



**BANK OF GHANA**  
**MONETARY POLICY REPORT**

**JULY 2023**

*The Monetary Policy Report highlights the economic and financial sector assessments that the Monetary Policy Committee considered prior to the policy decision during the 113<sup>th</sup> meeting held in July 2023.*

### **Monetary Policy in Ghana**

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

### **Monetary Policy Strategy**

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

### **The MPC Process**

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

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## Overview

**Global growth showed signs of improvement in early 2023, but near-term prospects remain uncertain** amid tight financing conditions and elevated underlying inflation. Headline inflation has continued on a downward trend across many countries, responding to tighter and coordinated monetary policy, easing energy and food prices, and reduced supply bottlenecks.

**On the domestic front, the country's external sector position improved significantly in the first half year**, bolstered by current account surplus, reflecting higher gold receipts, import compression and lower investment income payments.

**Real sector conditions improved somewhat with higher GDP growth recorded in the first quarter.** Also, the updated Composite Index of Economic Activity showed some gradual recovery, though it remained in negative territory. Results from the confidence surveys showed some slight softening in consumer sentiments, while business sentiments remained broadly stable.

**Banks' performance in 2023 showed growth in profits, following significant losses posted in 2022 on account of the DDEP.** If this trend continues, we expect banks to rebuild capital buffers quickly, in addition to equity capital injections by shareholders, to give a further boost to real sector growth and to build resilience in the sector

**Fiscal policy implementation for the first five months of the year was broadly in line with the IMF supported programme.** The primary fiscal balance was moving in line with expectations and Government's recourse to central bank financing has been eliminated, thus far. Implementation of the IMF-supported Extended Credit Facility programme for the first six months of 2023 was broadly in line with the Performance Criteria targets for June 2023.

**After declining consistently between January to April, headline inflation increased in May and June** on account of higher food prices, implementation of new tax measures, and utility tariff adjustments.

**The Committee therefore assessed risks to the inflation profile to be on the upside, driven by the potential second-round effects of rising food prices.** Ghana's macroeconomic framework requires decisive tightening from both the fiscal and monetary side to anchor inflation expectations firmly on a declining path. Under the current circumstances, the Committee decided to increase the Monetary Policy Rate by 50 basis points to 30 percent, while closely monitoring incoming data in the months ahead.

# 1. Global Economic Developments

## 1.0 Highlights

- *Global GDP growth improved in early 2023, but near-term prospects remain uncertain amid a still weakening manufacturing sector, heightened uncertainty, tighter financial conditions and elevated core inflation.*
- *Global headline inflation was easing in many countries, driven by the effects of tighter monetary policy, lower energy and food prices and reduced supply bottlenecks. But core inflation has proven somewhat more persistent, amid cost pressures in resilient labour markets.*
- *Global financial conditions remained tight in both advanced and emerging market economies, reflecting the pass-through effects of monetary policy on bank funding costs and credit conditions.*
- *The US dollar has depreciated against most advanced and emerging market currencies, helped by easing inflationary pressures and sharp policy hikes in other major economies.*

## 1.1 Global Growth Developments

Global GDP growth surprised on the upside in early 2023, supported by a decline in food and energy prices, which lifted households' real incomes; the rebound in consumer demand in China following the full reopening of the Chinese economy; the resilience in labour markets, especially in advanced economies; and the robust services sector in many economies. However, near-term global growth prospects remained uncertain amid a still weakening manufacturing sector, heightened uncertainty, tighter financial conditions and elevated inflation. Against this backdrop, the IMF projected global growth of 2.8 percent in 2023 and 3.0 percent in 2024, to be largely supported by growth in Asian economies, particularly China. Growth declined across all regions but more so in advanced economies due to the tighter financial conditions. Although China's boost to the global economy is moderating, resilience in labour markets, particularly in advanced economies, could sustain consumer demand and boost global growth.

In the outlook, inflation would likely continue to be more persistent than expected due to still elevated core inflation, requiring further monetary policy tightening, and repricing of risky assets. Also, the full effects of past policy rates are yet to be felt in the financial markets due to lags in the transmission of monetary policy. Tighter-than-expected global financial conditions could intensify vulnerabilities in emerging market economies, adding to debt servicing costs, capital outflows, and disorderly exchange rate movements. Again, there is uncertainty about the future course of Russia's war against Ukraine and the associated risks of renewed disruptions in global energy and food markets. Amid such risks, policymakers face a difficult choice of bringing inflation down and maintaining economic growth, while also preserving financial stability. As a result, the possibility of a global recession has become a much greater risk.

**Table 1.1: Global Growth Projections (%)**

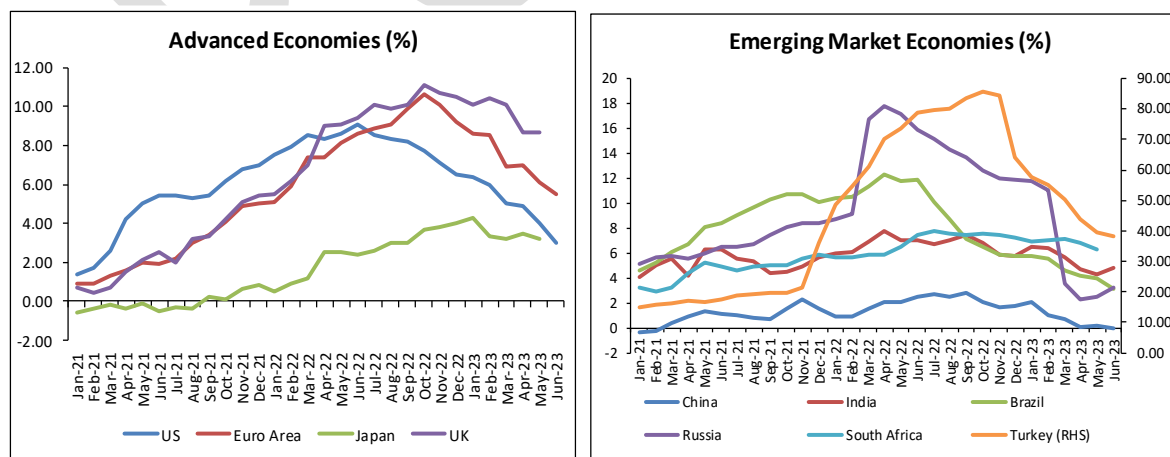
Overview of the World Economic Outlook Projections (Percent change)	Year over Year		
	Estimates	Projections	
		2022	2023
<b>World</b>	<b>3.5</b>	<b>3.0</b>	<b>3.0</b>
<b>Advanced Economies</b>	<b>2.7</b>	<b>1.5</b>	<b>1.4</b>
United States	2.1	1.8	1.0
Euro Area	3.5	0.9	1.5
Germany	1.8	-0.3	1.3
France	2.5	0.8	1.3
Italy	3.7	1.1	0.9
Spain	5.5	2.5	2.0
Japan	1.1	1.4	1.0
United Kingdom	4.1	0.4	1.0
Canada	3.4	1.7	1.4
Other Advanced Economies	2.7	2.0	2.3
<b>Emerging Market and Developing Economies</b>	<b>4.0</b>	<b>4.0</b>	<b>4.1</b>
China	3.0	5.2	4.5
India	7.2	6.1	6.3
Russia	-2.1	1.5	1.3
Brazil	2.9	2.1	1.2
Mexico	3.0	2.6	1.5
Sub-Saharan Africa	3.9	3.5	4.1
Nigeria	3.3	3.2	3.0
South Africa	1.9	0.3	1.7

Source: IMF WEO July Update

## 1.2 Global Price Developments

Global headline inflation is easing in many countries, driven by the tighter monetary policy, lower energy and food prices, and reduced supply bottlenecks. But core inflation has proven somewhat more persistent amid cost pressures in resilient labour markets. Food inflation declined over the reporting period on the back of declining prices of sub-components such as cereals, vegetable oils, dairy and sugar. Despite production cuts by some OPEC+ members, the oil price remained subdued, amid the uncertain prospects of the global economy. Meanwhile, most survey-based indicators of longer-term inflation expectations remain anchored at around 2 percent in advanced economies. In the outlook, inflation is projected to ease in the near term, supported by declining energy and food retail prices. However, price pressures for services are likely to remain high, supported by strong labour markets.

**Figure 1.1: Headline Inflation in Advanced and Emerging Market Economies**



Source: BOG/Trading Economics

### 1.3 Global Financial Markets Developments

Some central banks halted policy tightening to assess the effect of past increases, while others continued the hiking cycle, but at a slower pace. However, policy rates are expected to remain elevated for some time. Rising policy rates have led to a sharp rise in banks funding costs, with inter-bank interest rates and deposit rates in some countries reaching levels not seen since the peak of the global financial crisis. Consequently, bank lending rates have tightened in some advanced economies. The need to further strengthen bank capital and liquidity buffers are likely to result in more restrictive credit conditions, weighing on economic activity.

Market expectations for the policy rate has been volatile, particularly in the U.S. The expectation of higher future path for policy rates, the debt ceiling debate in the U.S, and BoE's tightening stance pushed up long-term yields in the US and UK. Global equity prices fell following the banking sector turmoil in U.S and Euro Area, but have since recovered somewhat. Portfolio flows to emerging markets stood at US\$22.1 billion in June. Equity and debt flows were US\$12.3 billion and US\$9.8 billion, respectively, but sovereign spreads remain elevated in countries such as Ghana and Zambia.

In the outlook, financial conditions are expected to remain tight in the near term. Core inflation has proven somewhat persistent, reflecting higher profits in some sectors and still-elevated cost pressures in resilient labour markets. The uncertainty about how central banks will navigate the difficult trade-offs they face, and the prospects of activity, inflation and financial stability could trigger a disruptive repricing of risky assets, sharp tightening of financial conditions and appreciation of the US dollar. Bank funding costs have increased and credit standards have been tightened. The need to further strengthen capital and liquidity buffers is likely to result in more restrictive credit conditions.

**Table 1.2: Monetary Policy Stance of Selected Central Banks**

	Policy rate - Previous (%)	Policy Rate Current (%)	Forecast	Inflation May 2023	Inflation June 2023	Real rate	Infl Target	Overall Fiscal Deficit (2022,% of GDP)	GDP Growth (Dec.2022)	GrossDe bt/GDP(2 022,%)	YTD Depri/Apr
U.S	5.25	5.25	5.5	4.1	3	2.25	2%	-5.5	2.1	121.7	
Euro Area	3.75	4	4.25	5.5	6.1	-2.1	< 2%	-3.8	3.5	90.9	4.0
UK	4.5	5	5	8.7	7.9	-3.4	2%	-6.3	4.0	102.6	6.5
Japan	-0.1	-0.1	-0.1	3.2	3.2	-3.3	2%	-7.8	1.1	261.3	-6.4
Russia	7.5	7.5	7.5	2.5	3.2	4.3	4%	-2.2	-2.1	19.6	-17.7
India	6.5	6.5	6.75	4.31	4.81	1.69	4±2%	-9.6	6.8	83.1	0.9
Brazil	13.75	13.75	13.75	3.94	3.16	10.59	4.5±1.5%	-4.6	2.9	85.9	10.2
Turkey	8.5	15	20	39.59	38.2	-23.2	5±2%	-1.6	5.6	31.2	-30.1
Malaysia	3	3	3.0	2.8	2.8	0.2	3% - 4%	-5.3	8.7	66.3	-3.1
Indonesia	5.75	5.75	5.75	4	3.52	2.23	3.5% ± 1%	-2.3	5.3	39.9	3.9
Chile	11.25	11.25	11.25	8.7	7.6	3.65	3±1%	1.3	2.4	38.0	4.3
Ghana	29.5	29.5	32	42.2	42.5	-13	8±2%	-9.9	3.2	88.8	-12.4
South Africa	7.25	8.25	8.5	6.3	5.4	2.85	3% -6%	-4.5	2.0	71.0	-4.9
Nigeria	18	18.5	18.5	22.41	22.71	-4.21	6% -9%	-5.5	3.3	38.0	-40.4
Kenya	9.5	10.5	10.5	8.0	7.9	2.6	2.5-7.5%	-6.0	5.4	67.8	-12.9
Zambia	9.25	9.5	9.5	9.9	9.8	-0.3	9%	-7.9	3.4	130	-6.4
Morocco	3	3	3.0	7.8	7.1	-4.1		-5.1	1.1	68.8	-6.9
Angola	17	17	17.0	11.3	10.62	6.38	9-11%	1.6	3.5	67.0	-38.7
Egypt	18.25	18.25	19.3	32.8	35.7	-17.45	7± 2%	-5.8	6.6	88.5	-19.9

Source: Growth rate(World Bank); Debt/GDP (IMF, Zambia is Proj.); Policy Rates (Trading Economics), YTD depreciation is from Bloomberg

## 1.4 Currency Markets

On the international currency market, the US dollar has depreciated against most advanced and emerging-market currencies since November 2022, supported by the sharp decline in inflation to 3 percent in June 2023 and narrowing policy interest differentials between the United States and other countries. In the domestic currency market, the Ghana cedi has been relatively stable since February 2023, after depreciating sharply in January. The gains made by the cedi was on the back of positive sentiments over the IMF programme; disbursement of the first tranche of the ECF, which amounted to US\$600 million; weakened demand pressures; weakness in the US dollar; forex purchases from the mining and oil sectors; and forex liquidity support through the BDCs FX auction. In the outlook, positive sentiments from the full implementation of the IMF programme may continue to shore up the currency. In addition, the decline in U.S. inflation may slow policy hikes and weaken the US dollar, thus further easing pressure on the domestic currency.

In the interbank market, the Ghana cedi cumulatively depreciated by 22.0 percent, 26.3 percent and 23.8 percent against the US dollar, the pound sterling and the euro, respectively, in June 2023. This was against a cumulative depreciation of 16.9 percent, 7.7 percent and 9.9 percent against the US dollar, the pound sterling and the euro, respectively, during the same period in 2022 (Table 1.3). The Ghana cedi has generally remained stable since January 2023, with a cumulative depreciation of 1.8 percent between February and June 2023.

**Table 1.3: Interbank Exchange Rates**

	US\$/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation	GBP/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation	Euro/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation
<b>2021</b>									
Jan	5.7604	0.0	0.00	7.8996	-0.3	-0.32	6.9929	1.0	1.02
Feb	5.7374	0.4	0.40	7.9945	-1.2	-1.50	6.9545	0.6	1.58
Mar	5.7288	0.2	0.55	7.8717	1.6	0.03	6.7122	3.6	5.25
Apr	5.7322	-0.1	0.49	7.9222	-0.6	-0.61	6.8958	-2.7	2.44
May	5.7473	-0.3	0.22	8.1672	-3.0	-3.59	7.0268	-1.9	0.53
June	5.7626	-0.3	-0.04	7.9590	2.6	-1.07	6.8333	2.8	3.38
July	5.8011	-0.7	-0.71	8.0633	-1.3	-2.35	6.8808	-0.7	2.67
Aug	5.8517	-0.9	-1.56	8.0482	0.2	-2.16	6.9068	-0.4	2.28
Sep	5.8663	-0.2	-1.81	7.9140	1.7	-0.50	6.7952	1.6	3.96
Oct	5.9009	-0.6	-2.38	8.0816	-2.1	-2.57	6.8231	-0.4	3.54
Nov	5.9172	-0.3	-2.65	7.9054	2.2	-0.39	6.7346	1.3	4.90
Dec	6.0061	-1.5	-4.09	8.1272	-2.7	-3.11	6.8281	-1.4	3.46
<b>2022</b>									
Jan	6.0236	-0.3	-0.29	8.0882	0.5	0.48	6.7506	1.1	1.15
Feb	6.6004	-8.7	-9.00	8.8568	-8.7	-8.24	7.4100	-8.9	-7.85
Mar	7.1122	-7.2	-15.55	9.3515	-5.3	-13.09	7.8986	-6.2	-13.55
Apr	7.1128	0.0	-15.56	8.9333	4.7	-9.02	7.4963	5.4	-8.91
May	7.1441	-0.4	-15.93	9.0041	-0.8	-9.74	7.6650	-2.2	-10.92
June	7.2305	-1.2	-16.93	8.8043	2.3	-7.69	7.5797	1.1	-9.92
July	7.6120	-5.0	-21.10	9.2642	-5.0	-12.27	7.7658	-2.4	-12.07
Aug	8.2325	-7.5	-27.04	9.5872	-3.4	-15.23	8.2909	-6.3	-17.64
Sep	9.6048	-14.3	-37.47	10.7017	-10.4	-24.06	9.4147	-11.9	-27.47
Oct	13.0086	-26.2	-53.83	14.9541	-28.4	-45.65	12.8610	-26.8	-46.91
Nov	13.1044	-0.7	-54.17	15.6919	-4.7	-48.21	13.5813	-5.3	-49.72
Dec	8.5760	52.8	-29.97	10.3118	52.2	-21.19	9.1457	48.5	-25.34
<b>2023</b>									
Jan	10.7997	-20.6	-20.59	13.2863	-22.4	-22.39	11.7262	-22.0	-22.01
Feb	11.0135	-1.9	-22.13	13.3699	-0.6	-22.87	11.7182	0.1	-21.95
Mar	11.0137	0.0	-22.13	13.6218	-1.8	-24.30	11.9657	-2.1	-23.57
Apr	10.9516	0.6	-21.69	13.7624	-1.0	-25.07	12.0876	-1.0	-24.34
May	10.9715	-0.2	-21.83	13.5888	1.3	-24.12	11.6978	3.3	-21.82
June	10.9972	-0.2	-22.02	13.9879	-2.9	-26.28	12.0073	-2.6	-23.83

Source: Bank of Ghana staff computations



Relative to Ghana's major trade partners' currency movements, the Ghana cedi depreciated by 30.7 percent in nominal trade weighted terms and 28.6 percent on forex transaction weighted terms on a year-to-date basis (Table 1.4). This was against a depreciation of 12.0 percent and 19.4 percent in nominal trade weighted terms and nominal foreign exchange transaction weighted terms, respectively, over the same period in 2022.

**Table 1. 4: Nominal Effective Exchange Rate**

Month	2021=100		Monthly CHG(%)		Year-to-Date (%)	
	FXTWI	TWI	FXTWI	TWI	FXTWI	TWI
<b>2022</b>						
Jan-22	96.24	101.74	-0.18	0.72	-0.18	0.72
Feb-22	87.84	92.96	-9.56	-9.44	-9.76	-8.65
Mar-22	81.64	87.35	-7.59	-6.43	-18.10	-15.64
Apr-22	82.01	91.05	0.46	4.07	-17.56	-10.93
May-22	81.54	89.38	-0.58	-1.87	-18.24	-13.00
Jun-22	80.77	90.22	-0.95	0.93	-19.37	-11.96
Jul-22	76.87	87.42	-5.07	-3.20	-25.42	-15.55
Aug-22	71.24	82.20	-7.91	-6.35	-35.34	-22.88
Sep-22	61.23	72.11	-16.34	-14.00	-57.46	-40.08
Oct-22	45.15	52.79	-35.60	-36.61	-113.52	-91.36
Nov-22	44.60	50.11	-1.25	-5.34	-116.18	-101.58
Dec-22	68.00	74.88	34.41	33.09	-41.79	-34.89
<b>2023</b>						
Jan-23	53.91	58.69	-26.12	-27.59	-26.12	-27.59
Feb-23	53.00	58.90	-1.72	0.35	-28.29	-27.15
Mar-23	52.87	57.65	-0.25	-2.17	-28.60	-29.90
Apr-23	53.09	57.14	0.40	-0.89	-28.09	-31.05
May-23	53.12	58.45	0.07	2.25	-28.00	-28.11
Jun-23	52.89	57.30	-0.43	-2.02	-28.55	-30.69

Source: Bank of Ghana Staff Calculations

In real bilateral terms, the cedi depreciated by 16.4 percent, 23.5 percent and 18.2 percent against the US dollar, the pound sterling and the euro, respectively, on a year-to-date basis. Comparatively, for the corresponding period in 2022, the cedi's real exchange rate depreciated by 3.9 percent against the US dollar, while appreciating by 6.4 percent and 4.0 percent against the pound sterling and the euro, respectively, over the same period in 2022 (Table 1.5).

**Table 1.5: Real Bilateral Exchange Rate**

Month	RER Index (Jan. 2021=100)			MONTHLY CHANGE (Index)			Year-to-Date (%)		
	EUR	GBP	USD	EUR	GBP	USD	EUR	GBP	USD
<b>2022</b>									
Jan-22	112.00	105.34	101.34	2.7	2.5	1.2	2.7	2.5	1.2
Feb-22	103.79	97.86	94.07	-7.9	-7.6	-7.7	-5.0	-4.9	-6.5
Mar-22	99.18	95.39	89.64	-4.7	-2.6	-4.9	-9.9	-7.6	-11.7
Apr-22	108.84	102.30	93.72	8.9	6.7	4.4	-0.1	-0.4	-6.9
May-22	109.84	105.04	96.04	0.9	2.6	2.4	0.8	2.3	-4.3
Jun-22	113.53	109.51	96.40	3.2	4.1	0.4	4.0	6.3	-3.9
Jul-22	113.96	106.89	94.46	0.4	-2.5	-2.1	4.4	4.0	-6.0
Aug-22	108.51	104.96	89.05	-5.0	-1.8	-6.1	-0.4	2.2	-12.5
Sep-22	97.41	96.26	78.70	-11.4	-9.0	-13.1	-11.9	-6.6	-27.3
Oct-22	72.21	69.72	59.44	-34.9	-38.1	-32.4	-50.9	-47.2	-68.5
Nov-22	73.97	71.21	64.15	2.4	2.1	7.3	-47.3	-44.2	-56.1
Dec-22	114.46	112.31	102.07	35.4	36.6	37.1	4.8	8.6	1.9
<b>2023</b>									
Jan-23	91.3	89.5	81.8	-25.4	-25.5	-24.8	-25.4	-25.5	-24.8
Feb-23	92.9	90.5	81.2	1.8	2.0	-0.7	-23.2	-23.0	-25.6
Mar-23	88.7	86.5	80.0	-4.7	-4.7	-1.6	-29.0	-29.9	-27.6
Apr-23	89.30	86.33	81.93	0.6	-0.1	2.4	-28.3	-28.5	-24.6
May-23	96.26	90.60	85.47	7.2	4.7	4.1	-18.9	-23.9	-19.4
Jun-23	96.86	90.87	87.71	0.6	0.3	2.6	-18.2	-23.5	-16.4

Source: Bank of Ghana Staff Calculations

Table 1.6 shows the real effective exchange rate movements of the cedi against the three major currencies (i.e., the US dollar, the euro and the pound sterling). The cedi depreciated by 18.4 percent and 16.6 percent in real trade weighted terms and real forex transaction weighted terms, respectively, on a year-to-date basis. This compared with an appreciation of 3.2 percent in real trade weighted terms and a depreciation of 3.0 percent in real FX transaction weighted terms for the same period in 2022.

