMF Board approval of the Fund Programme in May 2023 and the relative stability in the exchange rate. These factors, together with the tightening monetary policy stance and efforts to mop-up excess liquidity in the banking system, look likely to dampen inflationary pressures on the horizon. However, the delay in external debt restructuring and the passage of the new revenue measures by Parliament (if firms pass on additional costs to consumers) could pose significant upside risks to the inflation outlook.

4. Money and Financial Market Developments

The pace of growth in broad money supply (M2+) accelerated in Q1:2023, mainly driven by an expansion in Net Domestic Assets (NDA) of the Depository Corporations' sector. The Net Foreign Assets (NFA), however, contracted considerably during the review period to moderate the growth in M2+. The observed increase in the growth in M2+ reflected in increased growth in all of its components: currency with the public, demand deposits, savings and time deposits, and foreign currency deposits.

Chart 4.1: Inflation and Liquidity

Source: Bank of Ghana



4.1 Broad Money Supply

Developments in the monetary aggregates showed acceleration in broad money supply (M2+) growth on a year-on-year basis. Annual growth in broad money supply (M2+) increased to 45.02 percent in Q1:2023, from 19.49 percent in Q1:2022. The stock of broad money supply stood at GH¢206,986.41 million during the review period, compared with GH¢412,729.13 million and GH¢180,266.84 million recorded in Q1:2022 and Q4:2022, respectively.

Table 4.1: Monetary Indicators

	Levels (GH¢ Millions)			Year-On-Year Variation					
				As at end-Mar 2022		As at end-Dec 2022		As at end-Mar 2023	
	Mar-22	Dec-22	Mar-23	Absolute Δ	% change	Absolute Δ	% change	Absolute Δ	% change
Reserve Money	44,866.58	68,103.84	57,840.77	9,961.96	28.54	24,858.94	57.48	12,974.19	28.92
Narrow Money (M1)	68,918.69	88,484.18	94,959.69	9,770.56	16.52	19,094.87	27.52	26,041.00	37.79
Broad Money (M2)	106,050.89	135,142.49	148,131.00	12,824.88	13.76	29,405.22	27.81	42,080.11	39.68
Broad Money (M2+)	**142,729.13**	**180,266.84**	**206,986.41**	**23,283.91**	**19.49**	**44,711.09**	**32.98**	**64,257.28**	**45.02**
Currency with the Public	22,090.81	31,420.65	31,194.57	2,766.07	14.31	9,646.75	44.30	9,103.76	41.21
Demand Deposits	46,827.89	57,063.53	63,765.13	7,004.49	17.59	9,448.12	19.84	16,937.24	36.17
Savings & Time Deposits	37,132.19	46,658.31	53,171.31	3,054.32	8.96	10,310.35	28.37	16,039.11	43.19
Foreign Currency Deposits	36,678.24	45,124.35	58,855.41	10,459.03	39.89	15,305.87	51.33	22,177.16	60.46
Sources of M2+									
Net Foreign Assets (NFA)	**2,415.79**	**(12,133.70)**	**(12,006.15)**	**(12,681.09)**	**(84.00)**	**(19,665.05)**	**(261.11)**	**(14,421.94)**	**(596.99)**
BOG	4,485.86	(19,300.17)	(23,944.40)	(7,254.67)	(61.79)	(27,547.18)	(334.03)	(28,430.26)	(633.78)
DMBs	(2,070.07)	7,166.46	11,938.25	(5,426.42)	(161.68)	7,882.13	(1,101.37)	14,008.32	(676.71)
Net Domestic Assets	**140,313.35**	**192,400.54**	**218,992.56**	**35,965.00**	**34.47**	**64,376.14**	**50.28**	**78,679.21**	**56.07**
Claims on Government (net)	87,787.70	122,554.34	144,230.49	15,150.12	20.86	47,240.07	62.72	56,442.78	64.29
BOG	39,496.69	73,910.16	87,171.91	6,994.11	21.52	44,520.62	151.48	47,675.22	120.71
DMBs	48,291.01	48,644.18	57,058.57	8,156.00	20.32	2,719.45	5.92	8,767.56	18.16
Claims on Public Sector	7,832.46	7,332.74	7,932.42	1,941.07	32.95	1,066.30	17.02	99.95	1.28
BOG	2,121.40	1,578.28	866.37	1,210.77	132.96	612.16	63.36	(1,255.02)	(59.16)
DMBs	5,711.06	5,754.47	7,066.04	730.30	14.66	454.13	8.57	1,354.98	23.73
Claims on Private Sector	53,876.62	64,622.37	73,519.97	10,986.02	25.61	14,119.75	27.96	19,643.35	36.46
BOG	671.80	868.92	7,791.67	(62.99)	(8.57)	(1,248.13)	(58.96)	7,119.87	1,059.82
DMBs	53,204.82	63,753.45	65,728.30	11,049.01	26.21	15,367.88	31.76	12,523.48	23.54
Other Items (Net) (OIN) \2	(9,183.44)	(2,108.91)	(6,690.31)	7,887.79	(46.21)	1,950.03	(48.04)	2,493.13	(27.15)
o/w BOG OMO (Sterilisation)	*(6,289.35)*	*(7,725.48)*	*(27,440.77)*	*(1,298.38)*	*26.01*	*(2,070.89)*	*36.62*	*(21,151.42)*	*336.31*

Source: Bank of Ghana

4.2 Sources of Change in M2+

The observed increase in the growth of M2+ was mainly attributed to considerable expansion in NDA of the Depository Corporations' sector. The NFA, however, contracted at a faster pace, relative to the previous period. Provisional data showed that NFA contracted by 596.99 percent in Q1:2023, compared with a contraction of 84.00 percent in Q1:2022. This was also higher than the 261.11

percent contraction recorded in Q4:2022. In contrast, growth in NDA expanded significantly to 56.07 percent in Q1:2023, from 34.47 percent recorded in Q1:2022. This was also higher than the growth of 50.28 percent recorded in Q4:2022.

Components of Net Domestic Assets

In terms of components of NDA, growth in net claims on Government increased to 64.29 percent in Q1:2023, from 20.86 percent in Q1:2022, while growth in claims on the public sector decreased to 1.28 percent in Q1:2023, from 32.95 percent recorded in Q1:2022. Growth in claims on the private sector increased to 36.46 percent, from 25.61 percent over the same comparative period. The Other Items (Net) changed by *negative* 46.21 percent in Q1:2023.

4.3 Developments in Banks' Credit

The annual growth in banks' outstanding credit to the public and private sectors decreased marginally to 24.58 percent in Q1:2023, from 24.64 percent in Q1:2022. This was also lower than the growth of 30.19 percent recorded for Q4:2022. At the end of Q1:2023, total outstanding credit stood at GH¢73,492.68 million compared with GH¢58,990.96 million and GH¢70,000.22 million recorded in Q1:2022 and Q4:2022, respectively. The decrease in the nominal growth in credit was reflected in decreased nominal growth of credit to the private sector.

Table 4.2: Sectoral Distribution of Banks Outstanding Credit

	Levels (GH¢ Millions)			Year-On-Year Variation					
				As at end-Mar 2022		As at end-Dec 2022		As at end-Mar 2023	
	Mar-22	Dec-22	Mar-23	Absolute Δ	% change	Absolute Δ	% change	Absolute Δ	% change
Public Sector	**5,786.14**	**6,246.77**	**7,764.38**	**612.26**	**11.83**	**865.02**	**16.07**	**1,978.23**	**34.19**
Private Sector	**53,204.82**	**63,753.45**	**65,728.30**	**11,049.01**	**26.21**	**15,367.88**	**31.76**	**12,523.48**	**23.54**
Agric.,For. & Fish.	1,988.04	2,664.02	2,618.54	668.43	50.65	1,007.38	60.81	630.50	31.71
Export Trade	241.55	386.70	440.48	124.93	107.13	186.16	92.83	198.93	82.36
Manufacturing	5,622.05	7,129.87	7,965.96	571.17	11.31	1,441.70	25.35	2,343.91	41.69
Trans.,Stor., & Comm.	3,473.42	3,562.29	3,727.15	464.29	15.43	209.02	6.23	253.73	7.30
Mining & Quarrying	1,056.44	1,564.11	2,436.64	(72.03)	(6.38)	746.70	91.35	1,380.20	130.65
Import Trade	1,772.93	2,092.13	4,552.87	701.75	65.51	359.12	20.72	2,779.94	156.80
Construction	5,747.29	6,454.74	6,413.31	1,471.63	34.42	1,365.00	26.82	666.02	11.59
Commerce & Finance	9,459.23	11,513.42	9,606.79	1,439.12	17.94	4,014.90	53.54	147.56	1.56
Elect.,Gas & Water	2,439.27	3,501.71	2,415.77	(61.82)	(2.47)	1,540.41	78.54	(23.50)	(0.96)
Services	17,516.62	20,855.96	20,899.02	5,034.06	40.33	3,988.74	23.65	3,382.40	19.31
Miscellaneous	3,887.98	4,028.50	4,651.77	707.49	22.24	508.74	14.45	763.79	19.64
Grand Total	**58,990.96**	**70,000.22**	**73,492.68**	**11,661.27**	**24.64**	**16,232.90**	**30.19**	**14,501.72**	**24.58**

Source: Bank of Ghana

In real terms, growth in credit from the banks declined to *negative* 14.08 percent at the end of Q1:2023, from 4.39 percent in Q1:2022. This was, however, higher than the *negative* 15.52 percent growth realised in Q4:2022.

The share of total outstanding credit to the private sector decreased marginally to 89.44 percent at the end of Q1:2023, from 90.19 percent recorded for the same period in 2022.