**Table 1.6: Real Effective Exchange Rate for Major Trade Partners**

Month	INDEX (2021=100)		MONTHLY CHG		Year-to-Date (%)	
	RFXTWI	RTWI	RFXTWI	RTWI	RFXTWI	RTWI
<b>2022</b>						
Jan-22	122.05	132.87	1.3	2.5	1.3	2.5
Feb-22	113.29	123.18	-7.7	-7.9	-6.3	-5.2
Mar-22	108.02	117.87	-4.9	-4.5	-11.5	-9.9
Apr-22	113.42	128.25	4.8	8.1	-6.2	-1.0
May-22	116.10	129.90	2.3	1.3	-3.7	0.3
Jun-22	116.89	133.83	0.7	2.9	-3.0	3.2
Jul-22	114.74	133.58	-1.9	-0.2	-5.0	3.0
Aug-22	108.34	127.36	-5.9	-4.9	-11.2	-1.7
Sep-22	95.95	114.31	-12.9	-11.4	-25.5	-13.4
Oct-22	72.30	84.77	-32.7	-34.8	-66.6	-52.8
Nov-22	77.62	87.43	6.9	3.0	-55.2	-48.2
Dec-22	123.22	136.02	37.0	35.7	2.3	4.7
<b>2023</b>						
Jan-23	75.99	85.10	-24.8	-25.3	-24.8	-25.3
Feb-23	75.66	86.37	-0.4	1.5	-25.4	-23.5
Mar-23	96.4	105.5	-1.9	-4.4	-27.79	-28.88
Apr-23	82.59	88.02	2.24	0.81	-24.92	-27.85
May-23	86.39	94.24	4.39	6.60	-19.43	-19.40
Jun-23	88.47	95.05	2.35	0.86	-16.62	-18.38

Source: Bank of Ghana Staff Calculations

### 1.5 Global Economic Outlook and Risks

Risks from the external environment have improved somewhat, with global growth surprising on the upside in 2023Q1. Oil prices have eased, contributing to easing, although still elevated, global inflation. The pace of policy rate hikes has slowed, although policy rates are expected to remain elevated for a while. The US dollar appreciation has somewhat retrenched, easing pressures on Emerging Markets and Developing Economies' (EMDEs) currencies. Also, net capital inflows to EMDEs have resumed in 2023, with the issuance of hard currency sovereign bonds recovering, but frontier issuance remains low. Sovereign spreads for most investment-grade emerging market issuers are near historical lows. However, the near-term outlook for global growth remains uncertain.

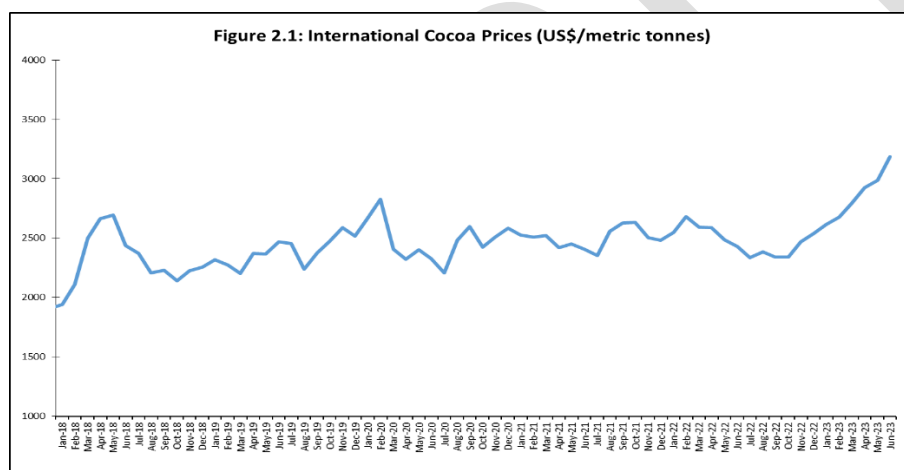
## 2. External Sector Developments

### 2.0 Highlights

The country's external sector position improved significantly in the first half-year, bolstered by a current account surplus, reflecting higher gold receipts, import compression and lower investment income payments. The external sector performance, the domestic gold purchase programme, along with increased voluntary repatriation by the mining sector, and the liquidation of some short-term external liabilities led to some sizable accumulation of external buffers. The outlook for reserve accumulation in the second half remains broadly positive, and is expected to be boosted by the expected inflows from cocoa syndication and other multilateral (World Bank and AfDB) inflows.

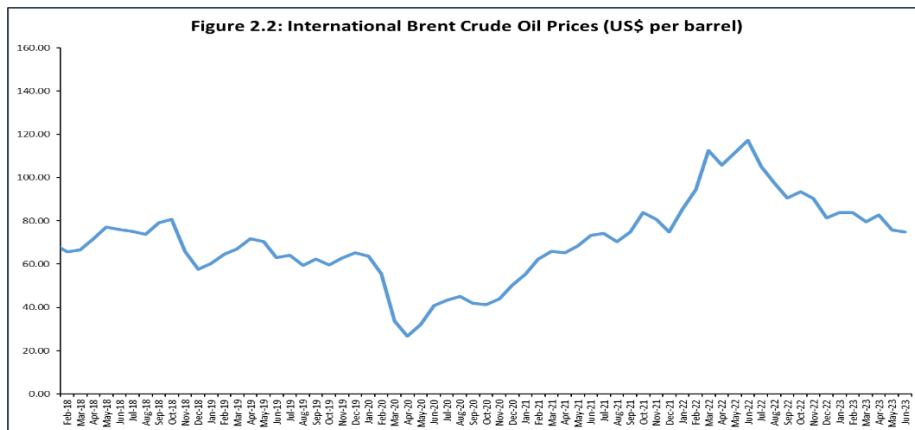
### 2.1 Commodity Price Trends

Cocoa prices rallied sharply during the month of June reaching a 7-year high in New York and a 46-year high in London. The rally was spurred by a widening global production deficit and adverse weather conditions. Port arrivals in the major producer Cote d'Ivoire were lagging 4.8 percent compared with the same time last year, while purchases in Ghana at the beginning of May was 2.4 percent lower than the same period last season. Cocoa futures settled at an average price of US\$3,185.29 per tonne at the end of June 2023, gaining 6.7 percent relative to the previous month and 25.5 percent since the beginning of the year.

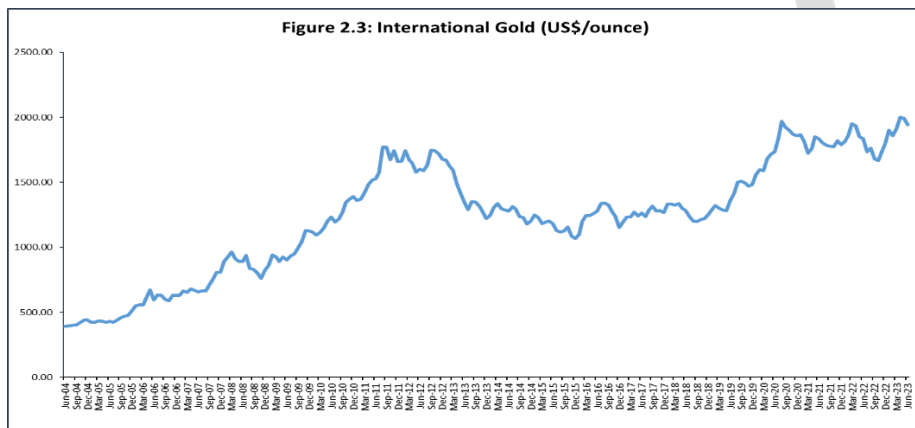


Benchmark Brent crude oil prices averaged US\$74.98 per barrel in June, a marginal decline from the US\$75.68 per barrel recorded in the previous month. Oil prices dropped on concerns that sluggish global growth could reduce energy demand, outweighing Saudi Arabia's pledge to deepen output cuts beyond production cuts agreed by OPEC+.

Spot gold slipped during the month of June as the US dollar and treasury yields advanced after the Federal Reserve signalled additional interest rate hikes this year though data showed U.S. consumer prices had slowed in May, but was well above target. Spot gold settled at US\$1,942.07 per fine ounce, 2.5 percent less than the previous month. In the same period last year, gold prices had gained 5.7 percent on the back of economic uncertainties and expectations that the Fed would pause its rate hike cycle.



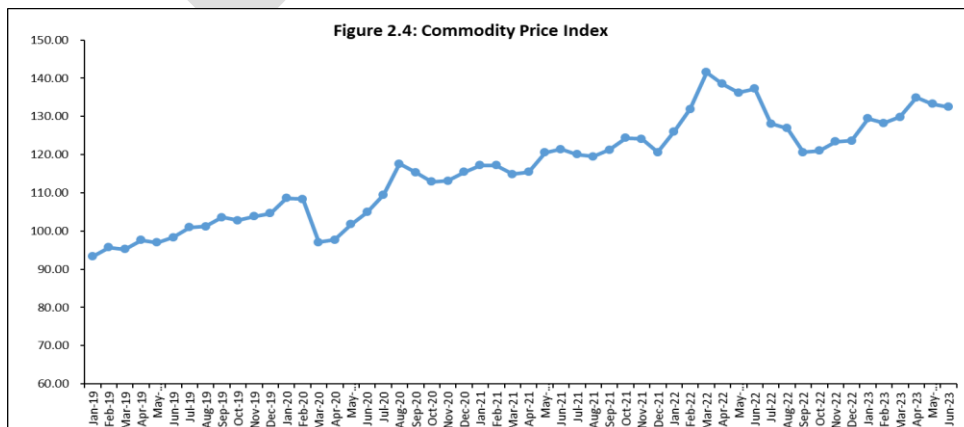
Source: Reuters



Source: Reuters

### 2.1.1 Commodity Price Index

The weighted average price of the three major commodities exported by Ghana (cocoa, gold and crude oil) declined further into the month of June 2023. The index fell to 132.48 from 133.22 representing a marginal monthly decline of 0.55 percent. The fall was on the back of a decline in both crude oil and gold prices despite a substantial increase in cocoa prices. The gold and crude oil sub-indices fell 2.26 and 0.93 percent, respectively, while the cocoa sub-index increased by 6.72 percent.



Source: BOG Staff Computations

## **2.2 Trade Balance**

The trade account for the first six months of 2023 recorded a surplus provisionally valued at US\$1,771.05 million. The improved trade surplus was driven mainly by import compression, notwithstanding some decline in export earnings.

Total export receipts fell by 7.9 percent to US\$8,178.56 million, driven mainly by declining crude oil exports receipts. Crude oil exports declined by 41.3 percent on the back of a 21.4 percent decline in volumes and a 25.3 percent fall in price. However, the impact of declining crude oil receipts on exports performance was moderated by a 14.9 percent growth in cocoa beans and a 14.2 percent growth in gold mainly due to an increase in export volumes. The volume of cocoa beans exports grew by 15.3 percent and that of gold grew by 14.1 percent while the price of cocoa beans and gold remained flat. Non-traditional exports also declined by 2.7 percent during the period under review.

Consistent with the general economic slowdown, the total import bill for the first half of 2023 decreased by 13.4 percent to US\$6,407.50 million. The lower imports bill was driven by both oil and non-oil imports. The value of oil and gas imports reduced by 12.6 percent to US\$1,937.9 million, mainly on the back of reduced demand for refined petroleum products. At the same time, non-oil imports also dropped by 13.8 percent to US\$4,469.65 million.

## **2.3 Current Account**

In the first half of 2023, the current account recorded a provisional surplus of US\$849.16 million (1.1% of GDP) compared with a deficit of US\$1,111.87 million (1.5% of GDP) for the same period in 2022. The current account surplus was on the back of a higher trade surplus and lower investment income outflows. The reduced investment income payments mainly reflected the suspension of interest payments on some selected external debt. Private individual transfers improved by 20.7 percent to a net inflow of US\$1,897.54 million in the review period.

## **2.4 Capital and Financial Accounts**

The capital and financial account registered a net outflow of US\$897.29 million, lower than the net outflow of US\$1,341.22 million for the same period in 2022. The reduced capital outflows were due to lower amortization on government external debt attributed to the debt standstill on some external debt and lower private loan repayments. As a result of these developments, the overall balance of payments recorded a lower deficit of US\$107.81 million in the first half of 2023, compared with a deficit of US\$2,497.07 million in the corresponding period of 2022.

## **2.5 International Reserves**

The level of Gross International Reserves (excluding Ghana Petroleum Funds, pledged and encumbered assets), stood at US\$2,353.95 million, equivalent to 1.1 months of import cover at the end of June 2023, compared with 0.7 months of import cover recorded at the end of December 2022. Including the petroleum funds and the pledged assets, Gross International Reserves at the end of June 2023 was at US\$5,344.14 million (2.5 months of imports cover) compared with the end-December 2022 position of US\$6,238.19 million (2.8 months of import cover).

## 2.6 Commodity Price Outlook

Cocoa prices are expected to remain firm in the near term. Recent heavy rains reported in major producing countries have heightened fears of disease outbreaks and concerns over the quality of the mid-crop. (Farmers are reporting of poor beans quality in Cote d'Ivoire). There are also growing concerns over the El Nino climatic phenomenon linked to dry weather conditions which could persist beyond December 2023. Traders are, however, wary that the high price level may impact demand and potentially put the brakes on further price increases. September cocoa futures prices are forecast to average between US\$2,900 and US\$3,300 per tonne.

The oil market is turning bullish, notwithstanding concerns about the weak global growth forecasts. Extended production cuts from OPEC+ are expected to provide some support to the oil market and spur a price rally. Brent crude oil spot prices are forecasted to rise to about US\$80 per barrel in 2023Q4 and US\$81 per barrel by the end of this year.

Gold is expected to remain supported as U.S. monetary policy transitions from tightening to a pause, but the converse could create headwinds for gold and result in disinvestment. The gold price is forecasted to trade between US\$1,900 and US\$2,000 per fine ounce in the near term.

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

	2021 Jan - Jun	2022 Jan - Jun	Prov 2023 Jan - Jun	Abs Y/Y Chg	Rel Y/Y Chg
<b>Trade Balance ( \$'M)</b>	<b>886.9</b>	<b>1,474.3</b>	<b>1,771.1</b>	<b>296.7</b>	<b>20.1</b>
<i>Trade Bal (% GDP)</i>	<i>1.1</i>	<i>2.0</i>	<i>2.4</i>		
<b>Total Exports ( \$'M)</b>	<b>7,649.2</b>	<b>8,877.1</b>	<b>8,178.6</b>	<b>-698.5</b>	<b>-7.9</b>
<b>Gold ( \$'M)</b>	2,666.7	3,025.4	3,456.4	431.0	14.2
Volume (fine ounces)	1,474,522	1,642,404	1,873,960	231,556.9	14.1
Unit Price (\$/fine ounce)	1,808.5	1,842.0	1,844.4	2.4	0.1
<b>Cocoa Beans ( \$'M)</b>	1,269.8	922.8	1,060.5	137.7	14.9
Volume (tonnes)	492,899	373,564	430,645	57,081.2	15.3
Unit Price (\$/tonne)	2,576.1	2,470.3	2,462.7	-7.6	-0.3
<b>Cocoa Products ( \$'M)</b>	517.6	493.0	421.9	-71.1	-14.4
Volume (tonnes)	151,135	159,370	129,309	-30,060.1	-18.9
Unit Price (\$/tonne)	3,424.4	3,093.3	3,262.8	169.6	5.5
<b>Crude Oil ( \$'M)</b>	1,757.1	2,833.5	1,664.4	-1,169.1	-41.3
Volume (barrels)	26,943,997	26,662,950	20,960,643	-5,702,307.0	-21.4
Unit Price (\$/bbl)	65.2	106.3	79.4	-26.9	-25.3
<b>Other Exports</b>	1,438.2	1,602.4	1,575.3	-27.1	-1.7
<i>o/w Non-Traditional Expor</i>	<i>1,161.7</i>	<i>1,251.1</i>	<i>1,217.8</i>	<i>-33.2</i>	<i>-2.7</i>
<b>Total Import ( \$'M)</b>	<b>6,762.4</b>	<b>7,402.7</b>	<b>6,407.5</b>	<b>-995.2</b>	<b>-13.4</b>
Non-Oil	5,544.8	5,184.2	4,469.6	-714.6	-13.8
Oil and Gas	1,217.5	2,218.5	1,937.9	-280.6	-12.6
<i>of which: Products</i>	<i>1,112.6</i>	<i>2,117.5</i>	<i>1,743.3</i>	<i>-374.2</i>	<i>-17.7</i>
Crude Oil ( \$'M)	27.5	18.6	77.7	59.1	317.3
Volume (barrels)	415,120	178,685	1,035,624	856,938.9	479.6
Unit Price (\$/bbl)	66.3	104.2	75.0	-29.2	-28.0
Gas ( \$'M)	77.4	82.4	116.8	34.5	41.8
Volume (MMBtu)	10,460,420	10,825,756	11,081,781	256,025.0	2.4
Unit Price (\$/mmBtu)	7.4	7.6	10.5	2.9	38.6

Source: Bank of Ghana

**Table 2.2: Balance of Payments (US\$ million)**

	2020	2021	2022	2023	Yr-on-Yr change 2023/22	
	6 mths	6 mths	6 mths	6 mths	Abs.	%
<b>Current account balance</b>	<b>-548</b>	<b>-762</b>	<b>-1,112</b>	<b>849</b>	<b>1,961</b>	<b>-176.4</b>
<b>Trade balance</b>	<b>1,005</b>	<b>887</b>	<b>1,474</b>	<b>1,771</b>	<b>297</b>	<b>20.1</b>
<b>Exports, f.o.b.</b>	<b>7,396</b>	<b>7,649</b>	<b>8,877</b>	<b>8,179</b>	<b>-699</b>	<b>-7.9</b>
Cocoa beans & products	1,543	1,787	1,416	1,482	67	4.7
Gold	3,183	2,667	3,025	3,456	431	14.2
Crude oil	1,421	1,757	2,833	1,664	-1,169	-41.3
Other exports (Incl.non-traditional)	1,249	1,438	1,602	1,575	-27	-1.7
<b>Imports, f.o.b.</b>	<b>-6,391</b>	<b>-6,762</b>	<b>-7,403</b>	<b>-6,408</b>	<b>995</b>	<b>-13.4</b>
Non-oil	-5,474	-5,545	-5,184	-4,470	715	-13.8
Oil & gas	-917	-1,218	-2,218	-1,938	281	-12.6
<b>Services: net</b>	<b>-2,116</b>	<b>-1,733</b>	<b>-1,820</b>	<b>-1,703</b>	<b>116</b>	<b>-6.4</b>
Inflows	3,727	4,371	4,178	4,385	207	5.0
outflows	-5,842	-6,103	-5,998	-6,089	-91	1.5
<b>Investment income: net</b>	<b>-1,163</b>	<b>-1,631</b>	<b>-2,338</b>	<b>-1,116</b>	<b>1,223</b>	<b>-52.3</b>
Inflows	446	326	404	254	-151	-37.2
outflows	-1,610	-1,957	-2,743	-1,370	1,373	-50.1
<i>of which:</i>						
<i>interest on public debt</i>	-752	-991	-979	-50	929	-94.9
<i>Other Primary Income Outflows</i>	-858	-966	-1,764	-1,320	444	-25.2
<b>Current Transfers: net</b>	<b>1,725</b>	<b>1,715</b>	<b>1,572</b>	<b>1,898</b>	<b>325</b>	<b>20.7</b>
Official transfers: net	0	0	0	0	0	-100.0
Private individual transfers: net	1,725	1,715	1,572	1,898	326	20.7
<b>Capital &amp; financial account: net</b>	<b>1,614</b>	<b>3,014</b>	<b>-1,341</b>	<b>-897</b>	<b>444</b>	<b>-33.1</b>
<b>Capital account: net</b>	<b>139</b>	<b>125</b>	<b>91</b>	<b>60</b>	<b>-31</b>	<b>-34.3</b>
<i>of which: capital transfers: net</i>	139	125	91	60	-31	-34.3
<b>Financial account: net</b>	<b>1,475</b>	<b>2,889</b>	<b>-1,432</b>	<b>-957</b>	<b>475</b>	<b>-33.2</b>
Foreign direct investments: net	557	954	787	612	-176	-22.3
Portfolio investments: net	1,722	2,758	-346	-133	213	-61.5
Financial derivatives: net	312	-212	-180	124	305	-168.9
Inflows	508	876	2,332	0	2,180	-100.0
outflows	-300	-800	-2,512	0	-1,453	-100.0
Other investment: net	-1,117	-611	-1,693	-1,560	134	-7.9
Medium & long term: net	-198	-520	-1,414	-340	1,074	-76.0
Official Capital: net	1,393	544	166	823	657	397.0
Government oil investment: net	235	38	-245	-19	226	-92.1
Loans: net	1,158	506	411	842	431	105.0
Disbursements	1,647	969	1,070	1,107	37	3.5
Amortization	-489	-463	-659	-265	394	-59.8
Other Capital: net	-1,590	-1,064	-1,579	-1,162	417	-26.4
Loan: net	-812	-605	-1,227	-886	341	-27.8
Inflows	1,125	1,314	239	174	-65	-27.1
outflows	-1,937	-1,919	-1,466	-1,060	406	-27.7
Others (currency & deposits, other equity): net	-779	-459	-353	-277	76	-21.5
Inflows	2,432	2,860	3,317	3,268	-49	-1.5
outflows	-3,211	-3,320	-3,670	-3,544	125	-3.4
Short-term capital: net	-920	-91	-280	-1,220	-941	336.5
Non-monetary: net	-802	-809	-308	-540	-231	75.1
Monetary: net	-117	719	29	-680.6	-709	-2,472.2
<b>Errors &amp; omission: net</b>	<b>-56</b>	<b>117</b>	<b>-44</b>	<b>-60</b>	<b>-16</b>	<b>35.7</b>
<b>Overall balance</b>	<b>1,010</b>	<b>2,370</b>	<b>-2,497</b>	<b>-108</b>	<b>581</b>	<b>-62.1</b>
<i>Changes in net intern. reserve assets (-, incr.)</i>	<i>-1,010</i>	<i>-2,370</i>	<i>2,497</i>	<i>108</i>	<i>-581</i>	<i>-62.1</i>

Source: Bank of Ghana

## 3. Real Sector Developments

### 3.0 Highlights

*The latest high frequency indicators signalled some moderation in economic activity compared to a year ago. Port activity, cement sales, vehicle registration and private sector SSNIT contributors contracted. Domestic VAT collections, industrial consumption of electricity and tourist arrivals, however, improved in the review period.*

### 3.1 GDP Growth

Provisional data from the Ghana Statistical Service showed that real GDP grew by 4.2 percent in the first quarter of 2023, compared with 3.0 percent recorded in the corresponding quarter of 2022. Non-oil GDP growth was 5.5 percent, compared with 3.7 percent in the same period of 2022. The observed growth outturn was largely driven by the Services and Agricultural sub-sectors, which grew by 10.1 percent and 4.8 percent, respectively. However, the Industry sub-sector contracted, and recorded a decline of 3.2 percent

### 3.2 Trends in Real Sector Indicators

#### *Consumer Spending*

Consumer spending, proxied by domestic VAT collections and retail sales, posted a positive performance in May 2023, compared with the corresponding period in 2022. Domestic VAT collections increased by 51.2 percent on a year-on-year basis to GH¢1,058.36 million, from GH¢700.12 million. Cumulatively, total domestic VAT for the first five months of 2023 went up by 71.9 percent to GH¢5,420.10 million, compared with GH¢3,153.50 million for the corresponding period of last year.

Retail sales increased by 47.9 percent (year-on-year) to GH¢159.57 million in May 2023, up from the GH¢107.90 million recorded in the same period in 2022. However, on a month-on-month basis, retail sales declined by 3.3 percent in May 2023, from GH¢165.08 million in the preceding month. In cumulative terms, retail sales for the first five months of 2023 went up by 34.5 percent.

#### *Manufacturing Activities*

Activities in the manufacturing sub-sector, gauged by trends in the collection of direct taxes and private sector workers' contributions to the Social Security and National Insurance Trust (SSNIT) Pension Scheme (Tier-1), improved in May 2023.

Total Direct Taxes collected increased by 43.3 percent (year-on-year) to GH¢2,858.48 million in May 2023, relative to GH¢1,994.92 million recorded for the same period in 2022. Cumulatively, total Direct Taxes collected for the first five months of 2023 went up by 55.9 percent to GH¢16,863.27 million, from GH¢10,815.20 million for the same period in 2022. In terms of contributions of the various sub-tax categories, Income tax (PAYE and self-employed) accounted for 53.0 percent, Corporate tax accounted for 29.9 percent, while "Other Tax Sources" contributed 17.1 percent.

Total private sector workers' contribution to the SSNIT Pension Scheme (Tier-1) increased by 27.9 percent on year-on-year terms to GH¢337.23 million in May 2023, from GH¢263.77 million collected during the corresponding period in 2022. Cumulatively, for the first five months of 2023, the contribution grew by 21.5 percent to GH¢1,532.20 million, relative to GH¢1,261.56 million recorded in the same period in 2022.



### ***Construction Sector Activities***

Activity in the construction sub-sector, proxied by the volume of cement sales, declined by 19.7 percent (year-on-year) in May 2023 to 212,584.38 tonnes from 264,619.73 tonnes recorded a year ago. On month-on-month basis, total cement sales dipped by 8.1 percent in May 2023 compared with 231,200.07 tonnes recorded in April 2023. Cement sales for the first five months of 2023 went down by 25.6 percent to 1,158,854.69 tonnes, from 1,556,916.30 tonnes for the same period of 2022. The decline in total cement sales was due to a slowdown in construction activities during the review period.

### ***Vehicle Registration***

Transport sector activities, gauged by new vehicle registrations by the Driver and Vehicle Licensing Authority (DVLA), declined by 30.0 percent to 11,915 in May 2023, from 17,011 vehicles registered during the corresponding period of 2022. Cumulatively, vehicles registered by the DVLA within the first five months of 2023 decreased by 43.4 percent to 76,115, from 134,402 recorded a year ago.

### ***Industrial Consumption of Electricity***

Industrial consumption of electricity increased by 16.7 percent in May 2023 to 308.94 gigawatts, as against 264.71 gigawatts recorded for the corresponding period in 2022. In cumulative terms, electricity consumed by industries for the first five months of 2023 increased by 9.7 percent to 1,479.18 gigawatts, from 1,348.23 gigawatts for the corresponding period a year ago.

### ***Passenger Arrivals***

Passenger arrivals improved by 21.6 percent in year-on-year terms to 87,156 in May 2023, up from 71,660 arrivals recorded a year ago. Compared to April 2023, passenger arrivals went up by 3.5 percent. Cumulatively, for the first five months of 2023, there were 419,206 arrivals recorded at the international airport and the land borders, compared with 309,827 arrivals for the corresponding period in 2022, representing a growth of 35.3 percent.

### ***Ports and Harbours Activity***

International trade at the country's two main harbours (Tema and Takoradi), as measured by laden container traffic for inbound and outbound containers, declined during the period under review. Total container traffic decreased by 12.1 percent, year-on-year, to 54,538 in May 2023, down from 62,036 in May 2022. In cumulative terms, total container traffic for the first five months of 2023 dipped by 12.6 percent to 249,388 compared with 285,496 for the corresponding period of last year.

### ***Labour Market - Advertised Jobs***

The number of jobs advertised in selected print<sup>1</sup> and online<sup>2</sup> media, which partially gauges labour demand in the economy, increased in June 2023 relative to what was observed in the corresponding period a year ago. In total, 2,993 job adverts were recorded as compared with 2,662 for the same period in 2022, indicating an improvement of 12.4 percent (year-on-year). On a month-on-month basis, the number of job vacancies declined by 5.5 percent from the 3,166 jobs advertised in May 2023. Cumulatively, for the first two quarters of 2023, the total number of advertised jobs went up by 3.5 percent to 16,866 from 16,290 recorded during the same period in 2022.

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<sup>1</sup> The Daily Graphic newspaper was used to represent print media because it is the most widely circulated daily in Ghana.

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

### ***Private Sector Pension Contributions***

The total number of private sector SSNIT contributors, which partially gauges employment conditions, declined by 5.3 percent to 903,690 in May 2023, compared with 954,652 for the same period in 2022. On a month-on-month basis, the total number of private sector SSNIT contributors dipped by 2.8 percent from the 929,543 individuals recorded in April 2023. Cumulatively, for the first five months of 2023, the total number of private sector contributors decreased by 2.1 percent to 4,659,173, from 4,759,449 recorded over the corresponding period in 2022.

### **3.3 Composite Index of Economic Activity**

The Bank's updated real Composite Index of Economic Activity (CIEA) contracted by 3.7 percent in May 2023, compared with a 1.7 percent growth in the corresponding period of 2022. The main indicators that weighed down the Index during the period were port activity, cement sales, credit to the private sector and imports. Domestic VAT collections, industrial consumption of electricity and exports, however, improved in the review period.

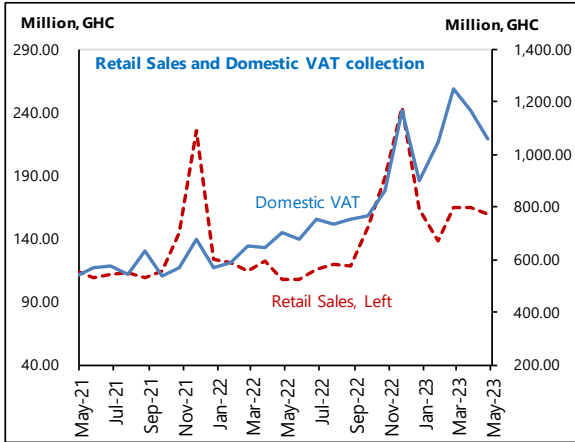
### **3.4 Consumer and Business Surveys**

The consumer and business confidence surveys conducted in June 2023 reflected mixed sentiments. The Consumer Confidence Index dipped to 87.5 in June 2023 from 88.8 in April 2023 on account of an uptick in prices of goods and services, which also led to some concerns about future economic conditions. The Business Confidence Index, on the other hand, remained largely unchanged at 80.0 compared to 80.1 in April 2023. Businesses' optimism about the impact of stable macroeconomic conditions on their operations was offset by concerns about the cost implications of recent tax and utility tariff increases. Similarly, Ghana's Purchasing Managers' Index declined to 50.4 in June 2023 from 51.3 in the previous month. The index, however, remained above the 50.0 mark for the fifth successive month, signalling stable business conditions.

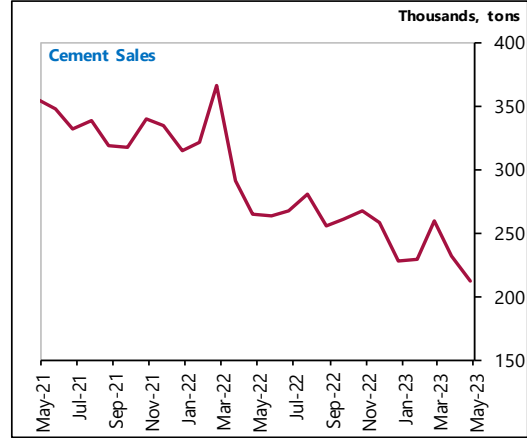
## Appendix

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

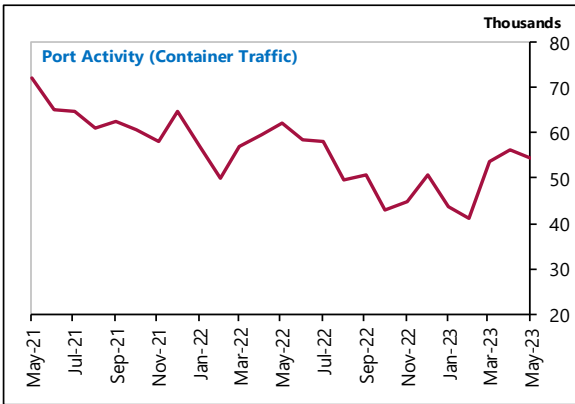
...Domestic VAT collections and retail sales declined in May 2023...



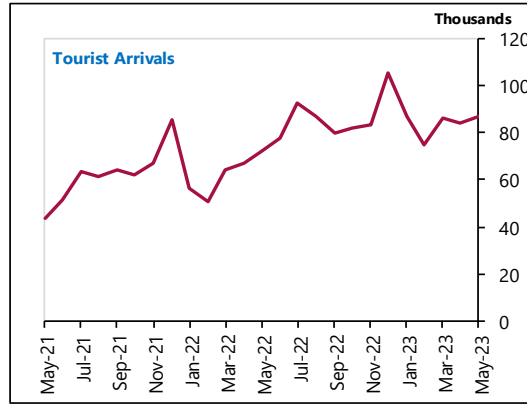
...Construction activities, proxied by cement sales, decreased in May 2023...



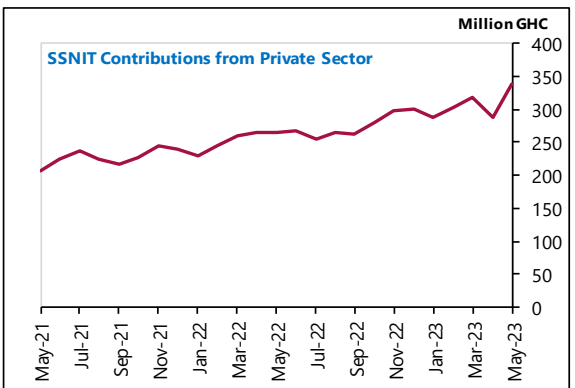
...Port activity declined in May 2023...



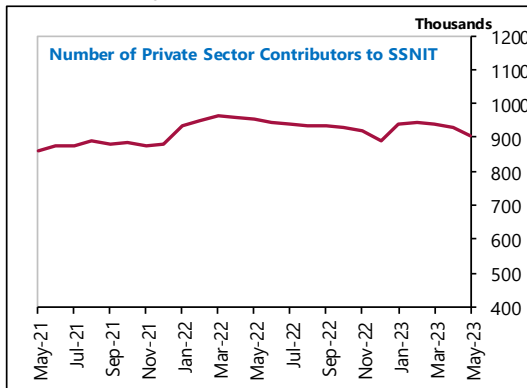
...Tourist arrivals inched up in May 2023...



...Labour market conditions improved in May 2023...



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



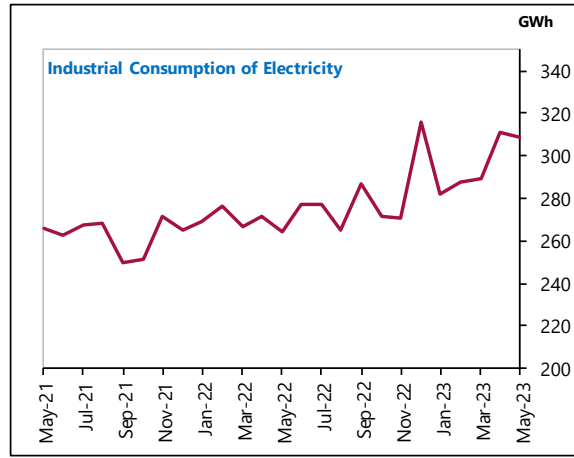
Sources: Bank of Ghana, Various Stakeholders

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

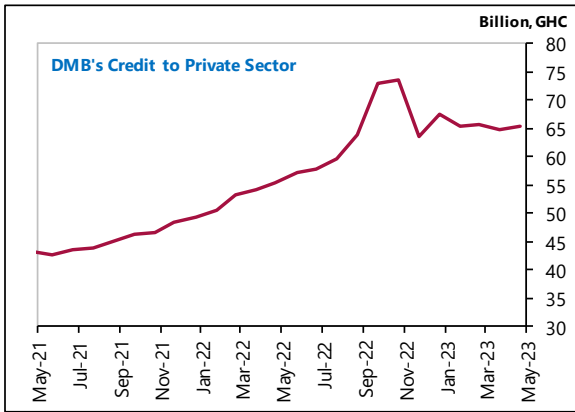
...Imports and exports improved in May 2023...



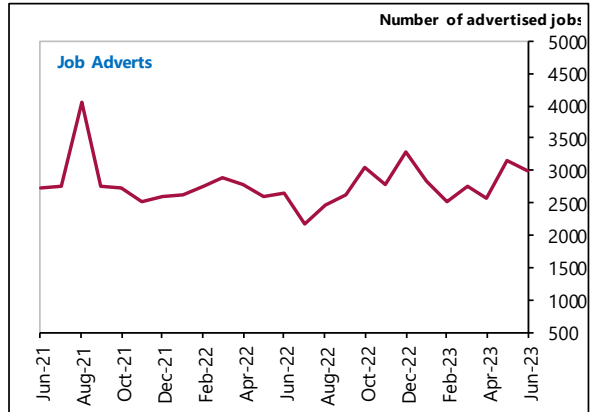
...Industrial activity, proxied by industrial consumption of electricity, dipped...



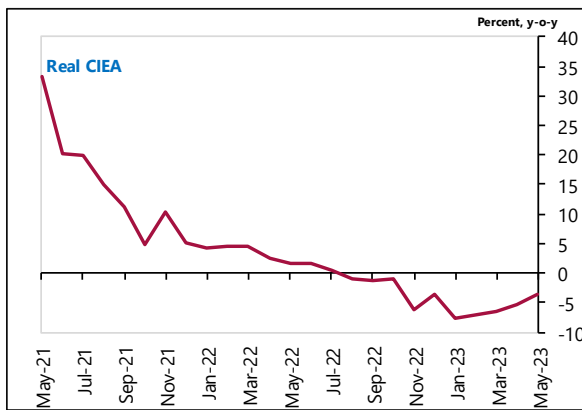
...Commercial banks' credit to the private sector remained largely unchanged in May 2023...



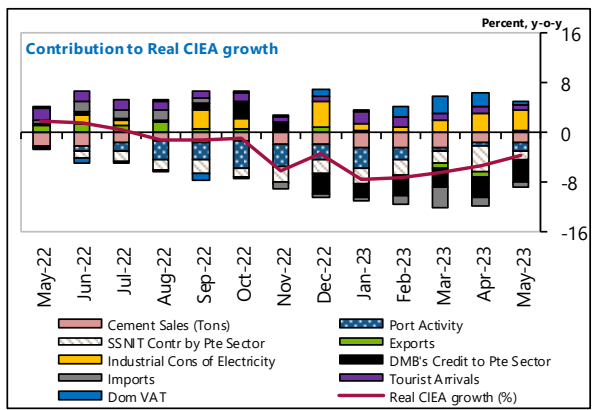
...Demand for labour, proxied by the number of job adverts (in print and online media), declined in June 2023...



...On a year-on-year basis, the real CIEA contracted by 3.7 percent in May 2023, compared with a growth rate of 1.7 percent in May 2022...



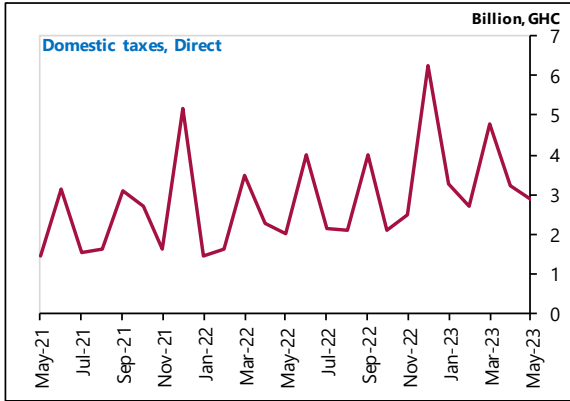
...The decline in the real CIEA was mainly due to contractions in DMBs Credit to the Private Sector, Cement Sales, Port Activity, SSNIT Contributions from the Private Sector and Imports...



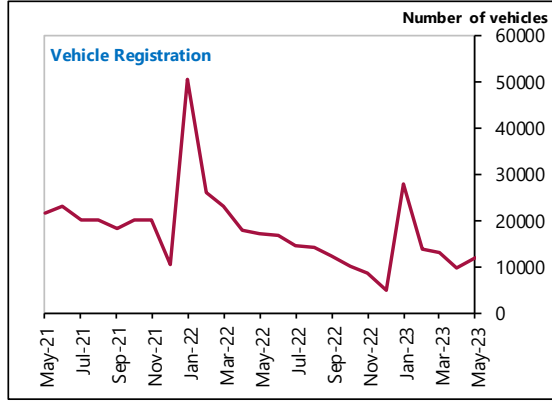
Source: Bank of Ghana, Various Stakeholders

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

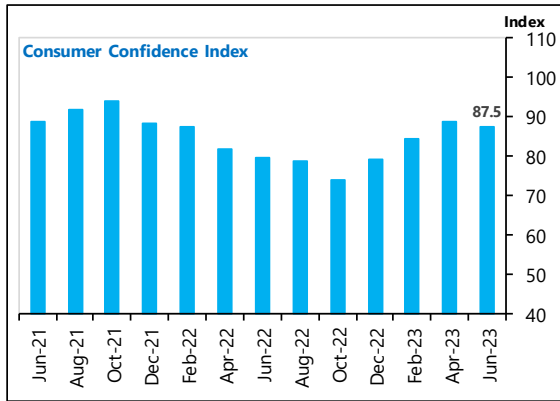
...Domestic tax collection decreased in May 2023...



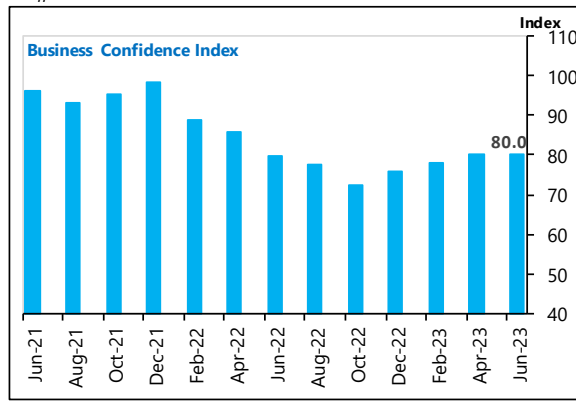
...Vehicle registration increased in May 2023...



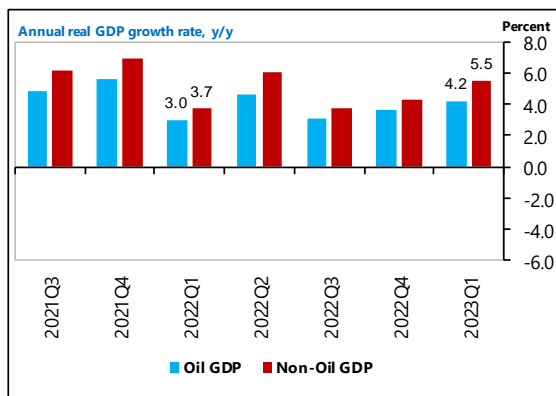
...Consumer confidence softened on account of an uptick in prices of goods and services, which also led to some concerns about future economic conditions...



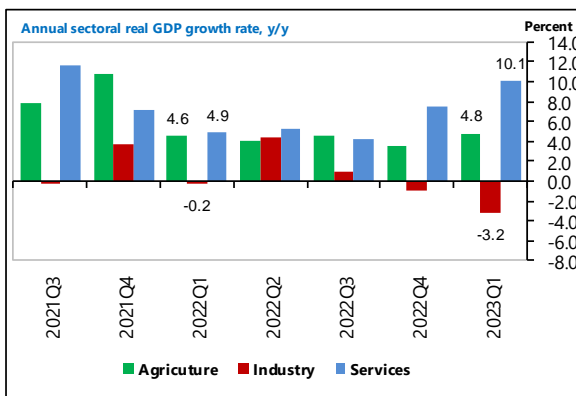
...Business sentiments remained largely unchanged as businesses' optimism about the impact of stable macroeconomic conditions on their operations was offset by concerns about the cost implications of recent tax and utility tariff increases...



...Real Oil and Non-Oil GDP grew by 4.2 percent and 5.5 percent respectively in 2023Q1, compared with growth rates of 3.0 percent and 3.7 percent respectively in the corresponding period of 2022...



...The Services and Agriculture sectors were the drivers of growth in 2023Q1, recording growth rates of 10.1 percent and 4.8 percent respectively...



Source: Bank of Ghana, Various Stakeholders

## 4. Monetary and Financial Developments

### 4.0 Highlights

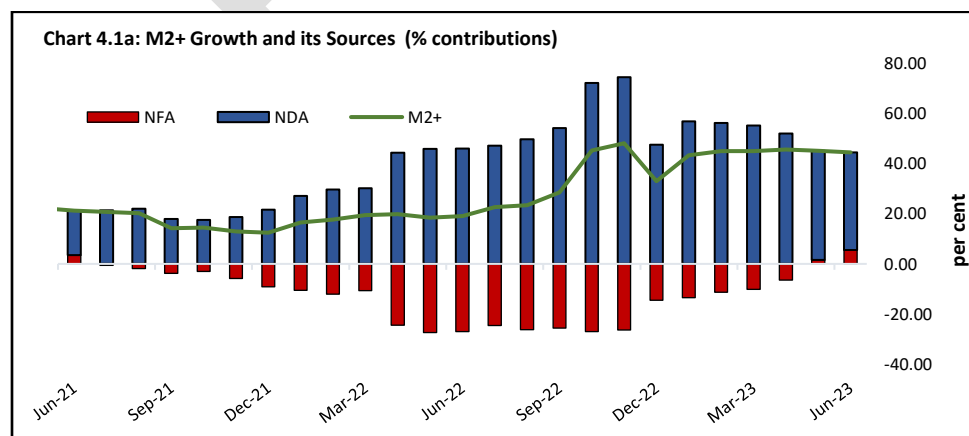
- Developments in monetary aggregates in June 2023, showed accelerated pace of growth in broad money supply (M2+) relative to corresponding period in 2022, reflecting significant expansion in the Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of depository corporations.
- Developments in interest rates on the money market broadly showed mixed trends at the short-end of the yield curve, while rates at the longer-dated segment of the market remained stable.
- The GSE-CI recorded significant year-to-date gain in June 2023, reflecting improved demand for equities driven by impact of Domestic Debt Exchange Programme (DDEP) on alternative assets.

### 4.1 Developments in Monetary Aggregates

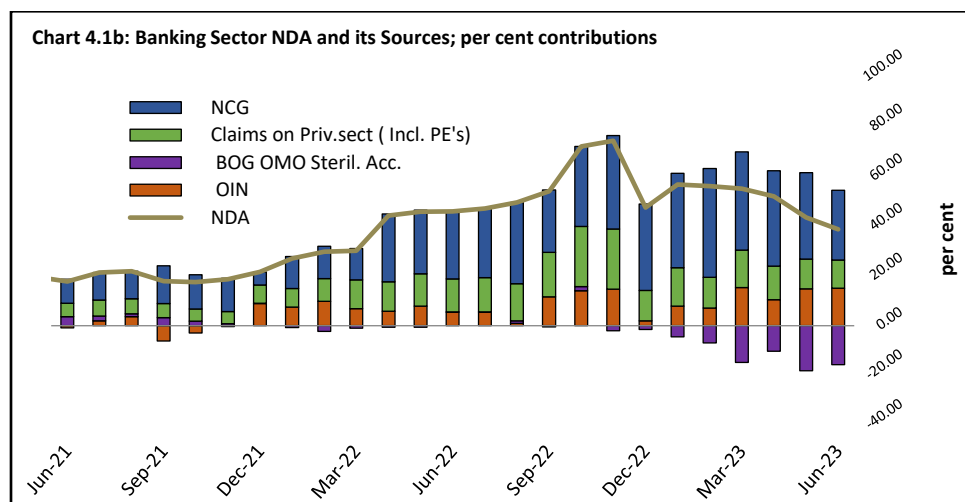
#### Money Supply

Developments in monetary aggregates showed sustained growth in broad money supply (M2+) in June 2023, mainly driven by considerable expansion in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the depository corporations' sector. Annual growth in M2+ accelerated to 44.4 percent in June 2023, relative to 19.1 percent in the corresponding period of 2022. The contribution of NDA to the growth of M2+ decreased to 38.8 percent from 46.0 percent, while the contribution of NFA increased to positive 5.6 percent from negative 27.0 percent, over the same comparative period.