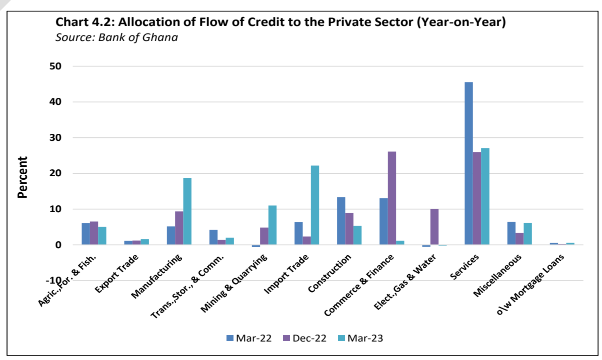


Chart 4.2: Allocation of Flow of Credit to the Private Sector (Year-on-Year)
Source: Bank of Ghana

Distribution of Outstanding Credit to the Private Sector

The growth in outstanding credit to the private sector at the end of Q1:2023 was lower in nominal and real terms relative to the corresponding period in 2021. In nominal terms, it decreased to 23.54

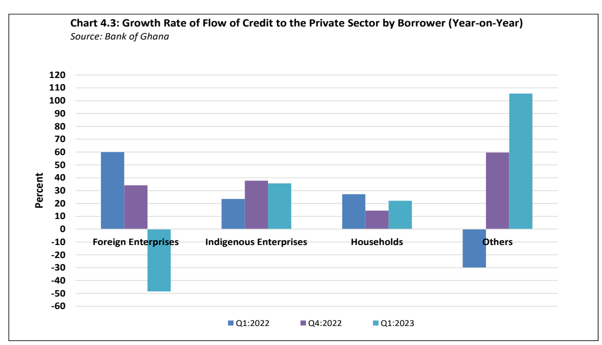


Chart 4.3: Growth Rate of Flow of Credit to the Private Sector by Borrower (Year-on-Year)
Source: Bank of Ghana

percent in Q1:2023, from 26.21 percent recorded in Q1:2022. This was also lower than the 31.76 percent growth recorded at the end of Q4:2022.

The outstanding credit to the private sector at the end of Q1:2023 was GH¢65,728.30 million, compared with GH¢53,204.82 million and GH¢63,753.45 million recorded in Q1:2022 and Q4:2022, respectively. In real terms, the annual growth rate of outstanding credit to the private sector contracted to *negative* 14.80 percent at the end of Q1:2023, from 5.70 percent recorded in Q1:2022.

The increase in private sector credit growth in Q1:2023 relative to the corresponding period in 2022 was reflected in increases in annual flow of credit to the following sectors: import trade; manufacturing; mining and quarrying; export trade; and electricity, gas and water. However, agriculture, forestry & fisheries; transport, storage, communication; construction, commerce and finance, and services sectors recorded decreases in credit flow in Q1:2023 relative to the corresponding period in 2022. The top five (5) beneficiary sectors of annual flow of private sector credit in Q1:2023 were: services (27.0%), import trade (22.2%), manufacturing (18.7%), mining and quarrying (11.0%) and construction (5.3%). These top five sectors accounted for 81.04 percent of the overall credit flow for Q1:2023.

In terms of annual growth in private sector credit by borrower, credit flows to both indigenous enterprises and the 'Others' category increased in Q1:2023, relative to Q1:2022. In contrast, credit flows to households and foreign enterprises declined in Q1:2022, relative to the same period in 2021.

4.4 Sources and Uses of Banks' Flow of Funds

Total deposits remained the dominant source of funds into the banking system in Q1:2023. This was followed by other liabilities, which included margin deposits, cheques in transit, interest in suspense accounts, and borrowings from other resident banks. Other Assets received the largest share in terms of uses of funds by the banking system in Q1:2023. This was followed by allocations to bank credit, and investment in Government securities, respectively.

Table 4.3: Sources and Uses of Bank's Flow of Funds

	(Amount in GH¢ 'Million)			Year-On-Year Variation					
				As at end-Mar 2022		As at end-Dec 2022		As at end-Mar 2023	
	Mar-22	Dec-22	Mar-23	Absolute Δ	(Δ/Total Δ)%	Absolute Δ	(Δ/Total Δ)%	Absolute Δ	(Δ/Total Δ)%
Sources of Funds									
Total Deposits	**116,314.42**	**143,890.85**	**170,501.06**	**19,683.28**	**52.62**	**34,356.91**	**82.09**	**54,186.64**	**92.35**
Domestic	79,636.18	98,766.50	111,645.66	9,224.25	24.66	19,051.03	45.52	32,009.48	54.55
Demand Deposits	*42,503.98*	*52,108.18*	*58,474.35*	*6,169.93*	*16.49*	*8,740.68*	*20.88*	*15,970.37*	*27.22*
Savings Deposits	*19,739.71*	*25,199.33*	*28,439.97*	*1,247.65*	*3.34*	*5,506.27*	*13.16*	*8,700.26*	*14.83*
Time Deposits	*17,392.48*	*21,458.98*	*24,731.34*	*1,806.66*	*4.83*	*4,804.08*	*11.48*	*7,338.86*	*12.51*
Foreign Currency	36,678.24	45,124.35	58,855.41	10,459.03	27.96	15,305.87	36.57	22,177.16	37.79
Credit From BOG	**2,385.57**	**1,123.72**	**1,050.98**	**1,373.42**	**3.67**	**-1,494.81**	**-3.57**	**-1,334.59**	**-2.27**
Balances Due to Non-Resident Banks	**14,667.14**	**7,739.86**	**7,000.11**	**6,026.06**	**16.11**	**-3,427.21**	**-8.19**	**-7,667.03**	**-13.07**
Capital	**11,123.66**	**11,289.65**	**11,289.65**	**1,201.36**	**3.21**	**189.26**	**0.45**	**165.99**	**0.28**
Reserves	**16,063.98**	**17,519.26**	**11,498.01**	**3,318.11**	**8.87**	**2,873.81**	**6.87**	**-4,565.96**	**-7.78**
Other Liabilities*	**36,379.05**	**42,703.53**	**54,272.22**	**5,805.78**	**15.52**	**9,356.01**	**22.35**	**17,893.16**	**30.49**
Total	**196,933.81**	**224,266.87**	**255,612.03**	**37,408.01**	**100.00**	**41,853.96**	**100.00**	**58,678.21**	**100.00**
Uses of Funds									
Bank Credit	**58,990.96**	**70,000.22**	**73,492.68**	**11,661.27**	**31.17**	**16,232.90**	**38.78**	**14,501.72**	**24.71**
o/w Private Sector Credit	*53,204.82*	*63,753.45*	*65,728.30*	*11,049.01*	*29.54*	*15,367.88*	*36.72*	*12,523.48*	*21.34*
Investment in Government Securities	**57,090.69**	**59,647.84**	**66,866.94**	**9,311.85**	**24.89**	**5,344.61**	**12.77**	**9,776.26**	**16.66**
Short Term	6,866.42	9,133.66	13,674.32	1,792.07	4.79	2,414.24	5.77	6,807.90	11.60
Medium/Long Term	50,224.27	50,514.18	53,192.62	7,519.77	20.10	2,930.36	7.00	2,968.35	5.06
Foreign Assets	**12,597.07**	**14,906.33**	**18,938.36**	**599.64**	**1.60**	**4,454.92**	**10.64**	**6,341.29**	**10.81**
Balances with BOG	**24,836.92**	**40,609.43**	**36,440.46**	**7,536.29**	**20.15**	**18,929.79**	**45.23**	**11,603.53**	**19.77**
Other Assets**	**43,418.17**	**39,103.05**	**59,873.59**	**8,298.97**	**22.19**	**-3,108.26**	**-7.43**	**16,455.42**	**28.04**
Total	**196,933.81**	**224,266.87**	**255,612.03**	**37,408.01**	**100.00**	**41,853.96**	**100.00**	**58,678.21**	**100.00**

*Includes margin deposits, cheques for clearing, interest in suspense, borrowings from other resident banks and other unclassified liabilities.

**Includes real estate and equipment and other unclassified assets

Source: Bank of Ghana

The provisional figures for Q1:2023 showed that the proportion of commercial banks' fund flows allocated to investment in credit, investment in Government securities, and balances with Bank of Ghana decreased, while proportion of fund flows to foreign assets, and other assets increased relative to that of the corresponding period in 2022.

The proportion of fund flows to Government securities decreased to 16.66 percent in Q1:2023, from 24.89 percent in the corresponding period in 2022. This reflected in decreases in the share of fund flows to investments in medium- to long-term securities to 5.06 percent in Q1:2023, from 20.10 percent in Q1:2022. However, the proportion of fund flows to investment in short-term securities increased to 11.60 percent in Q1:2023, from 4.79 percent in Q1:2022.

The proportion of bank funds allocated to bank credit and balances with BOG decreased to 24.71 percent and 19.77 percent, respectively, in Q1:2023, from 31.17 percent and 20.15 percent, respectively, in Q1:2022. In contrast, the proportion of fund flows to foreign assets increased to 10.81 percent during the review period, from 1.60 percent in Q1:2022. The proportion of fund flows to Other assets also increased to 28.04 percent, from 22.19 percent over the same comparative period.

Chart 4.4: Sources of Banks' Annual Flow of Funds (Year-on-Year)
Source: Bank of Ghana

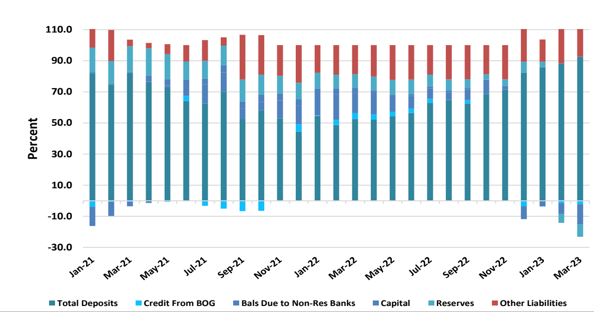
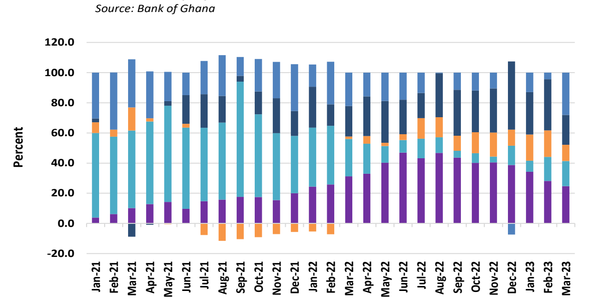


Chart 4.5: Deployment of Banks' Flow of Funds (Year-on-Year)
Source: Bank of Ghana



The main source of fund flows for financing of banks' assets was deposits. Its share in the sources of fund flows increased to 92.35 percent in Q1:2023, from 52.62 percent in Q1:2022. This was higher than the 82.09 percent recorded in Q4:2022. The increase in flows from total deposits, for the period under review, reflected an increase in the share of fund flows from both domestic and foreign currency deposits. The share of fund flows from foreign currency deposits increased to 37.79 percent, from 27.96 percent in Q1:2022, partly reflecting exchange rate effects. The share of fund flows from domestic currency deposits increased to 54.55 percent in Q1:2023, from 24.66 percent in Q1:2022. An increase in fund flows from demand deposits mainly accounted for the increase in fund flows from domestic currency deposits during the review period. Savings and time deposits recorded improvements from the previous year's positions.