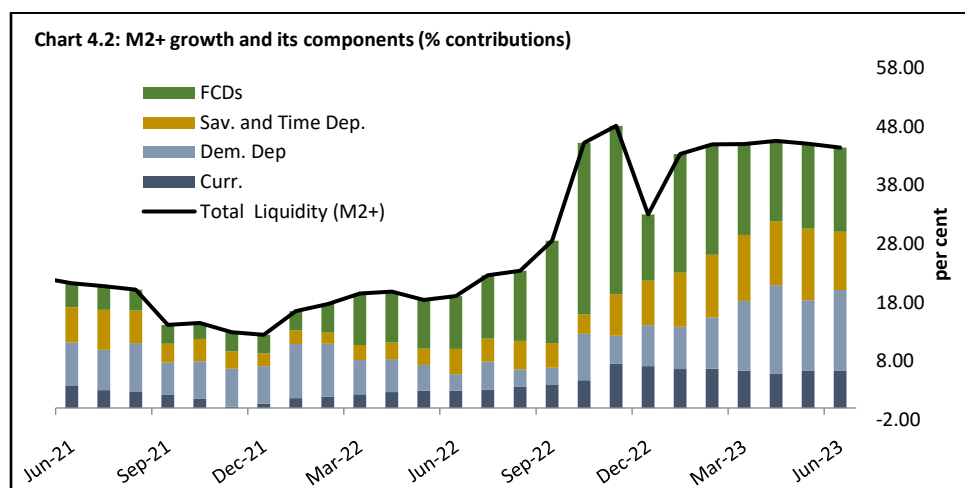
In terms of annual growth rates, NDA expanded by 37.0 percent in June 2023, relative to 58.2 percent in June 2022; meanwhile, the NFA expanded by 108.7 percent in June 2023, compared with 129.4 percent contraction in June 2022 (Chart 4.1a and Appendix Table 4.1). The decrease in the contribution of the NDA in the growth of M2+ was mainly driven by increased OMO sterilization of the Central Bank, reflecting the tight monetary policy stance relative to conditions in the corresponding period in 2022 (Chart 4.1b, and Appendix Table 1). Analysis of the components of M2+ showed that the increase in the growth in M2+ reflected in increased growth in currency, demand deposits, savings and time deposits, and foreign currency deposits in June, relative to same period in 2022. The growth in foreign currency deposits was largely underpinned by exchange rate depreciation effects (Chart 4.2).



Source: Bank of Ghana Staff Calculations



Source: Bank of Ghana Staff Calculations

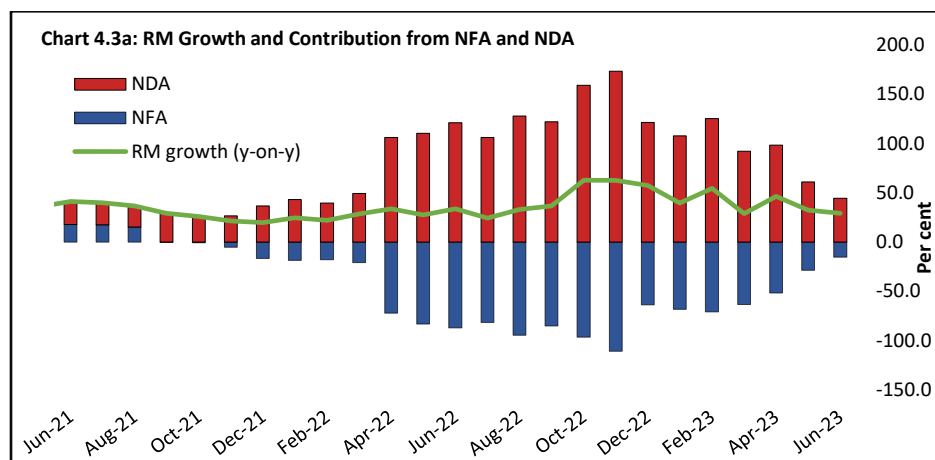


Source: Bank of Ghana Staff Calculations

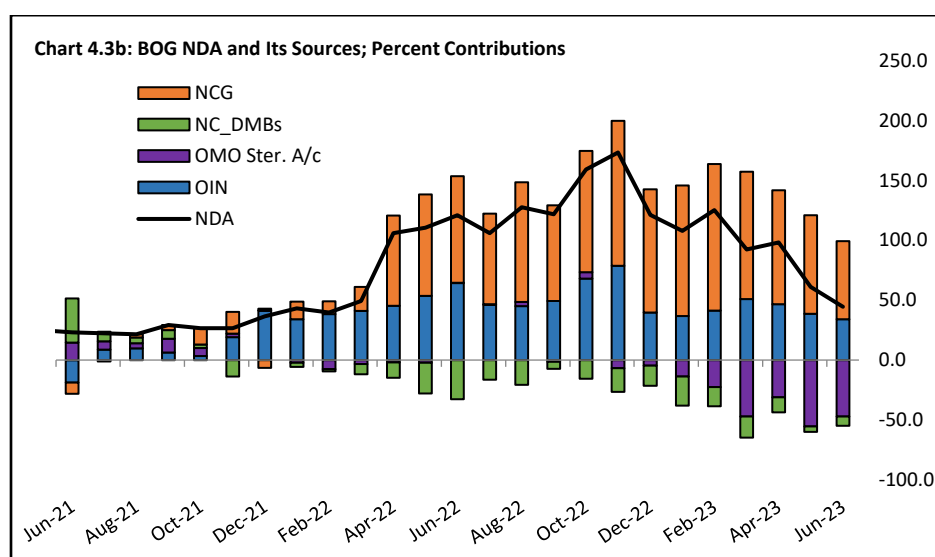
## 4.2 Reserve Money

Annual growth in Reserve Money (RM) declined to 29.2 percent in June 2023, from 33.8 percent recorded in the corresponding period of 2022. The deceleration in the pace of growth in RM was mainly due to increased sterilization of Bank of Ghana and a net build-up in foreign currency deposits of Deposit Money Banks (DMBs) held with Bank of Ghana, inducing a contraction in the Net Claims on DMBs. The NDA accounted for 44.5 percent of the growth in RM in June 2023, relative to 120.9 percent for same time last year.

In contrast, the NFA of the Central Bank contracted, albeit at a slower pace relative to the corresponding period in 2022, reflecting a net drawdown in foreign assets for balance of payment support, particularly in the second half of 2022. The relatively slower pace of contraction, however, reflected a net build-up in the foreign assets of the Central Bank, on the back of inflows from gold proceeds and the IMF Extended Credit Facility. The contribution of the NFA to the growth in RM was *negative* 15.2 percent in June 2023, relative to *negative* 87.2 percent recorded in the corresponding period of 2022 (Chart 4.3a, 4.3b, and Appendix Table 4.2).



Source: Bank of Ghana Staff Calculations



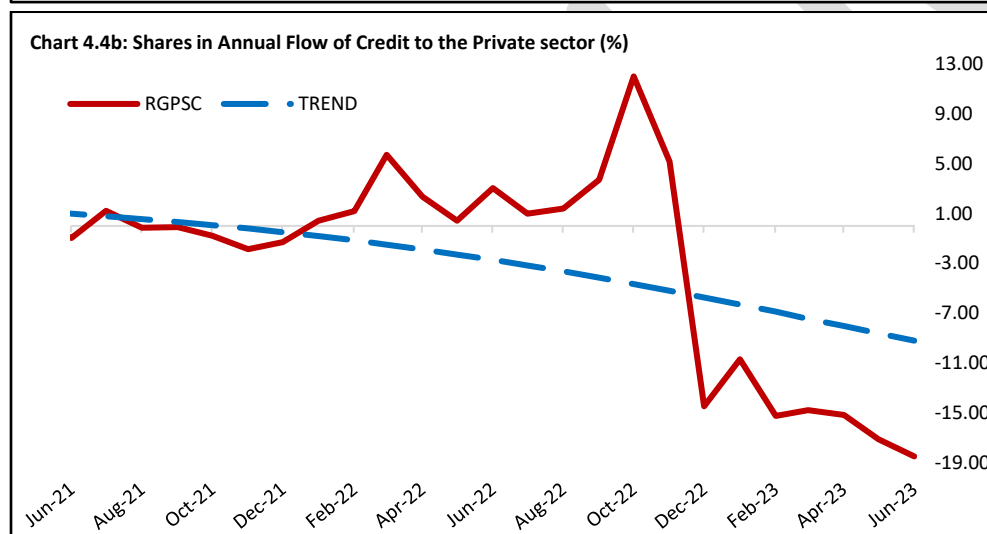
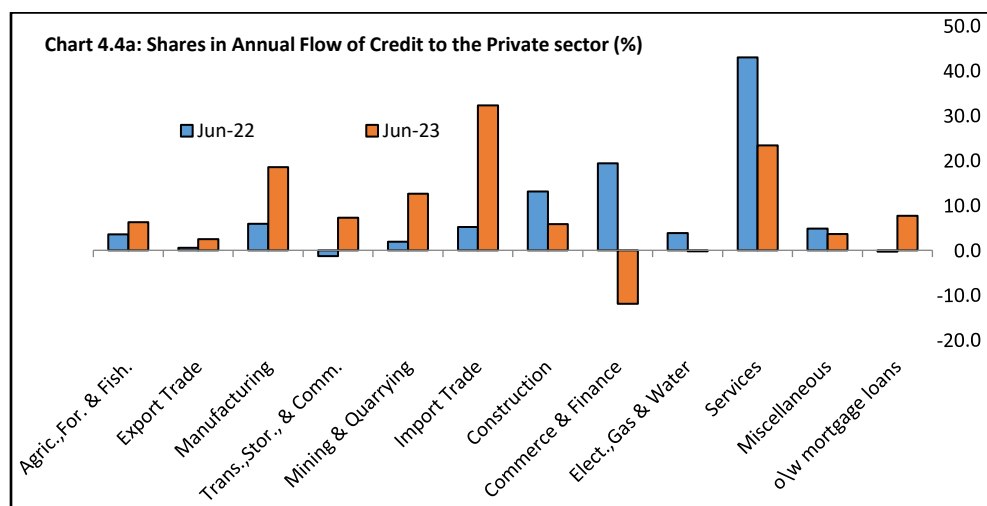
Source: Bank of Ghana Staff Calculations

### 4.3 Deposit Money Banks Credit Developments

DMBs' credit to the private sector and public institutions increased by GH¢9,762.49 million (15.4%) in June 2023, compared with GH¢15,824.18 million (33.3%) recorded in June 2022. Credit to the private sector increased by GH¢9,210.01 million (16.1%) in June 2023, compared with GH¢14,417.51 million (33.7%) recorded in the corresponding period of 2022. The slowdown in nominal growth in private sector credit reflects a tight monetary stance, risk aversion of banks induced by increased perception of default risk, and moderation in economic activity. Private sector credit accounted for 94.3 percent of total flow of credit extended to both private and public institutions in June 2023, relative to 91.1 percent recorded in the corresponding period of 2022. Credit flow to the private sector remained concentrated in five sectors: services; import trade; manufacturing; mining and quarrying; and transport, storage and communication (Chart 4.4a). Outstanding credit to the private sector at the end of June 2023 was GH¢66,370.96 million, compared with GH¢57,160.95 million recorded in June 2022.



In real terms, credit to the private sector contracted by 18.52 percent, relative to a growth of 3.0 percent over the same comparative period, reflecting sustained price pressures. Growth in real private sector credit continued to trend below the long-run path in June 2023 (Chart 4.4b).



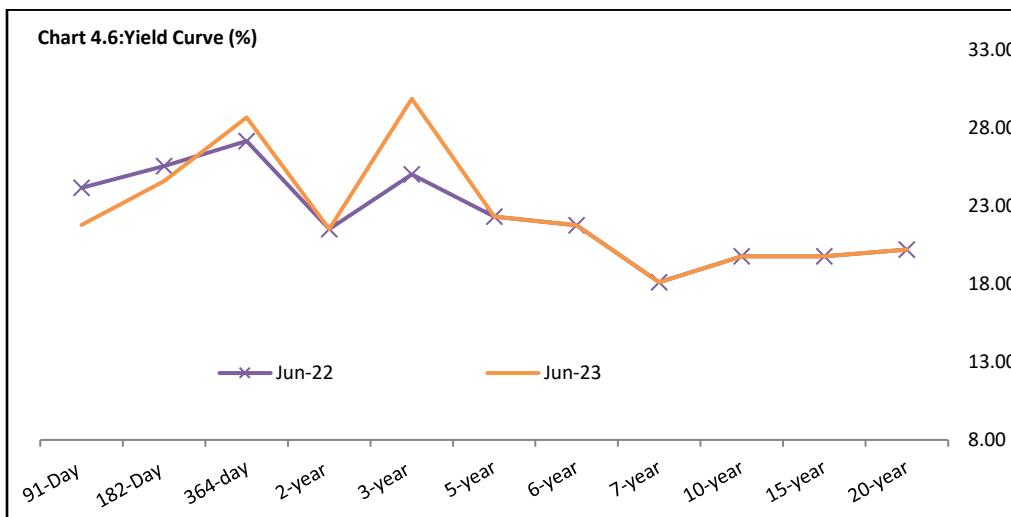
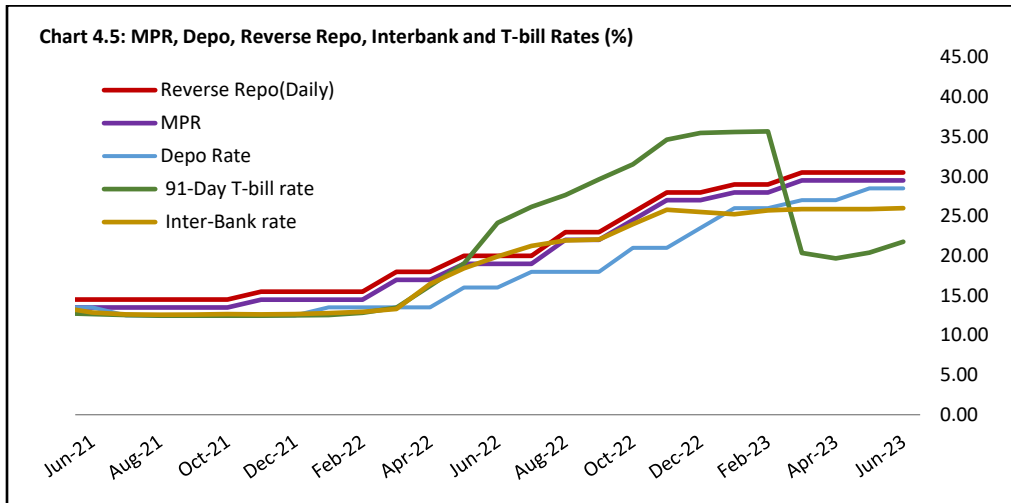
Source: Bank of Ghana Staff Calculations

#### 4.4 Money Market Developments

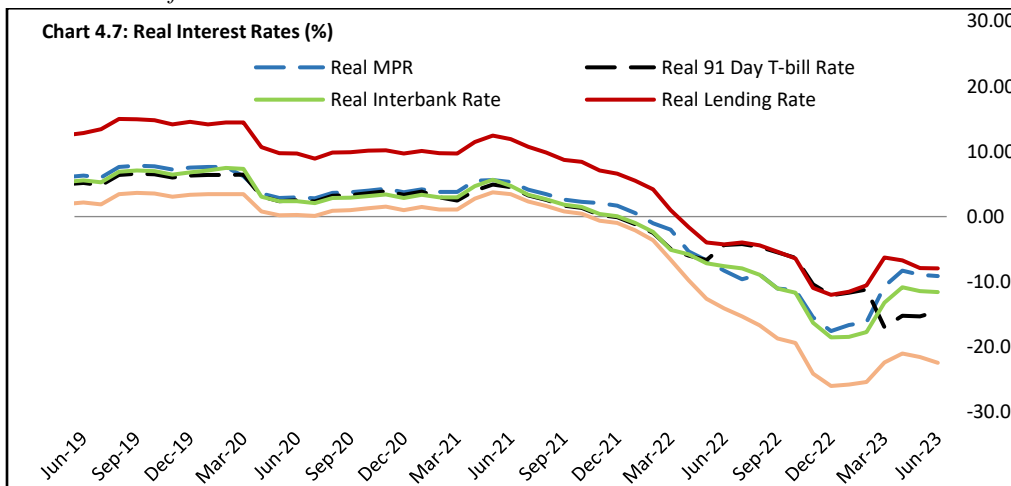
Developments in interest rates broadly showed mixed trends at the short-end of the yield curve. Interest rates at the longer-dated segment of the market, however, remained broadly stable. The 91-day and 182-day Treasury bill rates decreased to 21.77 percent and 24.58 percent respectively, in June 2023, from 24.15 percent and 25.55 percent respectively, in the corresponding period of 2022. The rate on the 364-day instrument, however, increased to 28.66 percent in June 2023 from 27.14 percent in June 2022. Rates on the 2-year, 5-year, 6-year, 7-year, 10-year, 15-year, and 20-year bonds remained unchanged at 21.50 percent, 22.30 percent, 21.75 percent, 18.10 percent, 19.75 percent, 19.75 percent, and 20.20 percent respectively, reflecting the non-issuance of these instruments during the review period. In contrast, the rate on the 3-year bond increased to 29.85 percent, from 25.00, over the same comparative period.

The Interbank Weighted Average Rate (IWAR) increased to 26.01 percent in June 2023, from 19.92 percent in June 2022, underpinned by the tight monetary policy stance, supported by the systematic increase in the

Cash Reserve Ratio (CRR) over the comparative period. Consequently, retail rates have adjusted upwards, inducing the average lending rates of banks to increase to 31.15 percent in June 2023 from 24.27 percent recorded in the corresponding period of 2022 (Charts 4.5, 4.6 and 4.7).



Source: Bank of Ghana



Source: Bank of Ghana

#### 4.5 Stock Market Developments

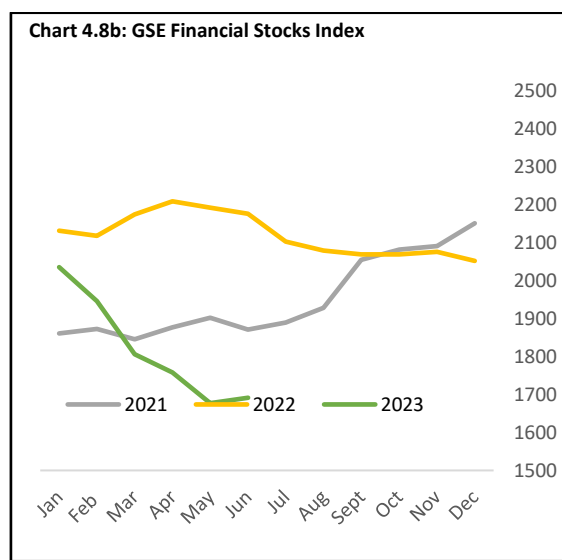
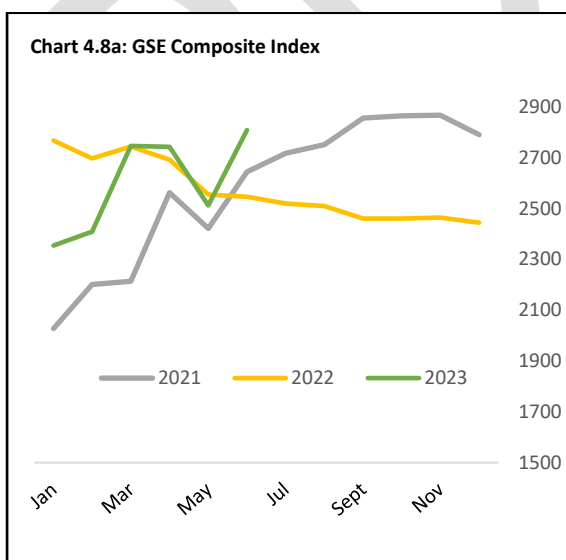
The Ghana Stock Exchange Composite Index (GSE-CI) increased to 2808.03 points in June 2023, from 2545.48 points recorded in the corresponding period of 2022. This represents a year-on-year gain of 10.3 percent in June 2023, compared to a loss of 3.7 percent in June 2022. The recovery in GSE-CI reflects improved demand for equities driven by the impact of the Domestic Debt Exchange Programme (DDEP) on alternative assets such as the medium- to long-term Government bonds, as well as relative stability in the exchange rate. The main sectors that contributed to the gain recorded by GSE-CI were the manufacturing, distribution, mining, IT, agriculture, oil and ETFund sectors.

The GSE-Financial Stocks Index (GSE-FSI) closed at 1691.91 points, representing a loss of 22.3 percent compared to a gain of 16.3 percent, over the same comparative period. The loss in GSE-FSI reflects softened investor confidence, on account of the impact of the DDEP on the financial performance of listed financial institutions. Total market capitalisation of the GSE at the end of June 2023 was GH¢70.24 billion, representing a growth of 8.3 percent (GH¢5.40 billion) compared with a growth 5.7 percent (GH¢3.51 billion) in June 2022. The growth in market capitalization was mainly driven by share price appreciation in the manufacturing, distribution, mining, IT, agriculture and oil sectors, as well as additional share issuances by Ashanti Gold Corporation (ASG) and MTNGH (Table 4.2, Charts 4.8a, 4.8b).

**Table 4.1: Performance of GSE**

Performance of Ghana Stock Exchange ( Table 2)										Changes				
										Y-O-Y		Y-T-D	M-O-M (June)	
	Jun-21	Jun-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	2022	2023	2023	2022	2023
GSE CI	2643.67	2545.48	2443.91	2354.02	2408	2745.33	2741.46	2511.29	2808.03	-3.71	10.31	14.90	-0.36	11.82
GSE FI	1871.41	2176.97	2052.59	2036.05	1946.57	1806.67	1758.28	1677.35	1691.91	16.33	-22.28	-17.57	-0.71	0.87
Market Capitalization	61331.40	64841.21	64507.32	63706.71	64235.77	67846.89	68278.45	65783.30	70238.82	5.72	8.32	8.89	4.12	6.77

Source: Ghana Stock Exchange and Bank of Ghana Staff Calculations



Source: Ghana Stock Exchange

## 4.6 Conclusion

Developments in monetary aggregates in June 2023 showed an accelerated pace of growth in broad money supply relative to the corresponding period in 2022, reflecting significant expansion in the NDA and NFA of depository corporations. Nominal growth in private sector credit decelerated, reflecting tight monetary stance, risk aversion of banks induced by increased perception of default risk, and moderation in economic activities. Similarly, in real terms, private sector credit contracted, largely on account of price pressures. Developments in interest rates broadly showed mixed trends at the short-end of the yield curve. Interest rates at the longer-dated segment of the market, however, remained broadly stable. The Ghana Stock Exchange (GSE) Composite Index recorded a significant gain on year-on-year basis, on the back of improved demand for equities, driven by the impact of the DDEP on alternative assets such as the medium- to long-term Government bonds, as well as relative stability in the exchange rate.