The proportion of fund flows from credit from Bank of Ghana, balances due to non-resident banks, bank capital, and bank reserves decreased during the period under review. The share of fund flows attributable to credit from Bank of Ghana, balances due non-resident banks, bank capital, and bank reserves decreased to *negative* 2.27 percent, *negative* 13.07 percent, 0.28 percent and *negative* 7.78 percent, respectively, in Q1:2023, from 3.67 percent, 16.11 percent, 3.21 percent and 8.87 percent, respectively, in Q1:2022. In contrast, the share of fund flows from other liabilities increased to 30.49 percent, from 15.52 percent over the same comparative period.

4.5 Developments in the Rural Banking Sector

Provisional data from the Rural/Community Banks (RCBs) during Q1:2023 indicated an improvement in the sector's performance compared with developments in Q1:2022.

Assets

Total assets of RCBs amounted to GH¢9,298.4 million in Q1:2023, representing a growth of 8.8 percent from GH¢8,548.1 million recorded in Q4:2022. On a year-on-year basis, total assets grew by 30.2 percent at the end of Q1:2023. Total assets of RCBs constituted 3.5 percent of the banking system assets at the end of Q1:2023.

Table 4.4: Consolidated Assets and Liabilities of Rural/Community Banks (GH¢' million)

	2022				2023	Variations	
						Q-on-Q	Y-on-Y
	Q1	Q2	Q3	Q4	Q1	(Q1:23-Q4:22)	(Q1:23-Q1:22)
Assets							
Cash Holdings & Balances with Banks	943.3	1,037.4	1,172.1	1,401.3	1,018.5	-27.3	8.0
Bills and Bonds	3,280.6	3,372.5	3,436.0	4,025.0	4,926.8	22.4	50.2
Loans and Advances	2,181.1	2,242.0	2,333.5	2,367.9	2,552.5	7.8	17.0
Other Assets	739.4	737.6	748.2	753.8	800.5	6.2	8.3
Total Assets	**7,144.3**	**7,389.5**	**7,689.7**	**8,548.1**	**9,298.4**	8.8	30.2
Liabilities							
Total Deposits	6,295.4	6,529.6	6,765.9	7,527.3	8,113.8	7.8	28.9
Shareholders' Funds	427.4	410.9	456.1	473.8	579.0	22.2	35.5
Other Liabilities	421.5	449.0	467.7	547.1	605.6	10.7	43.7
Total Liabilities	**7,144.3**	**7,389.5**	**7,689.7**	**8,548.1**	**9,298.4**	8.8	30.2
No. of Reporting Banks	145	146	146	146	146		

Source: Bank of Ghana

Table 4.5: Proportion of RCB's Total Assets of the Banking System (GH¢' million)

	2022								2023	
	Q1		Q2		Q3		Q4		Q1	
	GH¢	% Share	GH¢	% Share	GH¢	% Share	GH¢	% Share	GH¢	% Share
Commercial Banks	196,933.8	96.5	200,452.9	96.4	220,569.3	96.6	224,266.9	96.3	255,612.0	96.5
Rural Banks	7,144.3	3.5	7,389.5	3.6	7,689.7	3.4	8,548.1	3.7	9,298.4	3.5
Total	**204,078.1**	**100.0**	**207,842.4**	**100.0**	**228,259.0**	**100.0**	**232,815.0**	**100.0**	**264,910.4**	**100.0**

Source: Bank of Ghana

Table 4.6: Proportion of RCB's Deposits of the Banking System (GH¢' million)

	2022								2023	
	Q1		Q2		Q3		Q4		Q1	
	GH¢	% Share	GH¢	% Share	GH¢	% Share	GH¢	% Share	GH¢	% Share
Commercial Banks	116,314.4	94.9	118,740.2	94.8	131,774.0	95.1	143,890.8	95.0	170,501.1	95.5
Rural Banks	6,295.4	5.1	6,529.6	5.2	6,765.9	4.9	7,527.3	5.0	8,113.8	4.5
Total	**122,609.8**	**100.0**	**125,269.8**	**100.0**	**138,539.8**	**100.0**	**151,418.1**	**100.0**	**178,614.9**	**100.0**

Source: Bank of Ghana

Deposits

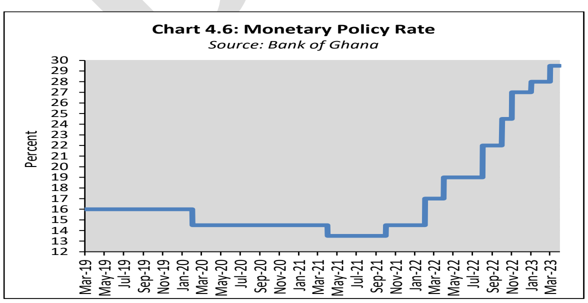
Provisional data indicated that deposit mobilisation by the RCBs further improved in Q1:2023. Total deposits of RCBs increased by 28.9 percent, year-on-year, to GH¢8,113.8 million at the end of Q1:2023, from GH¢6,295.4 million recorded for Q1:2022. The level of RCBs' deposits at the end of the review quarter constituted 4.5 percent of total deposits of the banking system, decreasing from its share of 5.0 percent in the previous quarter, and 5.1 percent at the end of Q1:2022.

Loans and Advances

Loans and advances made by RCBs stood at GH¢2,552.5 million in Q1:2023, indicating a growth of 17.0 percent, from GH¢2,181.1 million recorded at the end of Q1:2022.

4.6 Interest Rate Developments

Interest rates continued to trend upwards on a year-on-year basis across the spectrum of the yield curve in Q1:2023. Rates on Government of Ghana (GOG) securities and BOG bills increased. At the retail end, lending rates trended upwards compared with rates recorded in Q1:2022, reflecting the transmission of the policy rate at the wholesale end of the market.



Monetary Policy Rate

The Monetary Policy Rate (MPR) at the end of Q1:2023 was 29.50 percent, reflecting a cumulative 1,250-basis-point increase compared with the MPR at the end of Q1:2022. The upward review in the MPR was due to inflationary pressures.

BOG Bills

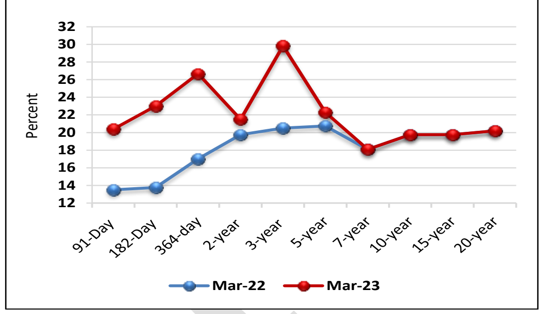
The interest equivalent on the 14-day and 56-day BOG bills increased cumulatively by 1,280bps and 1,451bps, respectively, to 28.30 percent and 30.25 percent at the end of Q1:2023, from 15.50 percent and 15.75 percent in Q1:2022. Similarly, when compared with Q4:2022, the rate on the 14-day BOG bill increased cumulatively by 130bps, while the rate on the 56-day BOG bill increased by 1,325 basis points. The 7-day and 28-day BOG bills registered no changes in interest rates and remained at 11.74 percent and 24.27 percent, respectively, at the end of Q1:2023. This was on account of inactivity and non-issuance. The interest rate on the 270-day BOG bills increased by 145 basis points to 28.27 percent at the end of the quarter under review, from 26.82 percent in Q1:2022.

Government Securities

On the treasury market, interest rates in Q1:2023 generally trended upwards. The 91-day, 182-day and 364-day T-bill rates increased cumulatively by 689bps, 925bps and 967bps respectively, to settle at 20.38 percent, 23.01 percent, and 26.67 percent, compared to interest rates recorded on the discount bearing securities at the end of Q1:2022. The interest earned on short-term GOG bills, however, recorded decreases in rates when compared with the fourth quarter of 2022.

Chart 4.7: Yield Curve (Year-on-Year)

Source: Bank of Ghana



Interest rates on the 2-year note, 3-year and 5-year GOG bonds increased cumulatively by respective 175bps, 935bps, and 155bps, year-on-year, to settle at 21.50 percent, 29.85 percent, and 22.30 percent at the end of Q1:2023. In comparison with the first quarter of 2022, the yields for the 2-year, 3-year, 5-year and 6-year increased by 215 bps, 280 bps, 245 bps and 250 bps, respectively, while the interest rates on the 7-year and 10-year notes decreased by 240 bps and 5 bps, respectively. Interest rates on the 7-year, 15-year and 20-year GOG bonds remained unchanged on a year-on-year basis due to non-issuance during the review period.

Interbank Market

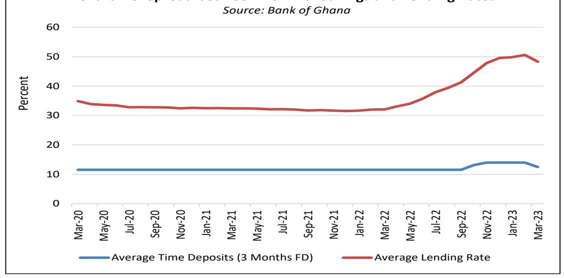
The interbank weighted average interest rate increased cumulatively by 1,255bps to 25.87 percent in Q1:2023, from 13.32 percent recorded in Q1:2022. Compared to Q4:2022, the interbank weighted average interest rate increased by 36bps.