**Appendix Table 4.1**

Appendix 1: Sources of Growth in Total Liquidity (M2+) (millions of Ghana cedis unless otherwise stated)									
	Jun-21	Jun-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
1 Net Foreign Assets	25384.55	(7470.94)	(12133.70)	(12056.39)	(10838.57)	(12006.15)	(10391.87)	(4341.08)	649.46
Bank of Ghana	25033.84	(6401.93)	(19300.17)	(21311.29)	(21494.37)	(23944.40)	(22970.76)	(17153.69)	(13750.49)
Commercial Banks	350.71	(1069.01)	7166.46	9254.91	10655.80	11938.25	12578.90	12812.61	14399.95
2 Net Domestic Assets	96506.78	152627.87	192400.54	209050.05	212950.82	218992.56	217920.06	211286.36	208971.16
3 ow: Claims on government (net)	63281.84	96441.19	122554.34	135407.44	146064.22	144230.49	145678.43	144436.51	137161.10
4 ow: Claims on Private sector( Incl. PE's)	55112.28	71346.80	78327.41	82732.75	81386.26	88275.92	87074.53	86924.97	87837.72
BOG OMO Sterilisation Acc.	(4666.44)	(4583.13)	(7725.48)	(12960.91)	(18296.64)	(27440.77)	(19524.09)	(31024.06)	(27273.48)
5 Total Liquidity (M2+)	121891.32	145156.93	180266.84	196993.67	202112.25	206986.41	207528.19	206945.28	209620.61
6 ow: Broad Money Supply (M2)	94210.69	106488.56	135142.49	139966.12	143732.50	148131.00	150496.16	149200.43	150070.56
7 ow: Foreign Currency Deposits(€million)	27680.63	38668.37	45124.35	57027.55	58379.75	58855.41	57032.04	57744.85	59550.05
<b>Change from previous year (in per cent)</b>									
8 Net Foreign Assets	15.97	(129.43)	(261.11)	(284.70)	(320.82)	(596.99)	802.97	(34.10)	(108.69)
9 Net Domestic Assets	22.77	58.15	50.28	59.65	58.29	56.07	51.63	41.58	36.92
10 ow: Claims on government (net)	17.90	52.40	62.72	62.73	71.60	64.29	59.92	52.27	42.22
11 ow: Claims on Private sector( Incl. PE's)	10.90	29.46	26.77	34.43	27.01	32.13	28.71	24.64	23.11
12 ow: BOG OMO Sterilisation Acc.	44.29	1.79	(36.62)	(91.19)	(114.03)	(336.31)	(299.42)	(498.64)	(495.08)
12 Total Liquidity (M2+)	21.29	19.09	32.98	43.29	44.94	45.02	45.57	45.08	44.41
13 Broad Money Supply (M2)	22.43	13.03	27.81	29.32	33.98	39.68	43.05	41.29	40.93
14 Foreign Currency Deposits (FCDs)	17.55	39.69	51.33	95.01	81.51	60.46	52.66	55.89	54.00
<b>Cumulative change from previous year end (in per cent)</b>									
15 Net Foreign Assets	36.48	(199.20)	(261.11)	(0.64)	(10.67)	(1.05)	(14.36)	(64.22)	(105.35)
16 Net Domestic Assets	(5.31)	19.22	50.28	8.65	10.68	13.82	13.26	9.82	8.61
17 ow: Claims on government (net)	(8.24)	28.05	62.72	10.49	19.18	17.69	18.87	17.86	11.92
18 Broad Money(M2+)	1.14	7.08	32.98	9.28	12.12	14.82	15.12	14.80	16.28
<b>Annual per cent contribution to money growth</b>									
19 Net Foreign Assets	3.48	(26.95)	(14.51)	(13.52)	(11.29)	(10.10)	(6.48)	1.57	5.59
20 NDA	17.81	46.04	47.49	56.81	56.23	55.12	52.05	43.50	38.82
21 Total Liquidity (M2+)	21.29	19.09	32.98	43.29	44.94	45.02	45.57	45.08	44.41
<b>Memorandum items</b>									
22 Reserve Money	36063.64	48237.98	68103.84	62752.24	66660.76	57840.77	69161.50	61727.91	62343.44
23 NFA (\$million)	4405.05	(1033.25)	(1414.84)	(1116.34)	(984.12)	(1090.11)	(948.89)	(395.67)	59.06
24 Currency ratio	0.18	0.18	0.21	0.19	0.18	0.18	0.18	0.18	0.18
25 FCD/M2+	0.23	0.27	0.25	0.29	0.29	0.28	0.27	0.28	0.28
26 FCD/Total Deposit	0.27	0.31	0.30	0.34	0.34	0.33	0.32	0.33	0.33
27 RM multiplier	2.61	2.21	1.98	2.23	2.16	2.56	2.18	2.42	2.41

Source: Bank of Ghana Staff Calculations

**Appendix Table 4.2**

<b>Appendix 2: Sources of Growth in Reserve Money (millions of Ghana cedis unless otherwise stated)</b>									
	Jun-21	Jun-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
1 Net Foreign Assets ( NFA)	25033.84	(6401.93)	(19300.17)	(21311.29)	(21494.37)	(23944.40)	(22970.76)	(17153.69)	(13750.49)
2 Net Domestic Assets ( NDA)	11029.80	54639.91	87404.00	84063.53	88155.12	81785.17	92132.26	78881.60	76093.93
of which:									
3 ow: Claims on government (net)	19340.81	51437.82	73910.16	85302.40	88867.50	87171.91	88150.86	87329.61	82951.81
4 Claims on DMB's (net)	2624.76	(4678.86)	(4415.26)	(10564.82)	(6284.97)	(9875.29)	(9161.54)	(6221.39)	(8502.16)
5 OMO Sterilisation Account.	(4666.44)	(4583.13)	(7725.48)	(12960.91)	(18296.64)	(27440.77)	(19524.09)	(31024.06)	(27273.48)
6 Reserve Money ( RM)	36063.64	48237.98	68103.84	62752.24	66660.76	57840.77	69161.50	61727.91	62343.44
7 ow: Currency	19092.40	22102.32	31420.65	31010.97	31028.49	31194.57	31824.77	31616.66	31600.07
8 DMB's reserves	13360.30	21821.29	31727.84	26518.91	30535.68	21355.42	32045.79	24824.79	25526.66
9 Non-Bank deposits	3610.94	4314.37	4955.35	5222.35	5096.59	5290.78	5290.94	5286.46	5216.71
Change from previous year (in per cent)									
10 Net Foreign Assets	22.36	(125.57)	(334.03)	(327.95)	(334.80)	(633.78)	(1680.82)	349.83	114.79
11 Net Domestic Assets	116.77	395.38	149.74	136.04	158.95	102.54	101.33	56.42	39.26
12 ow: Claims on government (net)	(10.93)	165.95	151.48	135.28	147.13	120.71	104.12	78.57	61.27
13 Claims on DMB's (net)	410.14	165.74	256.60	2634.41	1118.22	(420.80)	(190.05)	(51.32)	(81.71)
14 OMO Sterilisation Account.	44.29	1.79	(36.62)	(91.19)	(114.03)	(336.31)	(299.42)	(498.64)	(495.08)
15 Reserve Money ( RM)	41.17	33.76	57.48	39.56	54.32	28.92	46.48	32.42	29.24
16 ow: Currency	25.24	19.11	44.30	41.83	43.27	41.21	33.80	39.82	42.97
Cumulative change from previous year end (in per cent)									
17 Net Foreign Assets ( NFA)	75.74	(177.63)	(334.03)	(358.41)	(360.63)	(390.34)	(378.53)	(308.00)	(266.73)
18 Net Domestic Assets ( NDA)	(49.49)	56.12	149.74	140.20	151.89	133.69	163.25	125.39	117.42
19 o/w: Claims on government (net)	(39.05)	75.02	151.48	190.25	202.38	196.61	199.94	197.15	182.25
20 Reserve Money ( RM)	(0.17)	11.55	57.48	45.11	54.15	33.75	59.93	42.74	44.16
Annual per cent contribution									
21 Net Foreign Assets	17.91	(87.17)	(63.70)	(68.19)	(70.95)	(63.37)	(51.73)	(28.62)	(15.23)
22 Net Domestic Assets ( NDA)	23.26	120.93	121.18	107.75	125.27	92.28	98.21	61.03	44.48
23 RM growth ( y-o-y)	41.17	33.76	57.48	39.56	54.32	28.92	46.48	32.42	29.24

Source: Bank of Ghana Staff Calculations

## 5. Banking Sector Developments

### 5.0 Highlights

*Prudential data from banks for the first half of 2023 reflected the lingering effects of the DDEP, notwithstanding the strong rebound in profitability following significant losses incurred at the end of 2022 on account of impairments of holdings in GOG bonds. Total assets of the banking industry maintained a strong growth during the review period, boosted by the robust growth in total deposits. The industry's investments also increased sharply, supported by the significant growth in deposits, while growth in loans and advances moderated.*

*The key financial soundness indicators remained broadly positive, sustained by the temporary regulatory reliefs extended to the banks in the wake of the DDEP. The industry's CAR as at June 2023 was above the revised regulatory minimum of 10 percent but was significantly lower than what was recorded during the same period last year, reflecting impairment losses on investments and an increase in the risk-weighted assets of banks. The industry's NPL ratio also deteriorated in June 2023, reflecting higher loan impairments and elevated credit risks. The industry's liquidity indicators, on the other hand, improved during the period under review.*

*In the outlook, the banking sector is expected to remain broadly stable on the back of the regulatory reliefs and the sustained growth in the industry's profitability, although credit risk remains on the upside.*

### 5.1 Banks' Balance Sheet

Total assets of the banking sector grew by 21.2 percent to GH¢242.4 billion as at June 2023, compared with 22.8 percent recorded in June 2022. The higher growth in assets was driven by the robust growth in deposits, as well as the depreciation of the Ghana cedi. Foreign assets grew by 74.5 percent in June 2023, from 12.2 percent in June 2022, while domestic assets went up by 17.8 percent in June 2023, compared to 23.5 percent growth in June 2022. Accordingly, the share of foreign assets in total assets increased to 8.6 percent from 6.0 percent, while the share of domestic assets declined to 91.4 percent from 94.0 percent during the same reference period (Table 5.1).

Investments grew by 11.0 percent to GH¢90.0 billion in June 2023, from a growth of 7.1 percent in June 2022, reflecting the higher growth in the industry's deposits. The higher growth in investments reflected in the sharp growth in short-term bills by 149.6 percent in June 2023, after contracting by 22.2 percent in June 2022, while long-term investments (securities) contracted by 23.2 percent in June 2023, from a growth of 18.0 percent during the same period in 2022. The mixed developments in bills and securities culminated in a declined share of investments in total assets to 37.1 percent in June 2023, from 40.5 percent in June 2022.

Growth in gross loans and advances moderated to 15.4 percent to GH¢73.1 billion in June 2023, compared to the 33.3 percent growth in June 2022. Growth in net loans and advances (gross loans adjusted for provisions and interest in suspense) also declined to 11.3 percent from 37.0 percent during the same review period.

Deposits remained the main source of funding for the banking sector, making up a higher share of 77.4 percent of total assets in June 2023 from 65.7 percent in June 2022. Deposits increased sharply by 42.8 percent to GH¢187.6 billion in June 2023, compared to the growth of 19.1 percent recorded in June 2022.

The foreign currency component of deposits increased by 62.5 percent to GH¢62.6 billion in June 2023, compared to a growth of 32.1 percent a year ago, a signal that the overall growth in total deposits was partly driven by the currency depreciation. Borrowings, however, declined by 39.1 percent to GH¢16.0 billion in June 2023, from 53.6 percent growth recorded in June 2022. The contraction in borrowings in June 2023 reflected sharp declines in the main components of total borrowings, apart from long-term domestic borrowings. For instance, on the domestic front, short-term borrowings of GH¢8.3 billion at end-June 2023 represented a contraction of 33.6 percent, after the 143.1 percent growth in June 2022. Long-term domestic borrowing, however, increased by 45.1 percent in June 2023, from a contraction of 43.6 percent during the same period in the previous year. On the external front, short-term foreign borrowings contracted by 75.7 percent, after increasing by 53.2 percent in June 2022, while long-term foreign borrowings contracted by 16.2 percent from the 1.3 percent growth in June 2022.

The industry's shareholders' funds contracted by 15.1 percent, to GH¢22.3 billion in June 2023, compared to a growth of 15.5 percent in June 2022. The decline in shareholders' funds came from the moderation in banks' reserves on account of losses made by the banks in the 2022 financial year, while growth in paid-up capital was at 2.6 percent, lower than the 4.2 percent recorded in June 2022.

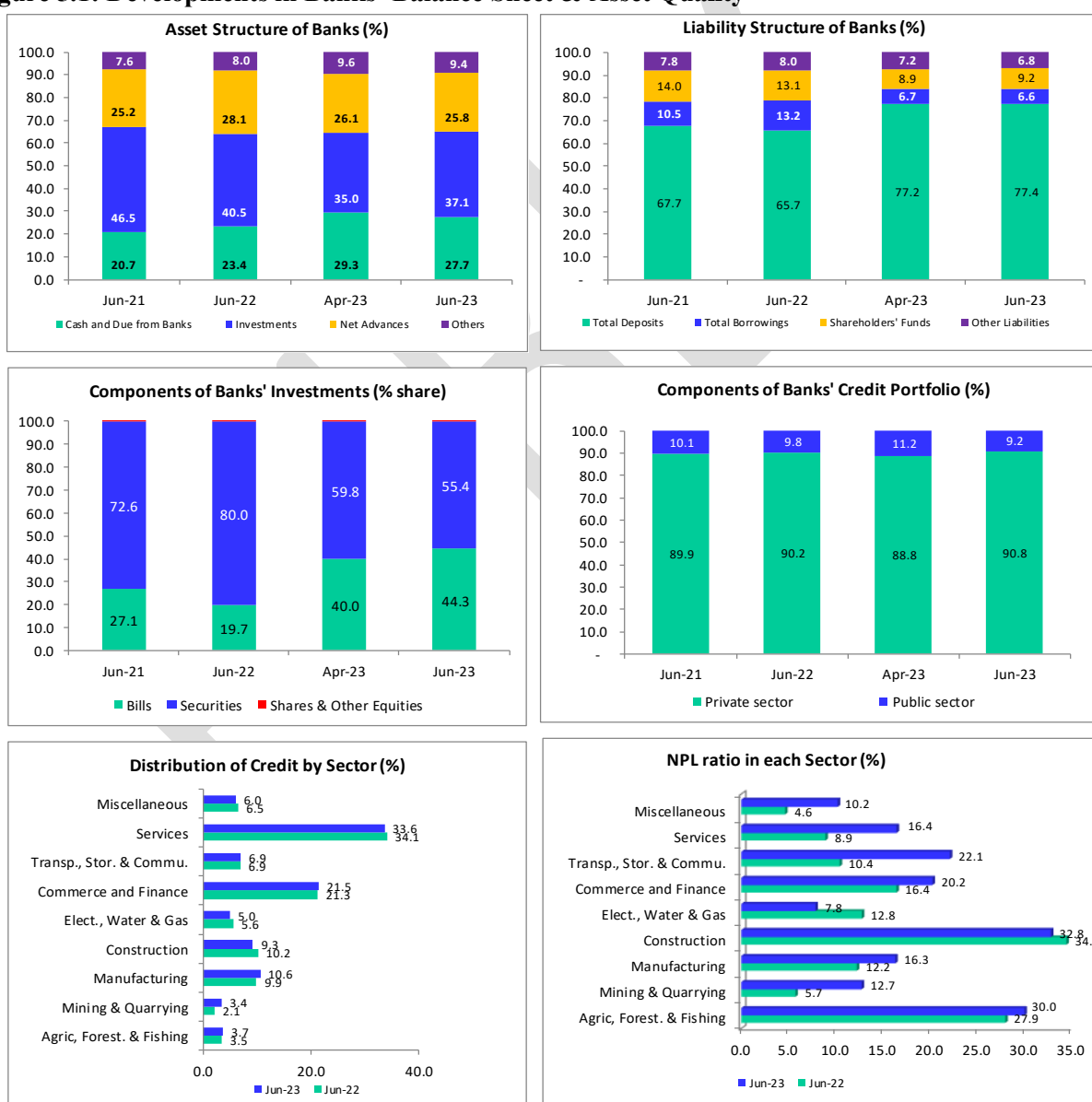
	(GH c'million)			Y-on-Y Growth (%)			Shares (%)	
	<u>Jun-22</u>	<u>Apr-23</u>	<u>Jun-23</u>	<u>Jun-22</u>	<u>Apr-23</u>	<u>Jun-23</u>	<u>Jun-22</u>	<u>Jun-23</u>
<b>TOTAL ASSETS</b>	<b>200,004.3</b>	<b>238,200.2</b>	<b>242,399.8</b>	<b>22.8</b>	<b>22.6</b>	<b>21.2</b>	<b>100.0</b>	<b>100.0</b>
<b>A. Foreign Assets</b>	12,001.9	19,736.1	20,946.3	12.2	64.4	74.5	6.0	8.6
<b>B. Domestic Assets</b>	188,002.4	218,464.1	221,453.6	23.5	19.9	17.8	94.0	91.4
<b>Investments</b>	81,035.4	83,312.5	89,971.9	7.1	(0.6)	11.0	40.5	37.1
<b>i. Bills</b>	15,982.0	33,361.8	39,895.1	(22.2)	86.6	149.6	8.0	16.5
<b>ii. Securities</b>	64,838.8	49,816.9	49,816.9	18.0	(24.2)	(23.2)	32.4	20.6
<b>Advances (Net)</b>	56,286.2	62,237.8	62,623.9	37.0	16.8	11.3	28.1	25.8
<b>of which Foreign Currency</b>	17,525.8	22,028.6	22,049.8	41.3	30.7	25.8	8.8	9.1
<b>Gross Advances</b>	<b>63,362.8</b>	<b>72,359.0</b>	<b>73,125.3</b>	33.3	20.2	<b>15.4</b>	<b>31.7</b>	<b>30.2</b>
<b>Other Assets</b>	10,569.7	14,854.3	14,711.8	45.3	54.3	39.2	5.3	6.1
<b>Fixed Assets</b>	5,350.2	7,362.1	7,457.4	4.2	37.5	39.4	2.7	3.1
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>200,004.3</b>	<b>238,200.2</b>	<b>242,399.8</b>	<b>22.8</b>	<b>22.6</b>	<b>21.2</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Deposits</b>	<b>131,322.9</b>	<b>183,994.6</b>	<b>187,569.2</b>	<b>19.1</b>	<b>44.7</b>	<b>42.8</b>	<b>65.7</b>	<b>77.4</b>
<b>of which Foreign Currency</b>	38,511.3	60,082.5	62,596.5	32.1	63.3	62.5	19.3	25.8
<b>Total Borrowings</b>	26,354.8	15,893.3	16,047.5	53.6	(38.5)	(39.1)	13.2	6.6
<b>Foreign Liabilities</b>	14,254.4	8,120.1	7,548.2	29.9	(48.2)	(47.0)	7.1	3.1
<b>i. Short-term borrowings</b>	7,702.7	1,762.7	1,869.6	53.2	(79.8)	(75.7)	3.9	0.8
<b>ii. Long-term borrowings</b>	4,912.7	4,673.8	4,117.9	1.3	(16.4)	(16.2)	2.5	1.7
<b>iii. Deposits of non-residents</b>	1,639.0	1,423.8	1,543.5	49.6	4.3	(5.8)	0.8	0.6
<b>Domestic Liabilities</b>	158,411.6	208,121.5	211,700.4	23.6	37.8	33.6	79.2	87.3
<b>i. Short-term borrowing</b>	12,541.1	8,015.5	8,321.2	143.1	(22.8)	(33.6)	6.3	3.4
<b>ii. Long-term Borrowings</b>	1,198.2	1,441.3	1,738.8	(43.6)	25.3	45.1	0.6	0.7
<b>iii. Domestic Deposits</b>	129,684.0	182,570.7	186,025.7	18.8	45.1	43.4	64.8	76.7
<b>Other Liabilities</b>	16,066.8	16,378.2	15,907.4	26.7	11.3	(1.0)	8.0	6.6
<b>Paid-up capital</b>	10,165.1	10,432.1	10,432.1	4.2	2.6	2.6	5.1	4.3
<b>Shareholders' Funds</b>	26,259.8	21,101.1	22,293.7	15.5	(20.5)	(15.1)	13.1	9.2

Source: Bank of Ghana

### 5.1.1 Asset and Liability Structure

Investments (comprising bills, securities and equity) remained the largest component of banks' assets as of June 2023, although its share in total assets declined to 37.1 percent, from 40.5 percent in June 2022, due to portfolio reallocation by banks following the DDEP. Cash and bank balances constituted the second-largest component of total assets, with an increased share of 27.7 percent in June 2023, from 23.4 percent in June 2022, partly due to increases in the Cash Reserve Ratio (CRR). Investments and cash & bank balances together accounted for 64.8 percent of total assets in June 2023, compared to a share of 63.9 percent in June 2022. Net loans and advances constituted the third-largest component of total assets, recording a declined share of 25.8 percent from 28.1 percent. Non-earning assets (fixed assets and other assets) in banks' total assets increased in share to 9.4 percent, from 8.0 percent during the review period (Annexes Table 5.1).

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



Source: Bank of Ghana Staff Calculations



The share of deposits in banks' liabilities and shareholders' funds increased to 77.4 percent in June 2023, from 65.7 percent in the corresponding period last year, reflecting the sustained increase in deposits growth during the review period. The share of borrowings was halved during the period under review to 6.6 percent, from 13.2 percent, in line with the observed contraction in total borrowings. The size of shareholders' funds in banks' liabilities and shareholders' funds also declined to 9.2 percent, from 13.1 percent, consistent with the slowdown in the growth of shareholders' funds. The share of other liabilities also decreased to 6.8 percent, from 8.0 percent a year earlier. (Annexes Table 5.1).

### **5.1.2 Share of Banks' Investments**

Securities (long-term debt instruments) constituted the largest component of banks' investment portfolio, although its share declined to 55.4 percent in June 2023 from 80.0 percent in June 2022. The share of short-term bills in total investments, however, increased to 44.3 percent from 19.7 percent over the same comparative period. The share of equity investments remained negligible and flat at 0.3 percent during the period under review (Figure 5.1).

## **5.2 Credit Risk**

The industry's asset quality deteriorated during the first half of 2023, relative to the comparative period in 2022, attributable to the sharp increase in the NPL stock, which fed into the rise in the NPL ratio, reflecting general loan repayment challenges.

### **5.2.1 Credit Portfolio Analysis**

The stock of gross loans and advances (domestic and foreign) recorded a slower annual growth of 15.4 percent to GH¢73.1 billion at end-June 2023, compared to the 33.3 percent growth during the same period last year. Private sector credit (comprising credit to private enterprises and households) also posted a lower growth of 16.1 percent to GH¢66.4 billion in June 2023, from 33.7 percent in the corresponding period in the previous year. Public sector credit also posted a lower growth of 8.9 percent to GH¢6.8 billion at end-June 2023, compared to the growth of 29.3 percent in June 2022. Consequently, the share of private sector credit in total credit inched up marginally to 90.8 percent in June 2023, from 90.2 percent in June 2022, while the share of public sector credit dipped to 9.2 percent, from 9.8 percent a year earlier (Annexes Tables 5.2 & 5.4).

In terms of the distribution of credit by sectors, the services sector accounted for the largest share of 33.6 percent as at end-June 2023 (from 34.1 percent in June 2022), followed by the commerce and finance sectors with a relative share of 21.5 percent (from 21.3 percent in June 2022), while the manufacturing sector accounted for a share of 10.6 percent (from 9.9 percent in June 2022). Together, these top three sectors accounted for 65.7 percent of total credit in June 2023, compared with 65.3 percent in June 2022. The mining and quarrying sector remained the lowest recipient of industry credit, despite an increase to 3.4 percent from 2.1 percent during the period under review (Figure 5.1).

### **5.2.2 Off-Balance Sheet Activities**

Off-balance sheet transactions (largely trade finance and guarantees) declined during the review period. Contingent liabilities contracted by 12.9 percent to GH¢19.9 billion as at end-June 2023, from GH¢21.9 billion as at end-June 2022. Consequently, banks' contingent liabilities as a percentage of total liabilities declined to 9.0 percent in June 2023 from 12.6 percent in June 2022 (Annexes Table 5.3).

### **5.2.3 Asset Quality**

The asset quality of the banking industry declined during the period under review. The industry's NPL ratio rose to 18.7 percent in June 2023, from 14.1 percent in June 2022. When adjusted for the fully provisioned loan loss category, the industry's NPL ratio still increased sharply to 7.8 percent from 3.8 percent, reflecting increasing shares of both sub-standard and doubtful loans in the NPL stock (Figure 5.2). The rise in the NPL ratio during the period under review is explained by the higher growth in the NPL stock relative to the growth in total loans. The industry's NPL stock increased by 53.5 percent to GH¢13.7 billion in June 2023, from GH¢8.9 billion (representing 10% year-on-year growth) in June 2022, partly reflecting the revaluation of foreign currency NPLs as well as deterioration in some domestic currency loans. As usual, the private sector accounted for the most non-performing loans, being the largest recipient of the industry's credit. The proportion of NPLs attributable to the private sector, however, declined marginally to 95.5 percent in June 2023, from 95.8 percent in June 2022, while that of the public sector inched up to 4.5 percent, from 4.2 percent a year earlier (Annexes Table 5.4).