Time and Savings Deposit Rates

The average interest rate on the DMBs' 3-month time deposits increased by 100bps to settle at 12.50 percent in Q1:2023, from 11.50 percent recorded in Q1:2022. The savings deposit rate decreased by 138 bps to 6.25 percent from 7.63 percent recorded in Q1:2022.

Chart 4.8: Spread between Nominal Savings and Lending Rates

Source: Bank of Ghana



Lending Rate

Lending rates trended upwards during the review quarter. The average lending rate increased by 1,530bps to 35.87 percent at the end of Q1:2023, from 20.57 percent in Q1:2022. Compared to Q4:2022, the average lending rate increased by 29bps.

The spread between the borrowing and lending rates expanded by 1,430bps on a year-on-year basis to 23.37 percent in Q1:2023. For the corresponding quarter in 2022, the spread had narrowed by 39bps.

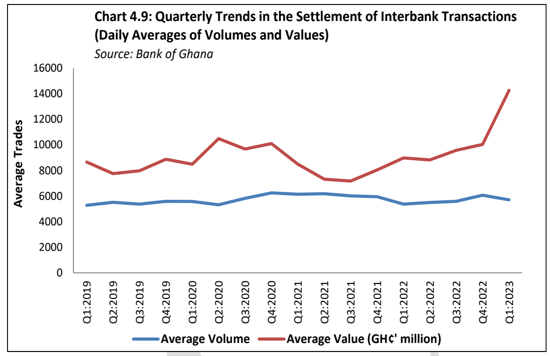


Chart 4.9: Quarterly Trends in the Settlement of Interbank Transactions (Daily Averages of Volumes and Values)
Source: Bank of Ghana

4.7 Payments System Developments

Settlement of Interbank Transactions

The volume of transactions settled through the Ghana Interbank System (GIS) during Q1:2023 totalled 354,100, valued at GH¢884,148.98 million. This represented an increase in volume and value by 7.99 percent and 61.36 percent, respectively, compared to transactions in Q1:2022. When compared with transactions settled during Q4:2022, there was a decrease in the volume by 5.90 percent and an increase in value of transactions by 42.0 percent. On the average, 5,711 transactions were settled daily through the GIS, valued at GH¢14,260.47 million during the quarter under review, compared with a total of 6,069 transactions, valued at GH¢10,042.69 million during Q4:2022. In Q1:2022, an average of 5,375 transactions were settled daily, valued at GH¢8,982.66 million.

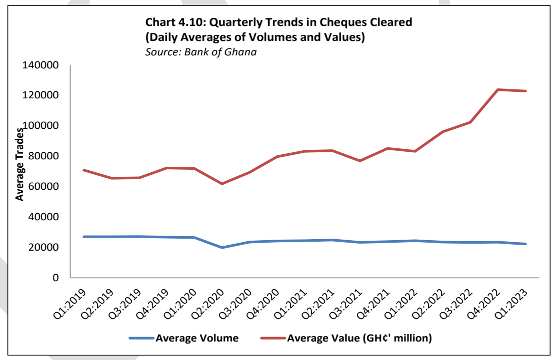


Chart 4.10: Quarterly Trends in Cheques Cleared (Daily Averages of Volumes and Values)
Source: Bank of Ghana

Cheques Cleared

The volume of cheques cleared during Q1:2023 totalled 1,381,303, valued at GH¢76,182.61 million. This represented a decrease in volume by 2.74 percent and an increase in value by 39.25 percent compared to transactions in Q1:2022. When compared with Q4:2022, the volume of transactions decreased by 4.89 percent, while the value of cheques cleared decreased by 0.70 percent. On a daily basis, an average of 22,279 cheques, valued at GH¢1,228.75 million, were cleared during the period under review, compared with 23,282 cheques, valued at GH¢896.87 million, in Q1:2022. In Q4:2022, an average of 23,424 cheques, valued at GH¢1,237.42 million, were cleared.

4.8 Money Market

Depos amounted to GH¢129,945.00 million in Q1:2023, from GH¢14,555.00 million recorded in Q4:2022. Compared with same period in the previous year, depo trades increased by 2,608.88 percent from GH¢4,797.00 million. There were no reverse repo trades during the review period.

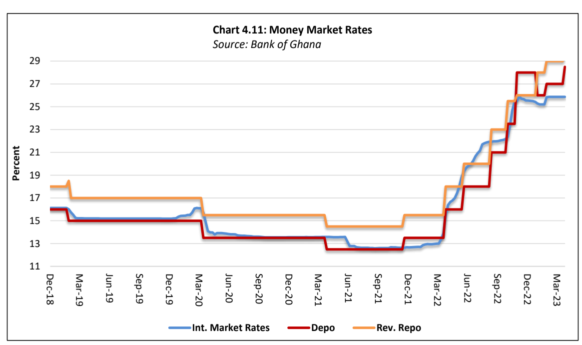


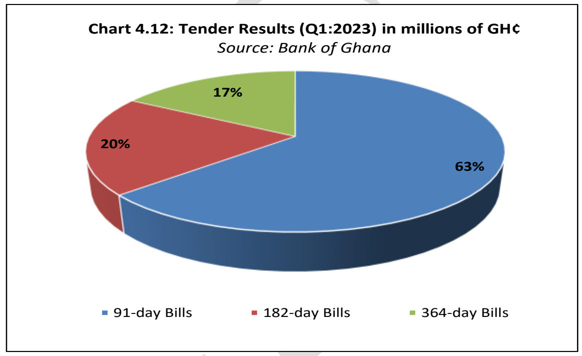
Chart 4.11: Money Market Rates
Source: Bank of Ghana

On the interbank market, the value of trades during Q1:2023 ranged between GH¢495.00 million and GH¢2,880.00 million at a weighted average rate ranging from 25.21 percent to 25.87 percent. In the previous quarter, the value of trades ranged from GH¢560.00 million to GH¢4,590.00 million at a weighted average rate ranging from 22.36 percent to 25.94 percent.

Interbank trading remained concentrated outside the policy corridor, below the depo rate. The persistently broad-based structural excess liquidity appeared to have depressed the interbank weighted average rate below the normal corridor.

Tender Results

Total sales at the auction during Q1:2023 totalled GH¢125,967.57 million, with maturities totalling GH¢103,067.08 million. This resulted in a net sale of GH¢22,900.48 million, consisting of a net sale of Government securities of GH¢20,427.50 million and a net sale of BOG bills to the tune of GH¢2,472.98 million.



4.9 Currency Markets

The International Currency Market

The U.S. dollar ended Q1:2023 on a weak note as a result of concerns over a looming recession in the country. The pound sterling, however, was strong on the international market for the first quarter of 2023 on account of a more-than-projected outturn for the Services Purchasing Managers' Index (PMI). The euro, at the end of the review period, had a mixed performance due to initial hawkish comments from officials of the European Central Bank (ECB), which were later muted by Germany's delivery of Leopard tanks to Ukraine, as well as a decline in industrial production in Germany. The yen experienced a weak performance at the end of Q1:2023. This was due to the low interest rate stance maintained by the Bank of Japan (BOJ), as well as reports indicating that the next Governor of the Bank was a known proponent of ultra-loose monetary policy.

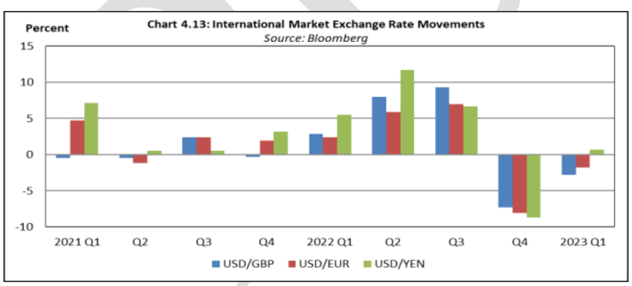


Table 4.7: International Market Exchange Rate Movements

End Period	US$/£	Quarterly depreciation/ appreciation	Annual depreciation/ appreciation	US$/€	Quarterly depreciation/ appreciation	Annual depreciation/ appreciation	US$/¥	Quarterly depreciation/ appreciation	Annual depreciation/ appreciation
2021 Q1	**1.3741**	**-0.5**		**1.1717**	**4.7**		**0.0091**	**7.1**	
Q2	1.3812	-0.5		1.1858	-1.2		0.0090	0.5	
Q3	1.3491	2.4		1.1583	2.4		0.0090	0.5	
Q4	1.3532	-0.3	1.0	1.1369	1.9	7.9	0.0087	3.2	11.7
2022 Q1	**1.3149**	**2.9**		**1.1107**	**2.4**		**0.0082**	**5.5**	
Q2	1.2177	8.0		1.0484	5.9		0.0074	11.7	
Q3	1.1142	9.3		0.9803	7.0		0.0069	6.7	
Q4	1.2024	-7.3	12.5	1.0664	-8.1	6.6	0.0076	-8.7	14.8
2023 Q1	**1.2368**	**-2.8**		**1.0864**	**-1.8**		**0.0075**	**0.7**	

Depreciation (-)/ Appreciation (+)

Source: Bloomberg

The **U.S. dollar** was weak against the pound sterling and the euro, but appreciated against the Japanese yen in Q1:2023. The currency depreciated as the Federal Reserve eased its pace of interest rate hikes, which subsequently led to a decline in treasury yields. There were also fears of a recession, as weak U.S. economic data amplified the uncertainty regarding the outlook for the economy. This was exacerbated by concerns over a global banking crisis as the Federal Reserve tightened monetary policy following the collapse of Silicon Valley Bank and Credit Suisse. At the end of Q1:2023, the U.S. dollar depreciated by

2.8 percent against the pound sterling, 1.9 percent against the euro, but appreciated by 0.7 percent against the Japanese yen.

The **pound sterling** was strong during the period under review. Reasons for this outcome include a statement from the Bank of England's (BOE) Governor on expected financial developments in the U.K., a higher-than-estimated PMI in January, and strong labour data supported by a hawkish speech from a member of the Monetary Policy Committee of the BOE. Consequently, the pound sterling appreciated against the U.S. dollar, the euro and the Japanese yen by 2.9 percent, 1.0 percent and 3.6 percent, respectively.

The **euro** experienced a mixed performance in Q1:2023. The currency was buoyed by hawkish comments from the ECB, while apprehension regarding escalation of the Ukraine conflict dampened the currency. In February, markets perceived commentaries from the ECB as dovish and this was compounded by a decline in Germany's industrial production data. Other factors pressuring the euro were the economic sentiment index in the Euro area, which had softened for two consecutive months, recession fears, and banking sector uncertainties. At the end of the quarter, the euro appreciated against the U.S. dollar and the Japanese yen by 1.9 percent and 2.6 percent, respectively, but depreciated against and the pound sterling by 1.0 percent.

The **Japanese yen** was weak in Q1:2023. This was due to the low interest rate maintained by the BOJ which kept its yield curve unchanged. Other contributing factors to the Japanese yen's poor performance were hawkish comments from Federal Reserve officials and data showing a drop in local manufacturing activities. As a result, the Japanese yen depreciated against the U.S. dollar, the pound sterling and the euro by 0.7 percent, 3.4 percent and 2.5 percent, respectively.

The Domestic Currency Market

The Ghana cedi depreciated against the three major currencies in Q1:2023. The performance of the currency during the period was due to rising forex demand, weak market sentiments arising from the Domestic Debt Exchange Programme (DDEP), and reported tightening in forex supply. Reported rate adjustments by some dealers caused the cedi to depreciate in the forex bureaux market. The Ghana cedi, like other frontier market currencies, was hit when the U.S. economy released strong economic data that signalled continuous rate hikes on the horizon.

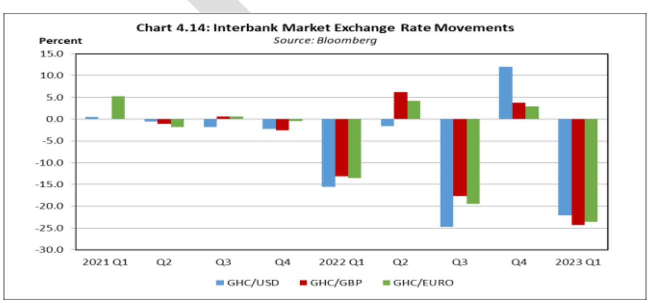


Table 4.8: Interbank Market Exchange Rate Movements

End Period	¢/US$	Quarterly depreciation/ appreciation	Annual depreciation/ appreciation	¢/GBP	Quarterly depreciation/ appreciation	Annual depreciation/ appreciation	¢/Euro	Quarterly depreciation/ appreciation	Annual depreciation/ appreciation
2021 Q1	**5.7288**	**0.5**		**7.8717**	**0.0**		**6.7122**	**5.2**	
Q2	5.7626	-0.6		7.9590	-1.1		6.8333	-1.8	
Q3	5.8663	-1.8		7.9140	0.6		6.7952	0.6	
Q4	6.0061	-2.3	-4.1	8.1272	-2.6	-3.1	6.8281	-0.5	3.5
2022 Q1	**7.1122**	**-15.6**		**9.3515**	**-13.1**		**7.8986**	**-13.6**	
Q2	7.2305	-1.6		8.8043	6.2		7.5797	4.2	
Q3	9.6048	-24.7		10.7017	-17.7		9.4147	-19.5	
Q4	8.5760	12.0	-30.0	10.3118	3.8	-21.2	9.1457	2.9	-25.3
2023 Q1	**11.0137**	**-22.1**		**13.6218**	**-24.3**		**11.9657**	**-23.6**	

Depreciation (-)/ Appreciation (+)

Source: Bank of Ghana

On the **Interbank market,** the Ghana cedi depreciated on a quarter-on-quarter basis by 22.1 percent against the U.S. dollar, 24.3 percent against the pound sterling, and 23.6 percent against the euro, in Q1:2023. In Q1:2022, the cedi had depreciated against the U.S. dollar, the pound sterling and the euro by 15.6 percent, 13.1 percent and 13.6 percent, respectively.

On the **Forex Bureaux market,** the Ghana cedi depreciated on a quarter-on-quarter basis by 5.5 percent, 9.6 percent and 7.4 percent against the U.S. dollar, the pound sterling and the euro, respectively, in Q4:2022. The cedi performed fairly well in Q1:2023 compared to the corresponding period of 2022 when it had depreciated by 18.4 percent, 16.6 percent and 14.1 percent against the U.S. dollar, the pound sterling and the euro, respectively.

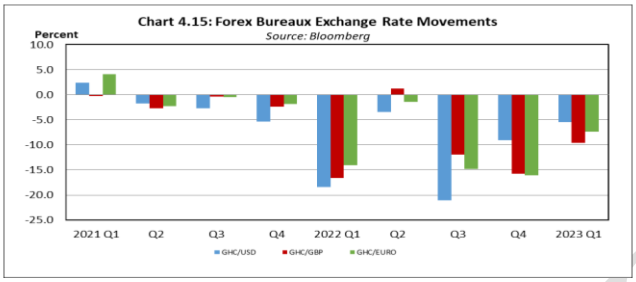


Chart 4.15: Forex Bureaux Exchange Rate Movements
Source: Bloomberg

Table 4.9: Forex Bureaux Exchange Rate Movements

End Period	¢/US$	Quarterly depreciation/ appreciation	Annual depreciation/ appreciation	¢/GBP	Quarterly depreciation/ appreciation	Annual depreciation/ appreciation	¢/Euro	Quarterly depreciation/ appreciation	Annual depreciation/ appreciation
2021 Q1	**5.7700**	**2.4**		**7.8882**	**-0.3**		**6.8164**	**4.1**	
Q2	5.8705	-1.7		8.1091	-2.7		6.9800	-2.3	
Q3	6.0345	-2.7		8.1409	-0.4		7.0136	-0.5	
Q4	6.3752	-5.3	-7.3	8.3440	-2.4	-5.7	7.1405	-1.8	-0.6
2022 Q1	**7.8175**	**-18.4**		**9.9990**	**-16.6**		**8.3100**	**-14.1**	
Q2	8.0900	-3.4		9.8850	1.2		8.4250	-1.4	
Q3	10.2525	-21.1		11.2200	-11.9		9.8845	-14.8	
Q4	11.2800	-9.1	-43.5	13.3250	-15.8	-37.4	11.7750	-16.1	-39.4
2023 Q1	**11.9362**	**-5.5**		**14.7334**	**-9.6**		**12.7111**	**-7.4**	

Depreciation (-)/ Appreciation (+)
Source: Bank of Ghana

Foreign Exchange Transaction Market

At the end of Q1:2023, the total volume of forex purchases recorded was US$3,982.97 million. Commercial banks' purchases contributed 89.3 percent of the total purchases (US$3,557.21 million). The Central Bank's support to the market accounted for 9.2 percent (US$367.6 million) and purchases from forex bureaux contributed the remaining 1.5 percent (US$58.2 million).

Table 4.10: Foreign Exchange Transaction Market

		Purchases (million $)				Sales (million $)		
		BOG Sales	Commercial Bank	Forex Bureaux	Total Purchases	Commercial Bank	Forex Bureaux	Total Sales
2022	Jan	277.43	1.186.41	22.09	1,485.93	1,469.47	21.98	1,491.95
	Feb	480.42	1,259.63	20.69	1,760.74	1,722.60	20.63	1,743.23
	Mar	561.82	1,752.54	24.18	2,338.94	2,246.96	23.82	2,270.78
	Q1	**1,319.67**	**4,198.14**	**66.96**	**5,581.65**	**5,439.03**	**66.43**	**5,505.46**
	Apr	357.66	1,887.43	22.90	2,267.99	2,219.09	22.88	2,241.97
	May	344.37	1,310.84	23.54	1,678.75	1,683.13	24.23	1,707.36
	Jun	288.06	1,498.80	27.27	1,814.13	1,743.41	26.62	1,770.03
	Q2	**990.09**	**4,697.07**	**73.71**	**5,760.87**	**5,645.63**	**73.73**	**5,719.36**
	Jul	207.88	1,385.37	24.72	1,617.97	1,546.95	24.92	1,571.87
	Aug	214.89	1,205.92	25.94	1,446.75	1,395.35	26.15	1,421.50
	Sep	275.88	1,339.78	27.01	1,642.67	1,495.82	26.80	1,522.62
	Q3	**698.65**	**3,931.07**	**77.67**	**4,707.39**	**4,438.12**	**77.87**	**4,519.99**
	Oct	249.52	1,123.53	21.41	1,394.46	1,333.39	22.16	1,355.55
	Nov	313.56	1,265.61	22.6	1,601.77	1,570.14	22.01	1,592.15
	Dec	252.75	1,399.85	22.7	1,675.30	1,695.21	24.70	1,719.91
	Q4	**815.83**	**3,788.99**	**66.71**	**4,671.53**	**4,598.74**	**68.87**	**4,667.61**
2023	Jan	163.60	1,210.17	22.24	1,396.01	1,416.18	21.97	1,438.15
	Feb	71.02	1,095.73	17.42	1,184.17	1,174.71	17.23	1,191.94
	Mar	132.98	1,251.31	18.50	1,402.79	1,394.25	18.64	1,412.89
	Q1	**367.60**	3,557.21	**58.16**	3,982.97	3,985.14	**57.84**	**4,042.98**

Source: Bank of Ghana

Compared to Q4:2022, the volume of total purchases decreased by 14.7 percent. Commercial banks' purchases and forex bureaux purchases decreased by 6.1 percent and 12.8 percent, respectively, while Bank of Ghana's support decreased by 54.9 percent.