All but two sectors (construction and electricity, water & gas), recorded increases in their NPL ratios in June 2023 compared with the same reference period in 2022. The construction sector maintained the highest NPL ratio of 32.8 percent (a decrease from 34.4 percent a year ago), followed by the agriculture, forestry, and fishing sector with an NPL ratio of 30.0 percent (from 27.9 percent a year earlier). The NPL ratio of the transportation, storage and communication sector increased sharply to 22.1 percent (from 10.4 percent), followed by the services sector to 16.4 percent (from 8.9 percent), and then the mining and quarrying sector had a significant increase in NPL ratio to 12.7 percent (from 5.7 percent in June 2022). The NPL ratio of the electricity, water and gas sector, however, declined to 7.8 percent (from 12.8 percent), and thereby accounted for the lowest NPL ratio as of June 2023 (Figure 5.1).

## **5.3 Financial Soundness Indicators**

The industry's Financial Soundness Indicators (FSIs) exhibited a mixed performance during the period under review.

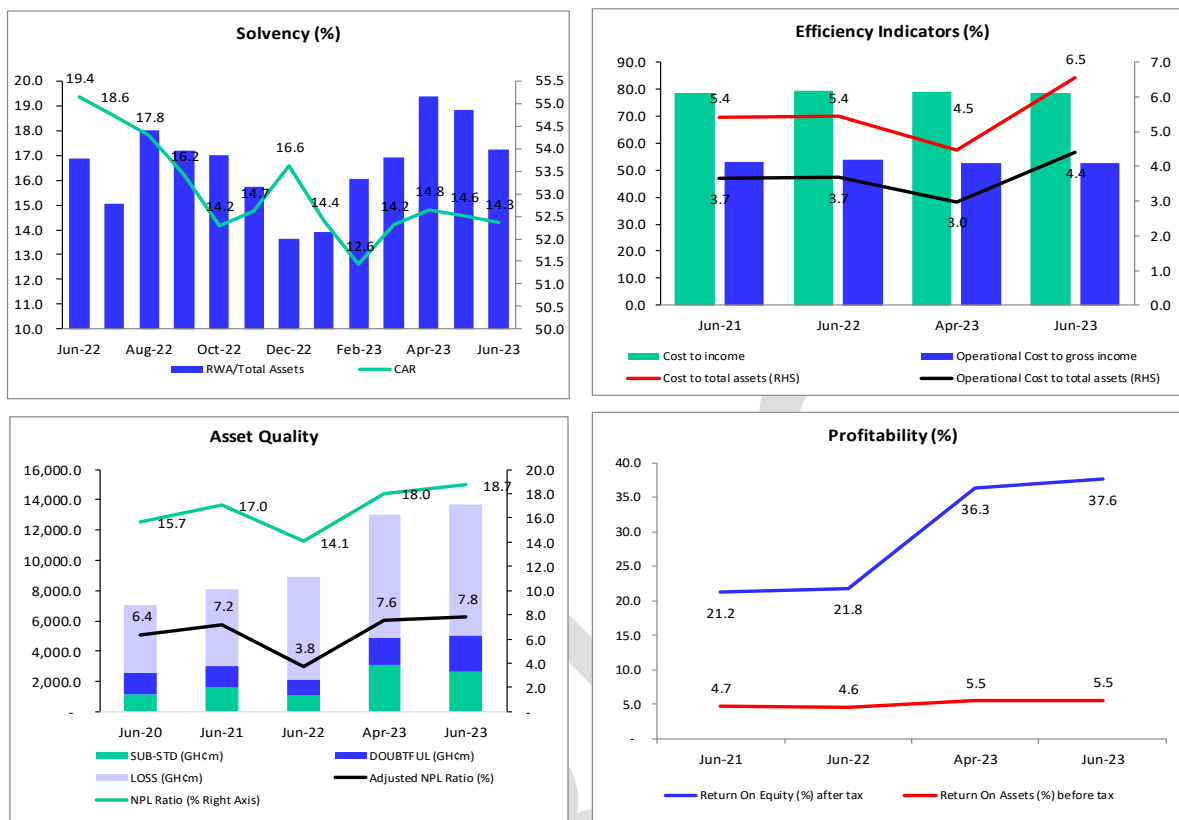
### **5.3.1 Liquidity Indicators**

The industry's liquidity position remained strong in June 2023, with improvements in the core measures following the increase in the CRR requirement. The ratio of core liquid assets (mainly cash and due from banks) to total deposits increased marginally to 35.8 percent in June 2023 from 35.6 percent in June 2022, while core liquid assets to total assets ratio increased to 27.7 percent from 23.4 percent. The ratio of broad liquid assets to total deposits, however, declined to 83.6 percent from 97.1 percent, while broad liquid assets to total assets ratio increased marginally to 64.7 percent from 63.8 percent over the review period. (Annexes Table 5.5).

### **5.3.2 Capital Adequacy Ratio**

The industry's solvency position, measured by the Capital Adequacy Ratio (CAR) adjusted for the regulatory reliefs, was 14.3 percent in June 2023, higher than the revised prudential minimum of 10 percent, but lower than the 19.4 percent recorded in June 2022. The decline in the industry's CAR came on the back of the losses on mark-to-market investments and increases in the risk-weighted assets of banks within the year.

**Figure 5.2: Key Financial Soundness Indicators (FSIs)**



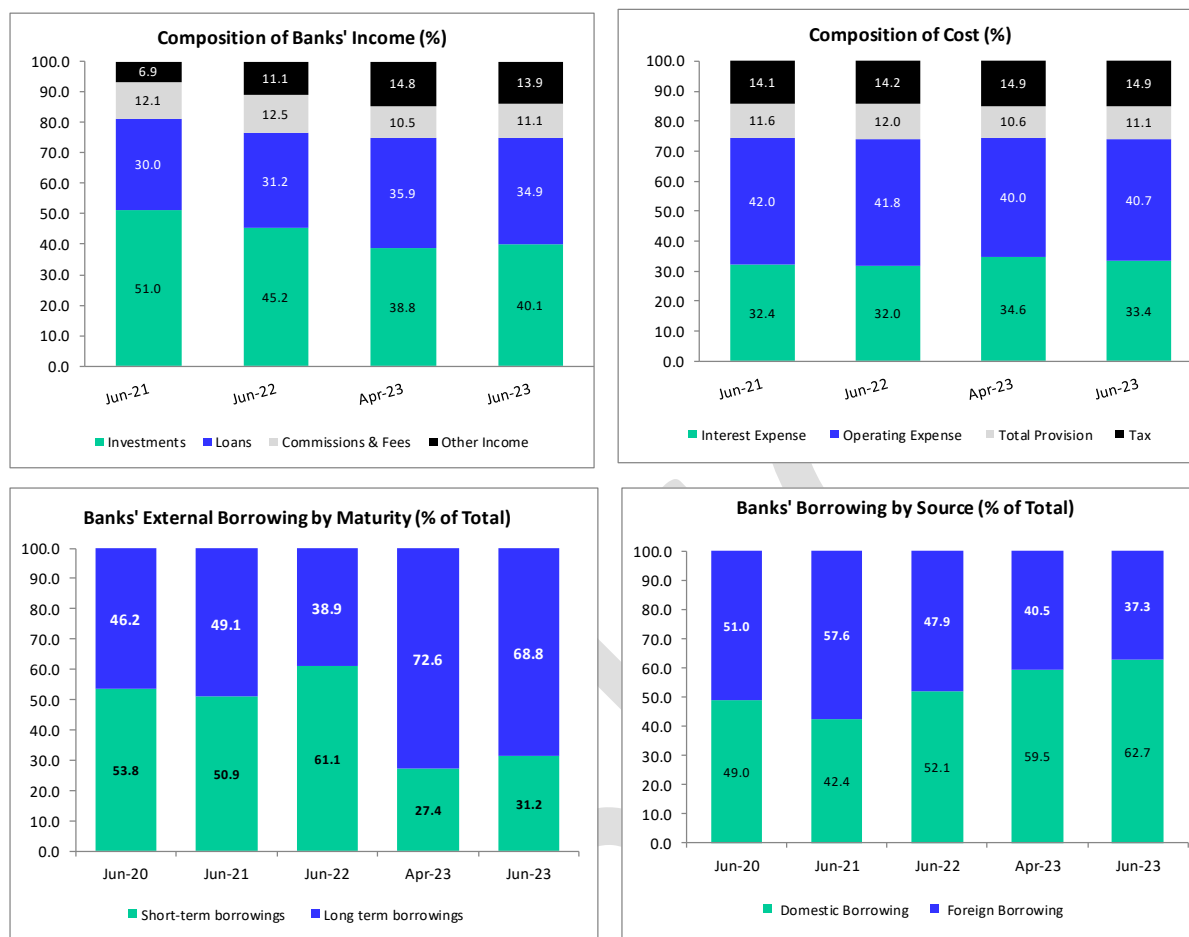
Source: Bank of Ghana Staff Calculations

### 5.3.3 Profitability

The industry's profit-after-tax increased by 51.4 percent to GH¢4.3 billion in June 2023, compared with the 18.9 percent growth recorded in June 2022. Profit-before-tax also rose by 51.2 percent to GH¢6.6 billion, from GH¢4.4 billion in June 2022. The higher growth in profit during the first half of this year was as a result of higher increases in interest income and other income lines in 2023, relative to the same period in 2022.

Net interest income increased by 41.4 percent to GH¢9.9 billion, higher than the corresponding growth of 12.4 percent in June 2022. In year-on-year terms, interest income increased to GH¢15.1 billion from GH¢10.5 billion, representing a growth of 44.3 percent in June 2023 compared with 15.4 percent in June 2022. Interest expenses also increased from GH¢3.5 billion in June 2022 to GH¢5.2 billion in June 2023, representing an increase in annual growth from 21.9 percent to 50.0 percent during the same reference period. The increase in net interest income was due to the relatively high lending rates, the strong rebound in short-term investments, as well as the sustained growth in credit. The higher growth in interest expenses was mainly on account of increases in the interest rates on money market instruments.

**Figure 5.3: Composition of Income, Cost and Borrowings**



Source: Bank of Ghana Staff Calculations

Other income lines also recorded appreciable growth rates. Net fees and commissions increased by 30.6 percent in June 2023, from 27.0 percent in June 2022, whereas growth in other income moderated to 84.9 percent from 98.0 percent. These developments led to a 47.0 percent growth in the industry's net operating income in June 2023 compared with the 22.4 percent growth recorded in the corresponding period in 2022.

The strong outturn in income was slightly moderated by increases in costs and provisions during the year. The industry's operating expenses grew by 44.9 percent in June 2023, compared to 22.9 percent in June 2022, on the back of higher staff costs and other operating (administrative) expenses. Provisions for depreciation, bad debt and impairment losses on financial assets also increased by 32.7 percent in June 2023, relative to the 28.4 percent increase in June 2022, reflecting the pickup in credit growth, elevated credit risks and the mark-to-market losses on investments (Annexes Table 5.7 and Figure 5.3).

*(a) Return on Assets and Return on Equity*

The banking sector's profitability indicators, (namely return-on-assets (ROA) and return-on-equity (ROE)), improved during the period under review, following the strong outturns in profit-before-tax and profit-after-tax, respectively. The ROE rose sharply to 37.6 percent in June 2023, from 21.8 percent in June 2022, while ROA increased to 5.5 percent from 4.6 percent during the same reference period (Figure 5.2 and Annexes Table 5.6).

*(b) Interest Margin and Spread*

Interest spreads for the banking sector widened to 6.0 percent in June 2023, from 5.2 percent in June 2022. The increase in spreads was on the back of an increase in gross yields to 9.1 percent in June 2023, from 7.8 percent in June 2022, while interest payable recorded an increase to 3.2 percent, from 2.6 percent a year earlier. The interest margin to total assets ratio also inched up to 4.1 percent from 3.5 percent, while interest margin to gross income moderated to 49.1 percent from 51.0 percent during the period under review. The ratio of gross income to total assets (asset utilisation) picked up from 6.8 percent in June 2022 to 8.3 percent in June 2023, while the profitability ratio increased marginally from 20.7 percent to 21.3 percent over the review period (Annexes Table 5.6).

*(c) Composition of Banks' Income*

Income from investments remained the largest component of banks' total income in June 2023, although its share declined to 40.1 percent from 45.2 percent in June 2022. The share of interest income from loans, on the other hand, increased to 34.9 percent from 31.2 percent, in line with the increase in gross advances and lending rates during the year. The share of banks' income from fees and commissions, however, dipped to 11.1 percent in June 2023 from 12.5 percent in June 2022, while the share of income from other sources increased to 13.9 percent from 11.1 percent during the period under review (Figure 5.3).

#### **5.3.4 Operational Efficiency**

The industry's efficiency recorded a mixed performance during the first half of 2023 compared with the same period last year. The cost-to-income ratio improved to 78.7 percent in June 2023, from 79.3 percent in June 2022, whereas cost-to-total assets ratio weakened to 6.5 percent, from 5.4 percent a year earlier. The operational cost-to-total assets ratio also went up to 4.4 percent, from 3.7 percent a year earlier, reflecting the higher growth in operating expenses in June 2023 relative to June 2022. However, the ratio of operational cost to total income improved to 52.8 percent from 53.9 percent, following the strong outturn in income in June 2023 compared with the corresponding period last year (Figure 5.2).

#### **5.3.5 Banks' Counterparty Relationships**

Total offshore balances increased by 67.8 percent to GH¢17.5 billion in June 2023, compared to the 13.4 percent growth in the previous year, driven largely by the sharp 77.9 percent increase in nostro balances in June 2023, compared with a contraction of 10.7 percent in June 2022. Industry placements also grew by 58.8 percent in June 2023, following the growth of 51.7 percent during the same period last year. The ratio of offshore balances to net worth increased to 78.3 percent in June 2023, from 39.6 percent in June 2022, reflecting the higher growth in offshore balances, while shareholders' funds contracted during the period under review (Annexes Table 5.8).

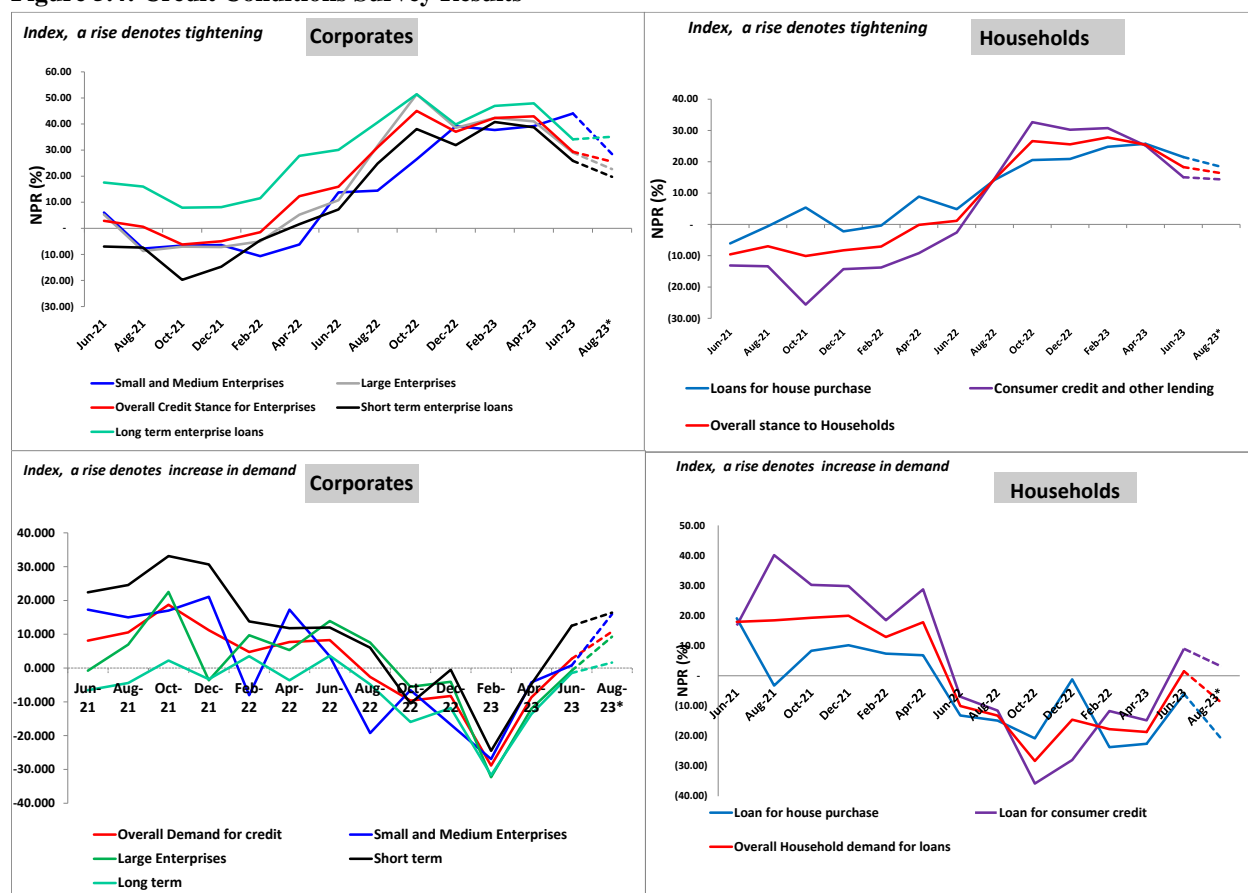
The share of banks' external borrowings in total borrowings declined to 37.3 percent in June 2023, from 47.9 percent in June 2022, while the share of domestic borrowings increased to 62.7 percent from 52.1 percent during the same reference period. Banks' external borrowings was tilted towards long-term instruments, as the share of long-term borrowings in total external borrowings increased sharply to 68.8 percent, from 38.9, while the share of short-term borrowings declined to 31.2 percent, from 61.1 percent a year earlier (Figure 5.3).

#### **5.4 Credit Conditions Survey**

Results of the June 2023 Credit Conditions Survey indicated a net easing in the overall stance on loans to enterprises between May and June 2023, on the back of a net easing in the stance on all components of

enterprise loans (namely short-term and long-term enterprise loans, loans to SMEs, and loans to large enterprises). Banks projected their overall stance on enterprise loans to record a net ease in July and August 2023, from net ease in all components of enterprise loans apart from long-term enterprise loans.

**Figure 5.4: Credit Conditions Survey Results**



Source: Bank of Ghana Staff Calculations

The overall stance on loans to households also eased during the June 2023 survey round from net eases in both components of household loans (namely, loans for house purchase and consumer credit and other lending). Over the next two months, banks projected further net easing in the overall stance on loans to households, which will be reflected in loans for house purchases and consumer credit.

The June 2023 survey further indicated an increase in overall demand for enterprise loans from net increases in all components of enterprise loans. Banks projected the net increase in corporate loans to persist into the next two months, driven by net increases in the demand for all categories of enterprise loans. Overall credit demand by households also recorded an increase between May and June 2023, from net increases in the demand for loans for house purchase and consumer credit and other lending. Over the next two months, however, banks projected a decline in the demand for both consumer credit and loans for house purchases to drive a decrease in the overall demand for household loans (Figure 5.4).

### 5.5 Conclusion and Outlook

The banking sector’s performance during the first half of 2023 points to a rebound in profits, after the significant losses posted in 2022 as a result of the DDEP. This development is positive and it is expected

that if this trend continues, then together with the planned equity capital injections by shareholders, banks can quickly rebuild their capital buffers eroded by the DDEP, in order to bolster their resilience and be properly positioned to boost real sector growth. In addition, it is anticipated that the early operationalisation of the Ghana Financial Stability Fund would help provide additional recapitalisation support for eligible banks in line with the criteria and governance framework agreed with the IMF and the World Bank.

## Annexes

**Table 5.1: Asset and Liability Structure of the Banking Sector**

	Jun-20	Jun-21	Jun-22	Apr-23	Jun-23
<b>Components of Assets (% of Total)</b>					
Cash and Due from Banks	21.7	20.7	23.4	29.3	27.7
Investments	42.3	46.5	40.5	35.0	37.1
Net Advances	28.0	25.2	28.1	26.1	25.8
Others	8.0	7.6	8.0	9.6	9.4
<b>Components of Liabilities and Shareholders' Funds (% of Total)</b>					
Total Deposits	64.8	67.7	65.7	77.2	77.4
Total Borrowings	11.8	10.5	13.2	6.7	6.6
Shareholders' Funds	14.2	14.0	13.1	8.9	9.2
Other Liabilities	9.3	7.8	8.0	7.2	6.8

Bank of Ghana Staff Calculations

**Table 5.2: Credit Growth**

Economic Sector	Gh¢million				y/y growth (%)	
	Jun-21	Jun-22	Apr-23	Jun-23	Jun-22	Jun-23
<b>Public Sector</b>	<b>4,795.15</b>	<b>6,201.82</b>	<b>7,483.53</b>	<b>6,754.31</b>	<b>29.3</b>	<b>8.9</b>
<b>Private Sector</b>	<b>42,743.45</b>	<b>57,160.95</b>	<b>64,875.46</b>	<b>66,370.96</b>	<b>33.7</b>	<b>16.1</b>
- Private Enterprises	31,300.86	41,834.52	47,380.35	46,643.78	33.7	11.5
o/w Foreign	4,014.02	5,887.52	3,200.58	3,219.23	46.7	-45.3
Indigenous	27,286.84	35,947.00	44,179.77	45,424.55	31.7	26.4
- Households	9,860.50	12,981.00	15,721.79	16,208.51	31.6	24.9
<b>Gross Loans</b>	<b>47,538.6</b>	<b>63,362.8</b>	<b>72,359.0</b>	<b>73,125.3</b>	<b>33.3</b>	<b>15.4</b>

Bank of Ghana Staff Calculations

**Table 5.3: Contingent Liability**

	Jun-20	Jun-21	Jun-22	Apr-23	Jun-23
<b>Contingent Liabilities (GH¢million)</b>	11,455.4	14,071.7	21,921.0	19,743.0	19,885.5
<b>Growth (y-o-y)</b>	12.2	25.7	50.3	(3.8)	(12.9)
<b>% of Total Liabilities</b>	9.6	10.1	12.6	9.1	9.0

Bank of Ghana Staff Calculations

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

	Jun-21		Jun-22		Apr-23		Jun-23	
	Share in Total Credit	Share in NPLs	Share in Total Credit	Share in NPLs	Share in Total Credit	Share in NPLs	Share in Total Credit	Share in NPLs
<b>a. Public Sector</b>	<b>10.1</b>	<b>3.1</b>	<b>9.8</b>	<b>4.2</b>	<b>11.2</b>	<b>6.3</b>	<b>9.2</b>	<b>4.5</b>
i. Government	4.5	2.0	5.2	1.7	5.0	4.5	4.1	2.3
ii. Public Institutions	2.5	0.0	1.9	0.2	2.7	0.0	1.8	0.0
iii. Public Enterprises	3.1	1.1	2.7	2.3	3.6	1.8	3.3	2.2
<b>b. Private Sector</b>	<b>89.9</b>	<b>96.9</b>	<b>90.2</b>	<b>95.8</b>	<b>88.8</b>	<b>93.7</b>	<b>90.8</b>	<b>95.5</b>
i. Private Enterprises	65.8	87.9	66.0	85.4	61.4	84.4	66.5	84.0
o/w Foreign	8.4	3.5	9.3	10.7	4.8	2.7	4.4	2.6
Indigenous	57.4	84.4	56.7	74.7	56.6	81.7	62.1	81.4
ii. Households	20.7	7.3	20.5	8.0	24.5	9.2	22.2	10.8
iii. Others	3.3	1.7	3.7	2.4	2.8	0.1	2.1	0.7