On sales, total volume recorded was US$4,042.98 million. Commercial bank sales amounted to US$3,985.14 million (98.6% of the total amount). Forex bureaux contributed the remaining amount. The total volume of sales decreased by 13.4 percent on a quarterly basis. Also, compared to Q1:2022, total sales decreased by 26.6 percent.

4.10 The Stock Market

The GSE-CI trended upward in Q1:2023, recording a marginal year-on-year growth of 0.09 percent. The GSE-CI rallied as a result of dividend announcements of some listed companies as well as a relatively stable domestic currency. In addition, investors turned to the local

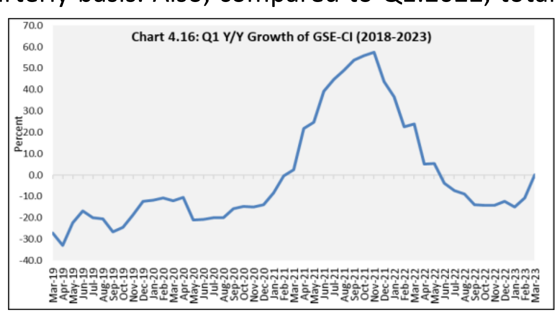


Chart 4.16: Q1 Y/Y Growth of GSE-CI (2018-2023)

bourse to diversify their portfolios due to relatively lower yields on bonds affected by the Domestic Debt Exchange Programme (DDEP), and this increased the demand for equities.

The GSE-CI

The GSE-CI gained 12.33 percent (301.42 points) on a quarter-on-quarter basis at the end of Q1:2023, against a growth of -1.67 percent (-46.49 points) in the same period in 2022. The performance of the GSE-CI could be attributed to the dividend payments announcement by some listed stocks, and the marginal recovery of the cedi from the slump in 2022. In year-on-year terms, the GSE-CI gained 23.93 percent (529.56 points) as at the end of Q1:2023.

Table 4.11: Sector's Contribution to the Growth of GSE-CI

Month	SECTOR											
	F&B	MAN	FINANCE	DISTR	MINING	IT	AGRIC	OIL	ETFund	EDUC	AD & PROD	GSE-CI
Mar-22	1276.36	613.36	2174.96	2989.20	131.07	38.43	1200.00	40.10	6.31	100.01	100.00	2742.85
Dec-22	1204.74	434.73	2052.59	2650.66	159.17	31.90	1530.00	40.26	5028.82	100.01	100.00	2443.91
Mar-23	776.40	445.18	2745.33	2744.35	159.84	45.32	2334.00	40.45	5287.42	100.01	100.00	2745.33
2023 (Q-on-Q)												
Absolute Δ	-428.33	10.44	692.74	93.69	0.67	13.41	804.00	0.19	258.60	0.00	0.00	301.42
% Δ	-35.55	2.40	33.75	3.53	0.42	42.04	52.55	0.48	5.14	0.00	0.00	12.33
2023 (Y-on-Y)												
Absolute Δ	-499.96	-168.18	570.37	-244.85	28.76	6.89	1134.00	0.35	5281.11	0.00	0.00	2.48
% Δ	-39.17	-27.42	26.22	-8.19	21.95	17.92	94.50	0.88	83645.27	0.00	0.00	0.09

Source: Ghana Stock Exchange

Sector Performance

The performance in the GSE-CI in Q1:2023 was driven mainly by share price appreciation of stocks in the Finance (33.75%; 692.74 points), IT (42.04%; 13.41 points), Agriculture (52.55%; 804.00 points) and ETFund (5.14%; 258.6 points) sectors. However, the Food & Beverages sector stocks recorded losses of 35.55 percent (-428.33 points), while the Education, and Advertising & Production sector stocks recorded no change in prices to moderate the gains in the GSE-CI.

Chart 4.17: Market Activity - Volume and Value of trades (in millions of GH¢)

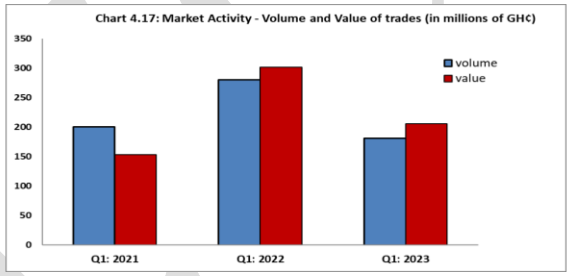
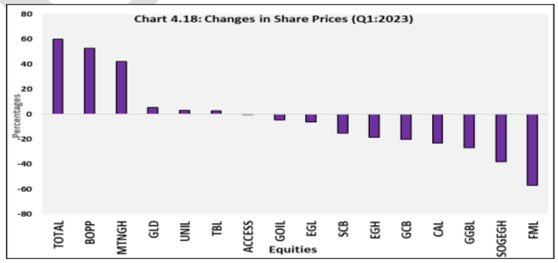


Chart 4.18: Changes in Share Prices (Q1:2023)



Market Performance

The total volume of trades on the GSE in Q1:2023 amounted to 181.3 million shares, valued at GH¢205.72 million, compared with a volume of 280.7 million shares, valued at GH¢301.85 million in Q1:2022. During the period, MTNGH in the IT sector recorded the highest volume and value of trades.

In Q1:2023, six (6) stocks gained, while ten (10) lost value to moderate the gains in the GSE-CI. The rest remained unchanged at the end of the review period. TOTAL, BOPP and MTNGH were the best performers and led the list of advancers with share price appreciations of 59.75 percent, 52.55 percent and 42.05 percent, respectively. However, FML, SOGEGH and GGBL shed 57.00 percent, 38.00 percent and 26.83 percent, respectively, to top the losers.

Market Capitalization

Total market capitalization at the end of Q1:2023 stood at GH¢67,846.89 million, representing an increase of 5.18 percent (GH¢3,339.57 million). Comparatively, market capitalization had decreased

Table 4.12: Sector's Contribution to the Growth of Market Capitalization

Month	SECTOR (GH¢' mill)											
	F&B	MAN	FINANCE	DISTR	MINING	IT	AGRIC	OIL	ETFund	EDUC	AD & PROD	MKT. CAP.
Mar-22	1096.26	440.48	15418.60	1284.40	15451.47	13028.92	208.80	17078.80	0.79	10.57	10.70	64029.79
Dec-22	1034.74	312.20	14382.51	1131.10	18763.84	10816.64	266.22	17147.21	631.62	10.57	10.70	64507.32
Mar-23	666.85	319.70	12965.45	1367.13	18842.38	15364.11	406.12	17229.79	664.10	10.57	10.70	67846.89
2023 (Q-on-Q)												
Absolute Δ	-367.89	7.50	-1417.06	236.03	78.54	4547.48	139.90	82.58	32.48	0.00	0.00	3339.57
% Δ	-35.55	2.40	-9.85	20.87	0.42	42.04	52.55	0.48	5.14	0.00	0.00	5.18
2023 (Y-on-Y)												
Absolute Δ	-429.41	-120.78	-2453.15	82.73	3390.91	2335.19	197.32	150.99	663.31	0.00	0.00	3817.10
% Δ	-39.17	-27.42	-15.91	6.44	21.95	17.92	94.50	0.88	83645.27	0.00	0.00	5.96

Source: Ghana Stock Exchange

by 0.72 percent (GH¢465.4 million) in the same period in 2022. The main sectors that accounted for the increase in market capitalization in Q1:2023 were the Agriculture (52.55%; GH¢139.90 million), Distribution (20.87%; GH¢236.03 million), IT (42.04%; GH¢4,547.48 million), ETFund (5.14%; GH¢32.48 million), and Manufacturing (2.40%; GH¢7.50 million) sectors. The increase in market capitalization was moderated by decreases in the Finance (-9.85%; GH¢1,417.06 million) and Food & Beverages (-35.55%; GH¢367.89 million) sectors.

The Bond Market

The total value of Government of Ghana Notes and Bonds listed on the Ghana Fixed Income Market (GFIM) at end-March 2023 stood at GH¢191,456.15 million, compared to GH¢157,083.74 million at end-March 2022. The total value of corporate bonds stood at GH¢37,104.34 million at end-March 2023, compared with GH¢30,121.10 million at end-March 2022. The cumulative value of trades on the GFIM from the beginning of the year to the end of March 2023 stood at GH¢24,756.08 million, and the number of trades was 117,834.

5. Balance of Payments

5.1 International Trade and Finance

Preliminary estimates of Ghana's balance of payments for Q1:2023 show a deficit of US$353.84 million compared to a deficit of US$934.46 million recorded in Q1:2022, mainly on the back of import compression and suspension of debt service on some selected external debt. The overall BOP deficit was driven mainly by outflows from the capital and financial account, which more than offset the surplus in the current account.