Table 5.5: Liquidity Ratios

	<u>Jun-20</u>	<u>Jun-21</u>	<u>Jun-22</u>	<u>Apr-23</u>	<u>Jun-23</u>
<b>Liquid Assets (Core) - (GH¢'million)</b>	30,177.4	33,656.1	46,726.4	69,897.1	67,100.0
<b>Liquid Assets (Broad) -(GH¢'million)</b>	88,729.2	109,129.9	127,547.3	153,075.8	156,811.9
<b>Liquid Assets to total deposits (Core)-%</b>	33.5	30.5	35.6	38.0	35.8
<b>Liquid Assets to total deposits (Broad)- %</b>	98.5	98.9	97.1	83.2	83.6
<b>Liquid assets to total assets (Core)- %</b>	21.7	20.7	23.4	29.3	27.7
<b>Liquid assets to total assets (Broad)- %</b>	63.8	67.0	63.8	64.3	64.7

Source: Bank of Ghana Staff Calculations

Table 5.6: Profitability Indicators (%)

	<u>Jun-21</u>	<u>Jun-22</u>	<u>Apr-23</u>	<u>Jun-23</u>
<b>Gross Yield</b>	8.4	7.8	6.1	9.1
<b>Interest Payable</b>	2.6	2.6	2.1	3.2
<b>Spread</b>	5.7	5.2	3.9	6.0
<b>Asset Utilisation</b>	6.9	6.8	5.6	8.3
<b>Interest Margin to Total Assets</b>	3.8	3.5	2.7	4.1
<b>Interest Margin to Gross income</b>	55.6	51.0	48.3	49.1
<b>Profitability Ratio</b>	21.4	20.7	20.9	21.3
<b>Return On Equity (%) after tax</b>	21.2	21.8	36.3	37.6
<b>Return On Assets (%) before tax</b>	4.7	4.6	5.5	5.5

Source: Bank of Ghana Staff Calculations

Table 5.7: DMBs' Income Statement Highlights

	<u>Jun-21</u>	<u>Jun-22</u>	<u>Apr-23</u>	<u>Jun-23</u>	<u>Jun-22</u>	<u>Apr-23</u>	<u>Jun-23</u>
	<u>(GH ¢'million)</u>				<u>Y-on-y Growth (%)</u>		
Interest Income	9,065.8	10,461.7	10,048.7	15,092.6	15.4	47.3	44.3
Interest Expenses	(2,850.7)	(3,475.1)	(3,545.3)	(5,211.3)	21.9	58.9	50.0
<b>Net Interest Income</b>	<b>6,215.1</b>	<b>6,986.5</b>	<b>6,503.4</b>	<b>9,881.2</b>	<b>12.4</b>	<b>41.7</b>	<b>41.4</b>
Fees and Commissions (Net)	1,352.6	1,717.7	1,408.5	2,243.4	27.0	30.4	30.6
Other Income	766.5	1,517.4	1,997.3	2,805.7	98.0	97.6	84.9
Operating Income	8,334.2	10,221.7	9,909.2	14,930.3	22.6	48.3	46.1
Operating Expenses	(3,692.5)	(4,538.9)	(4,487.8)	(6,577.6)	22.9	51.5	44.9
Staff Cost (deduct)	(1,989.2)	(2,458.7)	(2,112.1)	(3,120.0)	23.6	31.7	26.9
Other operating Expenses	(1,703.2)	(2,080.3)	(2,375.7)	(3,457.7)	22.1	74.8	66.2
<b>Net Operating Income</b>	<b>4,641.8</b>	<b>5,682.7</b>	<b>5,421.4</b>	<b>8,352.7</b>	<b>22.4</b>	<b>45.9</b>	<b>47.0</b>
Total Provision (Loan losses, Depreciation & others)	(1,016.5)	(1,305.2)	(1,087.7)	(1,731.9)	28.4	41.6	32.7
<b>Income Before Tax</b>	<b>3,625.2</b>	<b>4,377.5</b>	<b>4,333.6</b>	<b>6,620.8</b>	<b>20.8</b>	<b>47.0</b>	<b>51.2</b>
Tax	(1,237.2)	(1,537.4)	(1,525.3)	(2,320.9)	24.3	49.2	51.0
<b>Net Income</b>	<b>2,388.0</b>	<b>2,840.2</b>	<b>2,808.3</b>	<b>4,299.9</b>	<b>18.9</b>	<b>45.8</b>	<b>51.4</b>
Gross Income	11,184.9	13,696.8	13,454.5	20,141.6	22.5	51.0	47.1

Source: Bank of Ghana Staff Calculations

Table 5.8: Developments in Offshore Balances

	<u>Jun-20</u>	<u>Jun-21</u>	<u>Jun-22</u>	<u>Apr-23</u>	<u>Jun-23</u>
<b>Offshore balances as % to Network</b>	46.8	40.4	39.6	80.7	78.3
<b>Annual Growth in Offshore balances (%)</b>	-0.1	-0.3	13.4	64.7	67.8
<b>Annual Growth in Nostro Balances (%)</b>	12.3	14.5	-10.7	98.9	77.9
<b>Annual Growth in Placement (%)</b>	-11.4	-17.3	51.7	33.8	58.8

Source: Bank of Ghana Staff Calculations



## 6. Fiscal Developments

### 6.0 Highlights of Government Budgetary Operations

*The provisional Jan-May 2023 fiscal performance on cash basis indicated that:*

- *Revenue mobilisation fell short of programme target.*
- *Government expenditure was below programmed target.*
- *The fiscal deficit for the period under review was 1.8 percent of GDP, against the target of 4.0 percent of GDP.*
- *The primary balance recorded a deficit of 0.1 percent of GDP, against a primary deficit target of 0.8 percent of GDP.*
- *The overall fiscal deficit was largely financed from domestic sources*

### 6.1 Total Revenue and Grants

Total Revenue & Grants for the first five months of 2023 was GH¢44,894.7 million (5.6% of GDP), lower than the target of GH¢51,179.8 million (6.4% of GDP). This outturn represented 87.7 percent of the target and recorded a year-on-year growth of 37.8 percent. During the review period, domestic revenue totalled GH¢44,506.2 million (5.6% of GDP), below the target of GH¢50,098 million (6.3% of GDP). The revenue outcomes reflected mixed performances for both tax and non-tax proceeds.

Of the total revenue and grants:

- **Tax revenue** (comprising taxes on income & property, taxes on domestic goods and services and international trade taxes, excluding oil and gas related taxes) was GH¢36,411.3 million (4.5% of GDP), lower than the target of GH¢38,819.4 million (4.8% of GDP). This represented a negative deviation of 6.2 percent.
- **Taxes on income and property** (made up of personal income tax (PAYE), company taxes (including taxes on oil), royalties from oil and minerals, and other direct taxes) totalled GH¢16,988.8 million (2.1% of GDP). This outturn was 8.8 percent below the target of GH¢18,616.8 million (2.3% of GDP), with key tax components missing their respective targets. This was however higher than GH¢11,352.7 million collected in the corresponding period of 2022, reflecting a year-on-year growth of 49.7 percent
- **Taxes on Domestic Goods and Services** (consisting of Domestic VAT, Excise Duty, GET Fund Levy, National Health Insurance Levy (NHIL) and Communication Service Tax (CST) for the review period) summed up to GH¢16,954.5 million (2.1% of GDP), barely exceeding the target. On year-on-year basis, the outturn represented a growth of 52.8 percent.
- **Non-Tax Revenue** raked in GH¢6,148.3 million, missing the target of GH¢8,853.3 million by 30.6 percent but recorded a year-on-year growth of 17.1 percent. This underperformance was mainly due to lower-than-budgeted lodgements, resulting mainly from lower collection efforts by some MDAs. Unrealised dividend payments also contributed to this development.
- **Taxes on International trade** (comprising mainly import duties) was GH¢4,873.8 million and lower than the target of GH¢5,402.8 million by 9.8 percent. This tax type also recorded a year-on-year growth of 44.6 percent.

**Table 6.1: Total Revenue and Grants**

Million Ghana Cedis	2022	2023	2023	2023	2023
	Prov. Jan-May	Prov. Jan-May	Prog. Jan-May	DEVIATION OVER(+)/ BELOW(-)	Y-O-Y GROWTH
<b>NON-OIL TAX REVENUE</b>					
<b>TAX REVENUE</b>	<b>24,407.30</b>	<b>36,411.30</b>	<b>38,819.40</b>	<b>-6.2</b>	<b>49.18</b>
<b>TAXES ON INCOME &amp; PROPERTY</b>	<b>11,352.70</b>	<b>16,988.80</b>	<b>18,616.80</b>	<b>-8.75</b>	<b>49.65</b>
Personal	4,546.70	6,950.60	5,683.40	22.3	52.87
PAYE	4,321.80	6,530.40	5,377.00	21.45	51.11
Self Employed	225	420.2	306.4	37.14	86.79
Companies	4,645.60	6,551.30	6,137.50	6.74	41.02
Company Taxes on Oil	598.3	976.8	3,435.90	-71.57	63.25
Others	1,562.00	2,510.10	3,360.10	-25.3	60.69
Other Direct Taxes	1,122.00	1,883.70	2,673.50	-29.54	67.88
o/w Royalties from Oil	423.3	468	1,651.80	-71.67	10.54
o/w Mineral Royalties	600.3	1,289.50	837	54.07	114.81
Growth and Sustainability Levy	115.3	96	344.3	-72.13	-16.78
Finsec clean-up Levy	92.2	67.7	79.8	-15.12	-26.57
Airport Tax	232.4	462.6	262.4	76.29	99.06
<b>TAXES ON DOMESTIC GOODS AND SERVICES</b>	<b>11,095.60</b>	<b>16,954.50</b>	<b>16,952.90</b>	<b>0.01</b>	<b>52.8</b>
<b>Excises</b>	<b>2,199.60</b>	<b>2,223.50</b>	<b>2,564.70</b>	<b>-13.3</b>	<b>1.09</b>
Excise Duty	223.5	333.4	362.1	-7.93	49.18
Petroleum Tax	1,976.10	1,890.10	2,202.60	-14.19	-4.35
o/w Energy Fund levy	19.8	19.2	24.5	-21.63	-2.73
o/w Road Fund levy	939.6	912.5	1,069.00	-14.63	-2.88
<b>VAT</b>	<b>5,510.50</b>	<b>9,153.30</b>	<b>8,757.30</b>	<b>4.52</b>	<b>66.11</b>
Domestic	3,104.70	5,263.20	5,702.70	-7.71	69.52
External	2,405.80	3,890.10	3,054.60	27.35	61.7
<b>National Health Insurance Levy (NHIL)</b>	<b>1,274.10</b>	<b>2,057.50</b>	<b>1,776.20</b>	<b>15.84</b>	<b>61.49</b>
Customs Collection	429.4	603.7	566.4	6.59	40.59
Domestic Collection	844.7	1,453.80	1,209.80	20.17	72.12
<b>GETFund Levy</b>	<b>1,274.50</b>	<b>2,058.00</b>	<b>1,776.30</b>	<b>15.86</b>	<b>61.47</b>
Customs Collection	429.8	604.1	566.5	6.65	40.56
Domestic Collection	844.7	1,453.80	1,209.80	20.17	72.12
<b>Communication Service Tax</b>	<b>249.4</b>	<b>263.9</b>	<b>295.8</b>	<b>-10.78</b>	<b>5.82</b>
<b>E-Transaction Levy</b>	<b>39.4</b>	<b>379.7</b>	<b>786.3</b>	<b>-51.71</b>	<b>863.07</b>
<b>Covid-19 Health Levy</b>	<b>548.1</b>	<b>818.7</b>	<b>996.4</b>	<b>-17.84</b>	<b>49.36</b>
<b>TAXES ON INTERNATIONAL TRADE</b>	<b>3,370.30</b>	<b>4,873.80</b>	<b>5,402.80</b>	<b>-9.79</b>	<b>44.61</b>
<b>Imports</b>	<b>3,370.30</b>	<b>4,873.80</b>	<b>5,402.80</b>	<b>-9.79</b>	<b>44.61</b>
<b>Tax Refunds</b>	<b>-1,411.20</b>	<b>-2,405.80</b>	<b>-2,153.10</b>	<b>11.74</b>	<b>70.48</b>
Tax Refunds	-1,084.40	-1,618.30	-2,153.10	-24.84	49.24
<b>SOCIAL CONTRIBUTIONS</b>	<b>210</b>	<b>263.5</b>	<b>263.5</b>		<b>25.5</b>
SSNIT Contribution to NHIL	210	263.5	263.5		25.5
<b>NON-TAX REVENUE</b>	<b>5,249.80</b>	<b>6,148.30</b>	<b>8,853.30</b>	<b>-30.55</b>	<b>17.12</b>
Retention	2,885.00	3,547.20	3,995.50	-11.22	22.95
Lodgement	2,364.70	2,601.10	4,857.80	-46.46	9.99
Fees & Charges	287.2	354.2	362.1	-2.2	23.3
Dividend/Interest & Profits (Others)	86.9	90.4	92.3	-2.12	4.06
Dividend/Interest & Profits from Oil (CAPI)	1,903.10	2,021.90	4,287.90	-52.85	6.24
Surface Rentals from Oil/PHF Interest	4.7	19.7	4	396.88	322.6
Property Rate Collection			41.4		
Yield from Capping Policy	82.9	115	70.2	63.93	38.82
<b>OTHER REVENUE</b>	<b>2,408.70</b>	<b>1,683.10</b>	<b>2,161.80</b>	<b>-22.14</b>	<b>-30.13</b>
ESLA Proceeds	2,408.70	1,683.10	2,161.80	-22.14	-30.13
Energy Debt Recovery Levy	966.2	339	1,136.70	-70.17	-64.91
Public Lighting Levy	80	92.2	92.2		15.15
National Electrification Scheme Levy	54.8	61.1	61.1		11.55
Price Stabilisation & Recovery Levy	711	593.2	176.5	236.16	-16.56
Delta Fund	405.4	405.5	472.7	-14.21	0.02
Pollution and Sanitation Levy	191.3	192	222.7	-13.77	0.37
<b>DOMESTIC REVENUE</b>	<b>32,275.80</b>	<b>44,506.20</b>	<b>50,098.10</b>	<b>-11.16</b>	<b>37.89</b>
<b>GRANTS</b>	<b>309.9</b>	<b>388.5</b>	<b>1,081.70</b>	<b>-64.08</b>	<b>25.35</b>
Project Grants	309.9	388.5	1,081.70	-64.08	25.35
<b>TOTAL REVENUE &amp; GRANTS</b>	<b>32,585.70</b>	<b>44,894.70</b>	<b>51,179.80</b>	<b>-12.28</b>	<b>37.77</b>

Source: Ministry of Finance

- **Other revenue** of GH¢1,683.1 million, fell short of the target of GH¢2,161.8 million by 22.1 percent. This was also below the total of GH¢2,408.7 million collected in the corresponding period of 2022, reflecting a year-on-year decline of 30.1 percent
- **Grants** received was GH¢388.5 million out of GH¢1,082 million programmed for the review period, thus falling short of target by 64.1 percent. This outturn was, however, higher than GH¢310.0 million received in the corresponding period of 2022.

## 6.2 Total Expenditures

Total expenditures, (including arrears clearance and discrepancy), for the review period, totalled GH¢51,317.2 million (6.4% of GDP). This was below the target of GH¢76,843.7 million (9.6% of GDP) by 33.2 percent and recorded 2.6 percent year-on-year decline.

- **Compensation of Employees** (including wages and salaries, pensions & gratuities, and other wage-related expenditure) was GH¢20,013.3 million, higher than the target of GH¢18,967.8 million. This outturn exceeded the target by 5.5 percent and recorded a 36.1 percent year-on-year growth. In terms of fiscal flexibility, compensation of employees constituted 45.0 percent of domestic revenue mobilized during the period under review.
- **Use of Goods and Services** totalled GH¢3,872.5 million, higher than the expected target of GH¢3,217.7 million by 20.4 percent. This expense was however higher than GH¢1,385.5 million received in the corresponding period of 2022, reflecting a year-on-year growth of 179.5 percent.
- **Total interest payments** of GH¢8,600.9 million fell below the envisioned target of GH¢24,948.7 million for the review period. This outturn compares with GH¢17,845.4 million recorded in the corresponding period of 2022. The reduced interest payment was mainly on account of a partial freeze on debt service as a result of the debt restructuring program by Government to fix Ghana's fiscal and debt vulnerabilities.
- **Grants to other Government units** (made up of National Health Fund, Education Trust Fund (GET Fund), Road Fund, Energy Fund, District Assemblies Common Fund (DACF), Retention of IGFs, transfer to GNPC, Ghana Infrastructure Fund and other earmarked funds) all summed up to GH¢9,981.5 million, lower than the envisioned target of GH¢10,988.1 million, resulting in a negative deviation of 9.2 percent. It however, recorded a year-on-year growth of 12.9 percent.
- **Capital Expenditure** for the period under review was GH¢5,926.2 million (0.7% of GDP), lower than the programmed target of GH¢13,532.2 million (1.7% of GDP) by 56.2 percent. This outturn represented a year-on-year growth of 1.9 percent.
- **Other Expenditure** made up of ESLA Transfers, COVID-19 related expenditure, and other critical spending, for the first five months of 2023, was GH¢2,885.8 million, 42.1 percent below the target of GH¢4,982.3 million.

**Table 6.2: Total Expenditures**

Million Ghana Cedis	2022	2023	2023	2023	2023
	Prov. Jan-May	Prov. Jan-May	Prog. Jan-May	DEVIATION OVER(+)/ BELOW(-)	Y-O-Y GROWTH
<b>II EXPENDITURE</b>					
<b>Compensation of Employees</b>	<b>14,704.50</b>	<b>20,013.10</b>	<b>18,967.80</b>	<b>5.51</b>	<b>36.1</b>
Wages & Salaries	13,049.10	17,820.30	16,359.80	8.93	36.56
Social Contributions	1,655.40	2,192.80	2,608.00	-15.92	32.47
Pensions	589.6	716.2	774.9	-7.57	21.48
Gratuities	131.1	180.8	186.3	-2.93	37.9
Social Security	934.6	1,295.80	1,646.90	-21.32	38.64
<b>Use of Goods and Services</b>	<b>1,385.40</b>	<b>3,872.50</b>	<b>3,217.70</b>	<b>20.35</b>	<b>179.52</b>
o/w Normal	1,296.80	2,119.80	1,655.30	28.07	63.47
o/w ABFA	88.7	1,752.70	1,562.40	12.18	1,877.02
<b>Interest Payment</b>	<b>17,845.40</b>	<b>8,600.90</b>	<b>24,948.70</b>	<b>-65.53</b>	<b>-51.8</b>
Domestic	13,681.50	7,966.00	15,658.30	-49.13	-41.78
External (Due)	4,163.90	634.9	9,290.50	-93.17	-84.75
<b>Subsidies</b>	<b>167</b>	<b>37.1</b>	<b>70.6</b>	<b>-47.38</b>	<b>-77.76</b>
Subsidies on Petroleum products	167	37.1	70.6	-47.38	-77.76
<b>Grants to Other Government Units</b>	<b>8,838.50</b>	<b>9,981.50</b>	<b>10,988.10</b>	<b>-9.16</b>	<b>12.93</b>
National Health Fund (NHF)	790.1	658.6	909.5	-27.59	-16.65
Ghana Education Trust Fund (GETF)	791.8	605.9	645.9	-6.2	-23.48
Road Fund	593	325.6	347.2	-6.2	-45.09
Petroleum Related Funds	12.1	7.8	8.3	-6.2	-35.53
Dist. Ass. Common Fund	973.4	1,431.40	1,576.40	-9.2	47.05
o/w ABFA		84.8	260.4	-67.44	
Ghana Infrastructure Fund (ABFA Capex)	57.2	237.4	729.1	-67.44	315.28
Retention of Internally-Generated Funds (IGF)	2,885.00	3,547.20	3,995.50	-11.22	22.95
Transfer to the National Oil Company from O	940.3	1,064.00	810.5	31.28	13.15
<b>Other Earmarked Funds</b>	<b>1,795.60</b>	<b>2,103.70</b>	<b>1,965.70</b>	<b>7.02</b>	<b>17.16</b>
Youth Employment Agency	144.4	114	124.4	-8.38	-21.03
Student's Loan Trust	1.6	1	1.1	-6.2	-35.2
Export Development Levy	96.4	58.9	62.8	-6.2	-38.89
Ghana Airport Authority	232.4	462.6	262.4	76.29	99.06
Mineral Development Fund	81.1	66.5	70.8	-6.2	-18.04
Mineral Income Investment Fund	480.2	265.8	283.4	-6.2	-44.65
GRA Retention	758.1	1,134.10	1,159.80	-2.22	49.59
Plastic Waste Recycling Fund	1.4	0.8	0.8	-6.2	-46.01
<b>Social Benefits</b>			<b>136.3</b>		
Lifeline Consumers of Electricity			37.5		
Transfers for Social Protection			98.8		
<b>Other Expenditure</b>	<b>3,950.30</b>	<b>2,885.80</b>	<b>4,982.30</b>	<b>-42.08</b>	<b>-26.95</b>
ESLA Transfers	2,172.30	1,183.80	1,289.90	-8.22	-45.5
Other Critical spending (IPPs)	1,778.00	1,702.00	3,692.40	-53.91	-4.27
Finsec (GAT)					
<b>Capital Expenditure</b>	<b>5,816.70</b>	<b>5,926.20</b>	<b>13,532.20</b>	<b>-56.21</b>	<b>1.88</b>
<b>Domestic financed</b>	<b>290.5</b>	<b>1,119.00</b>	<b>4,301.00</b>	<b>-73.98</b>	<b>285.14</b>
o/w Normal	-29.7	259.7	1,644.80	-84.21	-974.1
o/w MDAs CAPEX ABFA	320.2	859.3	2,656.10	-67.65	168.33
<b>Foreign financed</b>	<b>5,526.20</b>	<b>4,807.20</b>	<b>9,231.20</b>	<b>-47.92</b>	<b>-13.01</b>
<b>TOTAL EXPENDITURE</b>	<b>52,708.00</b>	<b>51,317.20</b>	<b>76,843.70</b>	<b>-33.22</b>	<b>-2.64</b>

Source: Ministry of Finance

### 6.3 Budget Balance and Financing

The fiscal deficit for Jan-May 2023 was equivalent to 1.8% of GDP, far below the expected target of 4.0% of GDP.

Government budgetary operations resulted in an overall budget deficit (on cash basis) of GH¢14,591.2 million (1.8% of GDP) for the period January-May 2023. This was lower than the expected target of GH¢31,678.7 million (4.0% of GDP). In addition, the primary balance recorded a deficit of 0.1 percent of GDP, against a primary deficit target of 0.8 percent of GDP.

The overall fiscal deficit of GH¢14,591.5 million was largely financed from domestic sources. Domestic financing (net) was GH¢12,467.8 million (1.5% of GDP), substantially lower than the total of GH¢23,706.9 million (3.9% of GDP) recorded in the same period in 2022. Foreign financing recorded a net inflow of GH¢2,850.4 million (0.4% of GDP), higher than the envisioned target of GH¢1,800.6 million (0.2% of GDP).