Table 5.1: Balance of Payments (US$' Million)

	Q1:2022	Q1:2023*	Q1:2023/Q1:2022 Abs change	Q1:2023/Q1:2022 % change
CURRENT ACCOUNT	**-554.39**	**661.37**	**1,215.77**	**-219.3**
Merchandise Exports (f.o.b.)	**4,417.75**	**4,366.27**	**-51.49**	**-1.2**
Cocoa beans and products	890.52	1,023.73	133.21	15.0
Gold	1,373.62	1,706.91	333.29	24.3
Timber products	33.69	32.07	-1.62	-4.8
Oil	1,340.43	852.52	-487.91	-36.4
Others (including non-traditionals)	779.49	751.03	-28.46	-3.7
Merchandise Imports (f.o.b.)	**-3,544.92**	**-2,990.96**	**553.96**	**-15.6**
Non-oil	-2,566.17	-2,081.06	485.11	-18.9
Oil	-978.74	-909.90	68.84	-7.0
Trade Balance	**872.84**	**1,375.31**	**502.47**	**57.6**
Services (net)	**-1,071.70**	**-1,108.34**	**-36.64**	**3.4**
Receipts	2,115.62	2,103.38	-12.25	-0.6
Payments	-3,187.33	-3,211.72	-24.39	0.8
Income (net)	**-1,236.11**	**-581.97**	**654.14**	**-52.9**
Receipts	198.69	88.50	-110.19	-55.5
Payments	-1,434.80	-670.47	764.33	-53.3
Current Transfers (net)	**880.58**	**976.38**	**95.79**	**10.9**
Official	0.14	0.00	-0.14	0.0
Private	880.44	976.38	95.94	10.9
Services, Income and Current Transfers (net)	**-1,427.23**	**-713.93**	**713.30**	**-50.0**
CAPITAL & FINANCIAL ACCOUNT	**-451.40**	**-955.60**	**-504.20**	**111.7**
Capital Account(net)	**30.93**	**35.53**	**4.60**	**14.9**
Capital transfers (net)	30.93	35.53	4.60	14.9
Financial Account(net)	**-482.33**	**-991.13**	**-508.80**	**105.5**
Direct Investments (net)	433.30	301.01	-132.29	-30.5
Portfolio Investments (net)	-71.05	-157.38	-86.34	121.5
Financial Derivatives (net)	-219.87	153.18	373.05	-169.7
Other Investments (net)	-624.72	*-1,287.93*	-663.22	106.2
Of Which:				
Official Capital (net)	*257.33*	*90.89*	*-166.43*	*-64.7*
Other Private Capital (net)	*-1,058.58*	*-992.14*	*66.44*	*-6.3*
Short-term capital (net)	*176.54*	*-386.68*	*-563.22*	*-319.0*
ERRORS AND OMISSIONS	**71.34**	**-59.62**	**-130.95**	**-183.6**
OVERALL BALANCE	**-934.46**	**-353.84**	**580.62**	**-62.1**
FINANCING	**934.46**	**353.84**	**-580.62**	**-62.1**
Changes in international reserves	934.46	353.84	-580.62	**-62.1**

*** Provisional**

Source: Bank of Ghana

5.2 The Current Account

The current account recorded a surplus of US$661.37 million in Q1:2023, in contrast to a deficit of US$554.39 million observed in Q1:2022. This was as a result of significant improvement in the trade balance, an increase in private transfers as well as lower investment income payments.

Table 5.2: Current Account Balance (US$' Million)

	Q1:2021	Q1:2022	Q1:2023	% Change Q1:2023/Q1:2022
Current Account Balance	**-196.95**	**-554.39**	**661.37**	**-219.3**
Trade Balance	632.40	872.84	1,375.31	57.6
Services Balance	-842.68	-1,071.70	-1,108.34	3.4
Investment income Balance	-893.76	-1,236.11	-581.97	-52.9
Net Unilateral Transfers	907.08	880.58	976.38	10.9

Source: Bank of Ghana

Merchandise Trade

The trade account recorded a surplus of US$1,375.31 million in Q1:2023, higher than the surplus of US$872.84 million recorded for the same period in 2022. The improvement in the trade surplus was on account of a lower import bill.

Exports

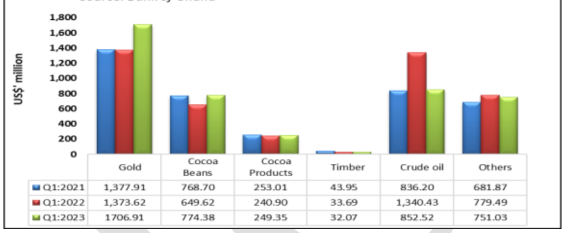
The value of merchandise exports for the review period was provisionally estimated at US$4,366.27 million, indicating a decrease of 1.2 percent compared with US$4,417.75 million recorded in the same period in 2022. The decline in exports performance was driven by lower crude oil receipts, although earnings from gold exports and cocoa beans exports increased.

Table 5.3: Merchandise Exports (US$' Million)

	Q1:2021	Q1:2022	Q1:2023	Q1:2023/Q1:2022	
				Abs change	% change
Total Exports	**3,961.64**	**4,417.75**	**4,366.27**	**-51.49**	**-1.2**
Gold	1,377.91	1,373.62	1,706.91	333.29	24.3
Cocoa Beans	768.70	649.62	774.38	124.76	19.2
Cocoa Products	253.01	240.90	249.35	8.46	3.5
Timber	43.95	33.69	32.07	-1.62	-4.8
Crude oil	836.20	1,340.43	852.52	-487.91	-36.4
Others	681.87	779.49	751.03	-28.46	-3.7

Source: Bank of Ghana

Chart 5.1: Developments in Merchandise Exports (US$'Million)
Source: Bank of Ghana



Gold exports amounted to US$1,706.91 million, compared to US$1,373.62 million recorded during the same period in 2022. The increase in gold export earnings was driven by higher volumes of gold production, largely from small-scale gold mining companies. The volume of gold exports increased by 22.0 percent to 966,353 fine ounces. On the other hand, the average realised price of gold decreased by 5.9 percent to settle at US$1,766.34 per fine ounce.

The value of crude oil exported was US$852.52 million, compared to US$1,340.43 million recorded in Q1:2022. The decrease in value was due to a reduction in the average realized price by 19.0 percent to settle at US$81.55 per barrel and a decrease in volume by 21.4 percent to 10,454,187 barrels.

Earnings from cocoa beans and cocoa products totalled US$1,023.73 million in Q1:2023, compared to US$890.52 million for the same period in 2022, representing an increase of 15.0 percent. Earnings from cocoa beans amounted to US$774.38 million, a 19.2-percent increase from the level recorded in Q1:2022. Prices increased by 0.6 percent to settle at US$2,482.24 per tonne, and the volume exported increased by 18.5 percent to 311,968 tonnes. Earnings from the export of cocoa products also increased by 3.5 percent to US$249.35 million on account of a 9.6-percent rise in price. However, there was a 5.6-percent decline in the volume exported to 74,881 metric tonnes.

Timber product exports amounted to US$32.07 million. The value of "other" exports, which was made up of non-traditional exports, electricity and other minerals (bauxite, diamond, aluminium and manganese), was estimated at US$751.03 million, and was 3.7 percent lower than the outturn in Q1:2022.

Top Ten Exported Non-Traditional Items

The value of the top ten non-traditional commodities exported during the period under review was US$263.09 million, compared to US$427.05 million recorded for the same period in 2022. Cashew nuts

Table 5.4: Top-Ten Non-Traditional Exports, January - March 2022/2023

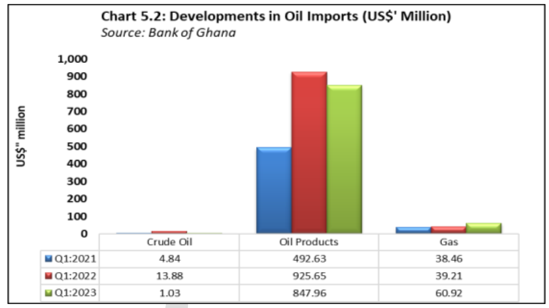
January - March 2022			January - March 2023		
Description	**US$'M**	**% Distr.**	**Description**	**US$'M**	**% Distr.**
Cashew nuts	111.64	26.14	Cashew nuts	68.42	26.00
Palm oil and its fractions	79.30	18.57	Prepared or preserved tuna	38.23	14.53
Aluminium	60.04	14.06	Bars and rods of iron or non-alloy steel	32.42	12.32
Technically specified natural rubber (TSNR)	35.09	8.22	Technically specified natural rubber (TSNR)	27.01	10.27
Prepared or preserved tuna	30.71	7.19	Aluminium	23.77	9.04
Bars and rods of iron or non-alloy steel	28.37	6.64	Shea (karite) oil and fractions	18.70	7.11
Shea (karite) oil and fractions	27.82	6.51	Palm oil and its fractions	15.51	5.89
Flat-rolled products of iron or non-alloy steel; plated with zinc	20.14	4.71	Non-refractory ceramic bricks, tiles and similar products	13.51	5.13
Non-refractory ceramic bricks, tiles and similar products	17.76	4.16	Washing and cleaning preparations	13.49	5.13
Oil-seeds and oleaginous fruits, (Shea nuts)	16.18	3.79	Flat-rolled products of iron or non-alloy steel	12.04	4.58
Total	**427.05**	**100.0**	**Total**	**263.09**	**100.0**

Source: Bank of Ghana

accounted for the largest share of the top ten NTEs, with a share of 26.00 percent, followed by prepared or preserved tuna (14.53%), and iron/steel (12.32%), among others.

Imports

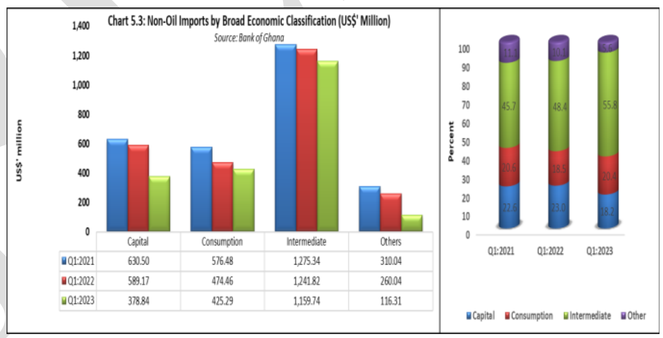
Total value of merchandise imports for Q1:2023 was US$2,990.96 million, down by 15.6 percent from US$3,544.92 million recorded in Q1:2022. The decrease in total imports was driven mainly by a reduction in both oil and non-oil imports.



Oil and Gas Imports

During the period under review, oil imports (made up of crude, gas and refined products) decreased by 7.0 percent to US$909.90 million, from US$978.74 million in 2022. Crude oil imports declined to US$1.03 million in Q1:2023, from US$13.88 million in the corresponding period of 2022. The Volta River Authority (VRA) imported 7,861,883 MMBTu (Million Metric British Thermal units) of gas worth US$60.92 million from the West African Gas Company (WAGP) at an average price of US$7.7 per MMBTu for its operations. A total of 5,067,160 MMBTu of gas worth US$39.21 million was imported in Q1:2022.

The value of oil products imported was US$847.96 million in Q1:2023, compared to US$925.65 million in the same period in 2022.



Merchandise Non-Oil Imports

The total merchandise non-oil imports (including electricity imports) for Q1:2023 was provisionally estimated at US$2,081.18 million, down by 18.92 percent compared to the outturn recorded for the same period in 2022. The drop in non-oil imports was the result of decreases in demand for all the sub-categories due to the slowdown in economic activity and currency depreciation.

The value of **capital goods** imported during the review period was US$378.84 million, down by 35.70 percent from the value recorded for the same period in 2022. This was on account of a decrease in the imports of both capital goods and industrial transport goods.

Consumption goods imported decreased by 10.36 percent to US$425.29 million, from US$474.46 million recorded a year ago. This was due to a fall in imports of all the sub-categories apart from “primary food and beverages, mainly for household consumption”.

The value of **intermediate goods** imported decreased by 6.61 percent to US$1,159.74 million, compared to US$1,241.82 million recorded a year ago.

The value of **other goods** imported was US$116.31 million, compared to US$260.04 million recorded in Q1:2022.

Top Ten Major Non-Oil Imports

The top ten non-oil merchandise imports for Q1:2023 amounted to US$456.10 million, compared to US$749.19 million recorded a year ago. Key items included motor vehicles for the transport of persons and goods, self-propelled bulldozers, cereal grains, among others.

Table 5.5: Top-Ten Non-Oil Imports, January - March 2022/2023

January - March 2022			January - March 2023		
Description	**US$'M (fob)**	**% Distr.**	**Description**	**US$'M (fob)**	**% Distr.**
Capital	**203.83**	**27.2**	**Capital**	**108.95**	**23.9**
Motor vehicles for the transport of goods	154.01	20.6	Motor vehicles for the transport of goods	69.27	15.2
Self-propelled bulldozers, excavators nes	49.82	6.65	Self-propelled bulldozers, excavators nes	39.68	8.70
Consumption	**132.35**	**17.67**	**Consumption**	**157.63**	**34.56**
Weed killers (herbicides) and Insecticides	68.31	9.1	Cereal grains, worked but not rolled	45.89	10.1
Sugar	34.63	4.6	Sugar	43.32	9.5
Cereal grains, worked but not rolled	29.40	3.9	Weed killers (herbicides) and Insecticides	37.25	8.2
Intermediate	**159.22**	**21.25**	Frozen cuts and offal of fowl (Gallus - eg chicken)	31.17	6.83
Articles of Iron or Steel	58.58	7.82	**Intermediate**	**85.30**	**18.70**
Palm oil and its fractions	40.57	5.42	Fertilizers	30.36	6.66
Medicaments	31.09	4.2	Cement clinkers	28.44	6.2
Polyethylene	28.98	3.9	Articles of Iron or Steel	26.50	5.8
Other	**253.79**	**33.9**	**Other**	**104.22**	**22.8**
Motor vehicles for the transport of persons	253.79	33.9	Motor vehicles for the transport of persons	104.22	22.8
Total	**749.19**	**100.00**	**Total**	**456.10**	**100.00**

Source: Bank of Ghana

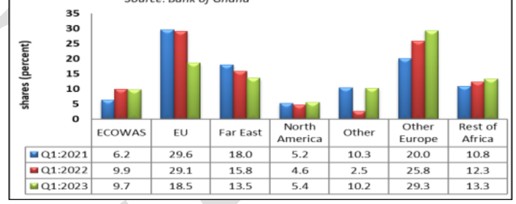
Direction of Trade

Destination of Exports

During the review period, Other Europe received the largest share (29.3%) of Ghana's exports. The other recipients were the EU (18.5%), the Far East (13.5%), the Rest of Africa (13.3%), Other Economies (10.2%), ECOWAS (4.6%), and North America (5.4%).

Chart 5.4: Destination of Merchandise Exports

Source: Bank of Ghana

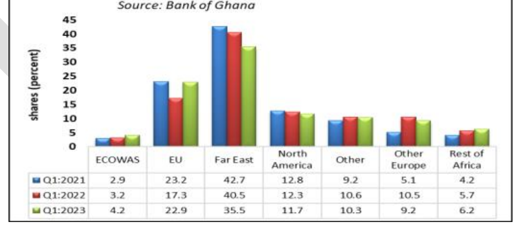


Sources of Merchandise Imports

The Far East emerged as the leading source of imports, accounting for 35.5 percent of the total imports. Then followed the European Union (22.9%), North America (11.7%), Other Economies (10.3%), Other Europe (9.2%), Rest of Africa (6.2%) and ECOWAS (4.2%).

Chart 5.5: Sources of Merchandise Imports

Source: Bank of Ghana



Services, Income and Transfers Account

During the period under review, the Services, Income and Current Transfers Account recorded a deficit of US$713.93 million, compared to a deficit of US$1,427.23 million in Q1:2022. This was mainly on account of higher net private remittance inflows and lower income payments. The balance on the Services account worsened from a deficit of US$1,071.70 million to a deficit of US$1,108.34 million. The deficit on the income account narrowed to US$581.97 million in Q1:2023, from US$1,236.11 million in Q1:2022, on account of a decrease in outflows in respect of interest payments, dividend payments and distribution of profits, mainly due to the suspension of interest payments on some selected external debt. Current transfers, which are mostly private remittances, increased to US$976.38 million in Q1:2023, from US$880.58 million in Q1:2022.

Table 5.6: Services, Income and Unilateral Transfers (net)

	Q1:2022	Q1:2023	Q1:2023/Q1:2022	
		prov.	Abs change	% change
	Amounts in millions of U.S. dollars			
Services (net)	**-1,071.70**	**-1,108.34**	**-36.64**	**3.4**
Freight and Insurance	-411.11	-193.01	218.10	-53.1
Other Services	-660.60	-915.33	-254.73	38.6
Income (net)	**-1,236.11**	**-581.97**	**654.14**	**-52.9**
Current Transfers (net)	**880.58**	**976.38**	**95.79**	**10.9**
Official	0.14	0.00	-0.14	0.0
Private	880.44	976.38	95.94	10.9
Services, Income and Current Transfers (net)	**-1,427.23**	**-713.93**	**713.30**	**-50.0**

Source: Bank of Ghana

5.3 Capital and Financial Account

The capital and financial account recorded a deficit of US$955.6 million in Q1:2023, compared to a deficit of US$451.40 million in Q1:2022. This was attributed to an increase in outflows from the capital and financial account during the review period.

Capital Account

The capital account received transfers totalling US$35.53 million during the review period, compared to US$30.93 million received in the same period in 2022.

Financial Account

Transactions in the financial account resulted in a net outflow of US$991.13 million in Q1:2023, compared to a net outflow of US$482.33 million in Q1:2022. The higher outflows in the financial account were driven by higher portfolio and other investment outflows, as well as lower net foreign direct investments inflows.

Table 5.7: Capital and Financial Account (net)

	Q1:2022	Q1:2023 prov.	Q1:2023/Q1:2022 Abs change	Q1:2023/Q1:2022 % change
	Amounts in millions of U.S. dollars			
Capital and Financial Accounts	**-451.40**	**-955.60**	**-504.20**	**111.7**
Capital transfers	**30.93**	**35.53**	**4.60**	**14.9**
Financial Account	**-482.33**	**-991.13**	**-508.80**	**105.5**
Foreign Direct Investments	**433.30**	**301.01**	**-132.29**	**-30.5**
Portfolio Investments	**-71.05**	**-157.38**	**-86.34**	**121.5**
Financial Derivatives	**-219.87**	**153.18**	**373.05**	**-169.7**
Other Investments	**-624.71**	**-1,287.93**	**-663.22**	**106.2**
Official Capital (Net)	**257.33**	**90.89**	**-166.43**	**-64.7**
Official	139.94	102.39	**-37.55**	**-26.8**
Disbursements	*461.38*	*179.41*	**-281.97**	**-61.1**
Amortisation	*-321.44*	*-77.02*	**244.43**	**-76.0**
Government Oil Investments	117.39	-11.49	**-128.88**	**-109.8**
Inflow	*144.89*	*43.66*	**-101.23**	**0.0**
Outflow	*-27.50*	*-55.16*	**-27.66**	**100.6**
Other Private Capital (Net)	**-1,058.58**	**-992.14**	**66.44**	**-6.3**
Disbursements	1,745.66	1,967.60	**221.94**	**12.7**
Amortisation	-2,804.24	-2,959.74	**-155.50**	**5.5**
Short-term	**176.54**	**-386.68**	**-563.22**	**-319.0**
Non-Monetary	4.64	-386.23	**-390.87**	**-8,428.1**
Monetary	171.90	-0.46	**-172.36**	**-100.3**

Source: Bank of Ghana

5.4 International Reserves

The stock of Net International Reserves (NIR) at the end of March 2023 was estimated at US$2,086.18 million, indicating a drawdown of US$353.84 million from a stock position of US$2,440.02 million at the end of December 2022.

The country's Gross International Reserves (GIR) was estimated at US$5,110.73 million at the end of March 2023, from a stock position of US$6,238.19 million at the end of December 2022. This was sufficient to provide 2.4 months of imports cover for goods and services, compared to 2.7 months of imports cover as at December 2022.

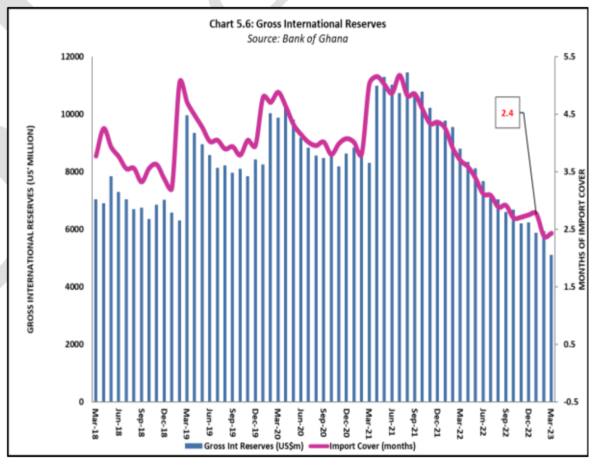


Chart 5.6: Gross International Reserves
Source: Bank of Ghana