**Table 6.3: Budget Balance and Financing**

Million Ghana Cedis	2022	2023		2023	2023
	Prov JAN-MAY	Prov. JAN-MAY	Prog JAN-MAY	DEVIATION OVER(+)/ BELOW(-)	Y-O-Y GROWTH
<b>Revenue &amp; Grants</b>	<b>32,585.70</b>	<b>44,894.70</b>	<b>51,179.80</b>	<b>-12.3</b>	<b>37.8</b>
<b>Expenditure</b>	<b>52,708.00</b>	<b>51,317.20</b>	<b>76,843.70</b>	<b>-33.2</b>	<b>-2.6</b>
<b>Overall balance (commitment)</b>	<b>-20,122.20</b>	<b>-6,422.50</b>	<b>-25,664.00</b>	<b>-75</b>	<b>-68.1</b>
<i>(percent of GDP)</i>	-3.3	-0.8	-3.2		
Road Arrears (net change)	-7,688.70	-3,288.60	-6,014.70		
Clearance of outstanding commitments	-551	-6,305.30	-6,014.70		
o/w other outstanding payments/deferred	-7,137.70	-2,997.20	-		
o/w other outstanding claims		6,013.90	-		
<b>Overall balance (cash)</b>	<b>-27,811.00</b>	<b>-9,711.10</b>	<b>-31,678.70</b>	<b>-69.3</b>	<b>-65.1</b>
<i>(percent of GDP)</i>	-4.6	-1.2	-4.0		
Discrepancy	1,834.50	-4,880.50	-		-366
<b>Overall balance (incl. Divestiture and Discrepancy)</b>	<b>-25,976.40</b>	<b>-14,591.50</b>	<b>-31,678.70</b>	<b>-53.9</b>	<b>-43.8</b>
<i>(percent of GDP)</i>	-4.3	-1.8	-4.0		
<b>Financing</b>	<b>25,976.40</b>	<b>14,591.50</b>	<b>31,678.70</b>	<b>-53.9</b>	<b>-43.8</b>
<b>Foreign (net)</b>	<b>1,942.30</b>	<b>2,850.40</b>	<b>1,800.60</b>	<b>58.3</b>	<b>46.8</b>
Borrowing	5,216.20	4,418.70	8,149.50	-45.8	-15.3
Project loans	5,216.20	4,418.70	8,149.50	-45.8	-15.3
Programme Loans			-		
Amortisation (due)	-3,273.90	-1,568.30	-6,348.90	-75.3	-52.1
<b>Exceptional financing</b>			-		
IMF SDR			-		
<b>Domestic (net)</b>	<b>23,706.90</b>	<b>12,467.80</b>	<b>-</b>	<b>-</b>	<b>-47.4</b>
Banking	18,060.40	11,720.10	-		-35.1
Bank of Ghana	18,038.50	3,257.40	-		-81.9
Comm. Banks	21.8	8,462.70	-		
Non-banks	5,646.50	747.7	-		-86.8
<b>Ghana Petroleum Funds</b>	<b>276.5</b>	<b>-726.7</b>	<b>-669.6</b>	<b>8.5</b>	
Transfer to Ghana Petroleum Funds	-596.7	-726.7	-2,232.10		
o/w Stabilisation Fund	-417.7	-508.7	-1,562.40		
o/w Heritage Fund	-179	-218	-669.6		
Transfer from Stabilisation Fund	873.2		1,562.40		
<b>Sinking Fund</b>	<b>50.8</b>		<b>-156.2</b>		
<b>Contingency Fund</b>			-		
<b>Nominal GDP (Including Oil)</b>	<b>610,222.30</b>	<b>800,920.50</b>	<b>800,920.50</b>		
<b>Nominal GDP (Excluding oil)</b>	<b>577,283.00</b>	<b>726,625.40</b>	<b>726,625.40</b>		

Source: Ministry of Finance

## 6.4 Public Debt Analysis

The stock of public debt was equivalent to 71.1 percent of GDP at the end of April, 2023, over the end-December 2022 of 77.6 percent of GDP.

The stock of public debt at the end of April 2023 stood at GH¢569.3 billion, showing an increase of GH¢96.1 billion over the end December 2022 stock of GH¢473.2 billion. This was due to the adjustment of the December stock to include a Bank of Ghana Overdraft of GH¢37.9 billion to Government, which was securitized in December 2022. As a result, the total public debt as at end-April, 2023 was 71.1 percent of GDP, lower than the 77.6 percent recorded in December 2022.

**Table 6.4: Public Debt**

	2022	2023	2023	2023	2023	Apr 2023 - Dec 2022
	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	CHANGE
<b>TOTAL DOMESTIC DEBT (GH¢m)</b>	<b>232,294.00</b>	<b>231,971.80</b>	<b>244,364.60</b>	<b>246,788.70</b>	<b>247,875.70</b>	<b>15,581.60</b>
SHORT TERM	34,192.30	38,779.60	45,266.90	48,290.70	49,469.60	15,277.20
MEDIUM-TERM	115,697.70	110,788.20	107,807.40	107,206.60	107,156.40	-8,541.20
LONG-TERM	81,754.80	81,754.80	90,661.10	90,662.20	90,662.20	8,907.30
STANDARD LOANS	649.2	649.2	629.3	629.3	587.5	-61.7
<b>HOLDINGS OF DOMESTIC DEBT (GH¢m)</b>	<b>232,294.00</b>	<b>231,971.80</b>	<b>244,364.60</b>	<b>246,788.70</b>	<b>247,875.70</b>	<b>15,581.60</b>
BANKING SYSTEM	144,316.50	144,757.30	155,102.70	156,814.70	156,373.00	12,056.50
NON-BANK	73,509.00	73,235.20	74,941.00	76,835.10	78,260.40	4,751.50
FOREIGN SECTOR (Non-Resident)	13,819.40	13,330.10	13,691.70	12,509.70	12,654.70	-1,164.60
<b>TOTAL EXTERNAL (US\$m)</b>	<b>28,959.50</b>	<b>29,231.00</b>	<b>29,022.00</b>	<b>29,281.60</b>	<b>29,334.30</b>	<b>374.9</b>
MULTILATERAL	8,036.60	8,162.20	8,064.50	8,207.80	8,239.20	202.6
BILATERAL	3,447.70	3,492.40	3,429.90	3,467.50	3,472.50	24.8
COMMERCIAL	17,475.20	17,576.50	17,527.50	17,606.30	17,622.60	147.5
<b>TOTAL EXTERNAL (GH¢m)</b>	<b>240,919.60</b>	<b>315,849.90</b>	<b>319,772.90</b>	<b>322,662.60</b>	<b>321,425.30</b>	<b>80,505.70</b>
<b>TOTAL PUBLIC DEBT (GH¢m)</b>	<b>473,213.60</b>	<b>547,821.70</b>	<b>564,137.50</b>	<b>569,451.30</b>	<b>569,300.90</b>	<b>96,087.30</b>
EXCHANGE RATE (End Period Selling MOF)	8.3192	10.8053	11.0183	11.0193	10.9573	
MEMORANDUM ITEMS						
NOMINAL GDP ( GH¢m)	610,222.30	800,920.50	800,920.50	800,920.50	800,920.50	
<b>TOTAL DEBT /GDP RATIO (%)</b>	<b>77.55</b>	<b>68.4</b>	<b>70.44</b>	<b>71.1</b>	<b>71.08</b>	
EXTERNAL DEBT/GDP	39.5	39.4	39.9	40.3	40.1	
DOMESTIC DEBT/GDP	38.1	29	30.5	30.8	30.9	
EXTERNAL DEBT/TOTAL DEBT	50.9	57.7	56.7	56.7	56.5	
DOMESTIC DEBT/TOTAL DEBT	49.1	42.3	43.3	43.3	43.5	

Source: Ministry of Finance

## 6.5 Conclusion and Outlook

Budget execution for the first five months of 2023 showed some revenue shortfalls although non-oil tax revenue exceeded target. The shortfall in revenue was largely on account of lower-than-programmed oil and gas receipts. Expenditures were below target, partly attributed to a reduced debt service as a result of the debt restructuring programme. These developments resulted in an overall budget deficit (cash) which was far below programme target and was mainly financed from domestic sources. The primary balance was also within target.

## Appendix 1: Fiscal indicators

<i>Million Ghana Cedis</i>	2022 JAN-MAY OUTTURN	2023 JAN-MAY OUTTURN	2023 JAN-MAY PROG
<b>Tax Revenue</b>	<b>24,407.3</b>	<b>36,411.3</b>	<b>38,819.4</b>
(percent of GDP)	4.0	4.5	4.8
<b>Non-Tax Revenue</b>	<b>5,249.8</b>	<b>6,148.3</b>	<b>8,853.3</b>
(percent of GDP)	0.9	0.8	1.1
<b>Domestic Revenue</b>	<b>32,275.8</b>	<b>44,506.2</b>	<b>50,098.1</b>
(percent of GDP)	5.3	5.6	6.3
<b>Total Revenue &amp; Grants</b>	<b>32,585.7</b>	<b>44,894.7</b>	<b>51,179.8</b>
(percent of GDP)	5.3	5.6	6.4
<b>Compensation of Employees</b>	<b>14,704.5</b>	<b>20,013.1</b>	<b>18,967.8</b>
(percent of GDP)	2.4	2.5	2.4
<b>Use of Goods and Services</b>	<b>1,385.4</b>	<b>3,872.5</b>	<b>3,217.7</b>
(percent of GDP)	0.2	0.5	0.4
<b>Interest Payment</b>	<b>17,845.4</b>	<b>8,600.9</b>	<b>24,948.7</b>
(percent of GDP)	2.9	1.1	3.1
<b>Total Expenditure</b>	<b>52,708.0</b>	<b>51,317.2</b>	<b>76,843.7</b>
(percent of GDP)	8.6	6.4	9.6
<b>Domestic expenditure</b>	<b>27,501.8</b>	<b>42,789.6</b>	<b>42,663.8</b>
(percent of GDP)	4.5	5.3	5.3
<b>Domestic Primary Balance</b>	<b>4,774.0</b>	<b>1,716.6</b>	<b>7,434.3</b>
(percent of GDP)	0.8	0.2	0.9
<b>Primary Balance (Commitment)</b>	<b>(2,276.8)</b>	<b>(2,702.1)</b>	<b>(715.2)</b>
(percent of GDP)	(0.4)	(0.3)	(0.1)
<b>Primary Balance (Cash)</b>	<b>(8,131.0)</b>	<b>(5,990.6)</b>	<b>(6,730.0)</b>
(percent of GDP)	(1.3)	(0.7)	(0.8)
<b>Primary Balance (excl. IPP &amp; FinSec)</b>	<b>(6,353.0)</b>	<b>(4,288.6)</b>	<b>(3,037.6)</b>
(percent of GDP)	(1.0)	(0.5)	(0.4)
<b>Non-oil Primary Balance</b>	<b>(11,060.4)</b>	<b>(9,476.9)</b>	<b>(16,109.4)</b>
(percent of GDP)	(1.8)	(1.2)	(2.0)
<b>Overall Balance (cash, discrepancy, excl. energy sector payments, finsec bailout)</b>	<b>(24,198.4)</b>	<b>(12,889.5)</b>	<b>(27,986.3)</b>
(percent of GDP)	(4.0)	(1.6)	(3.5)
<b>Overall Balance (Commitment)</b>	<b>(20,122.2)</b>	<b>(11,303.0)</b>	<b>(25,664.0)</b>
(percent of GDP)	(3.3)	(1.4)	(3.2)
<b>Overall Balance (cash, discrepancy)</b>	<b>(25,976.4)</b>	<b>(14,591.5)</b>	<b>(31,678.7)</b>
(percent of GDP)	(4.3)	(1.8)	(4.0)
<b>Oil Revenue</b>	<b>2,929.4</b>	<b>3,486.2</b>	<b>9,379.5</b>
(percent of GDP)	0.5	0.4	1.2
<b>Non-Oil Revenue and Grants</b>	<b>29,656.3</b>	<b>41,408.5</b>	<b>41,800.3</b>
(percent of GDP)	4.9	5.2	5.2
<b>Benchmark Oil Revenue</b>	<b>1,989.1</b>	<b>2,422.3</b>	<b>7,440.2</b>
(percent of GDP)	0.3	0.3	0.9
<b>Annual Budget Funding Amount (ABFA)</b>	<b>1,392.4</b>	<b>1,695.6</b>	<b>5,208.1</b>
(percent of GDP)	0.2	0.2	0.7
<b>Nominal GDP</b>	<b>610,222.3</b>	<b>800,920.5</b>	<b>800,920.5</b>
<b>Non-Oil Nominal GDP</b>	<b>577,283.0</b>	<b>726,625.4</b>	<b>726,625.4</b>

Source: Ministry of Finance

## 7. Inflation Outlook and Analysis

### 7.0 Global Price Developments

Headline inflation continued to ease from historically high levels in many countries, prompting the IMF to revise its 2023 global headline inflation projection down to 6.8 percent from 7.0 percent. The decline in inflation was on the back of tighter monetary policy, lower energy and food prices and easing supply bottlenecks. Despite the decline in headline inflation, core inflation has proven more persistent, amid a resilient labour market.

On the back of tighter monetary policy, global financing conditions remained tight in advanced and emerging market economies, reflecting the pass-through effects of monetary policy on bank funding costs, lending rates and credit conditions. In addition, amid the banking sector turbulence in the U.S., banks were gearing up to build capital and liquidity buffers, which would further likely crowd out credit.

In the outlook, production cuts by some OPEC+ members may provide headwinds to the disinflationary process, especially if global demand picks up. Despite these, global inflation is projected to continue declining to 5.2 percent in 2024.

### 7.1 Domestic Price Developments

Headline inflation increased to 42.5 percent in June from 42.2 percent in May and 41.2 percent in April, driven by persistence in food inflation. Food inflation inched up to 54.2 percent in June 2023 from 51.8 percent in May and 48.7 percent in April. Non-food inflation, in contrast, declined to 33.4 percent in June 2023 from 34.6 percent in May and 35.4 percent in April.

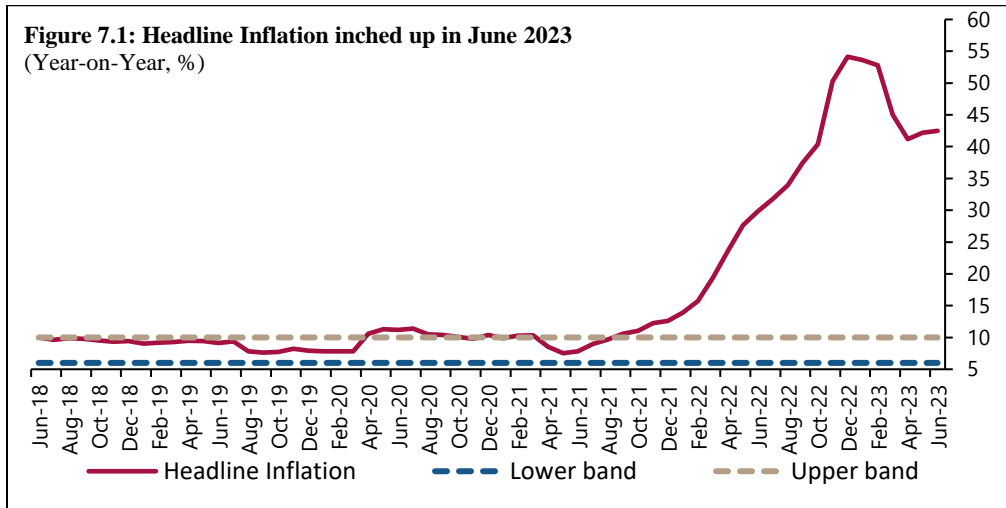
Assessing inflation dynamics for locally-produced and imported items, imported inflation inched up to 44.5 percent in June from 43.8 percent in May. This was in contrast to local inflation, which declined to 35.9 percent in June from 36.2 percent in May.

Month on month, inflation slowed to 3.2 percent in June 2023 from 4.8 percent in May 2023. Monthly food inflation eased to 3.9 percent in June 2023 from 6.2 percent in May. Likewise, monthly non-food inflation eased to 2.6 percent, from 3.5 percent over the same period.

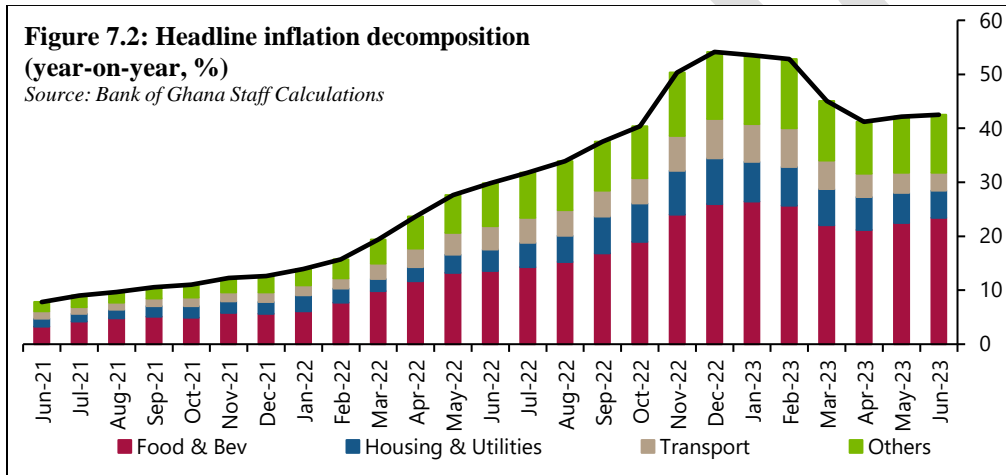
Core inflation also inched up in the May and June. Core inflation, excluding energy and utility prices, increased to 43.5 percent in June 2023, from 42.8 percent in May, and 41.7 percent in April. Business and consumer inflation expectations also inched up slightly, while banking sector inflation expectations remained flat.

The increase in headline inflation since the last MPC meeting reflected strong food price pressures, implementation of new tax measures, and utility tariff adjustments. These pressures were moderated by relative exchange rate stability, stable ex-pump petroleum prices, and the tight monetary policy stance that is supported by effective liquidity management by the Bank of Ghana.

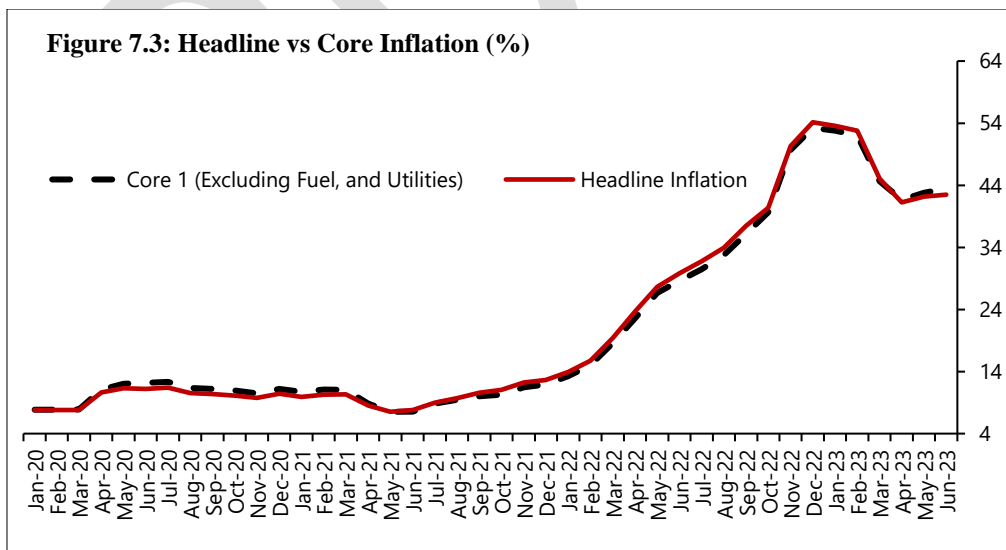




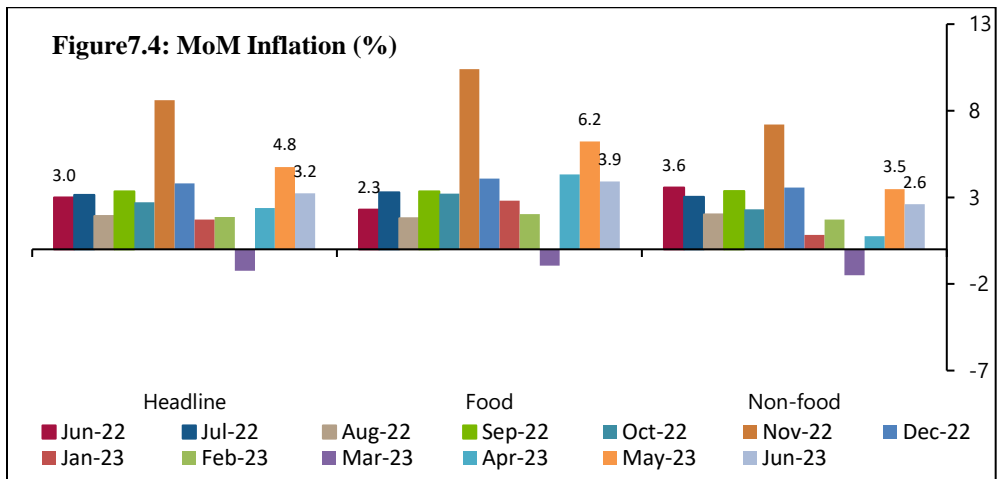
Source: Bank of Ghana and GSS



Source: Bank of Ghana and GSS



Source: Bank of Ghana Staff Calculations

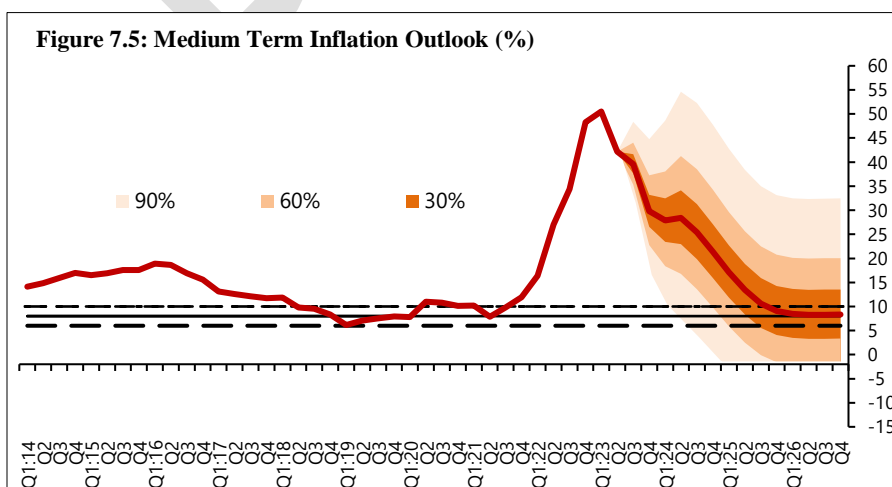


Source: Bank of Ghana and GSS

## 7.2 Inflation Risk Assessment and Outlook

In the outlook, global headline inflation is expected to continue on a downward trend across many countries, in response to tighter monetary policy, easing energy and food prices, and reduced supply bottlenecks. The policy stance for major advanced economies is expected to remain tight until inflation declines to central bank targets, with adverse implications for financing conditions for emerging and frontier markets, such as Ghana.

On the domestic front, headline inflation declined consistently between January to April but increased in May and June on account of a variety of factors, including higher food prices, implementation of new tax measures, and utility tariff adjustments. Overall inflation increased from 41.2 percent in April to 42.2 percent in May and then further to 42.5 percent in June. Underlying measures of inflation have all ticked up in May 2023. While core inflation picked up, consumer and business inflation expectations also increased slightly, while bank’s inflation expectations remained flat, but at an elevated level. Although inflation is expected to decline in the near term, baseline forecasts show a slightly higher elevated profile in the year ahead, which, if not contained, could embed in underlying inflationary pressures. It is important that policy responds appropriately and decisively to prevent these risks from becoming embedded and consequently derailing the disinflation process.



Source: Bank of Ghana Staff Projections

Assessments showed that risks to the inflation profile were judged to be elevated as at July 2023, driven by second-round effects of food prices. Inflation has persistently hovered around 42 percent throughout the second quarter of 2023, even though central bank financing has been eliminated in the first six months of the year. These developments require decisive fiscal and monetary tightening to anchor inflation expectations firmly on a declining path.

### 7.3 Conclusion

The Monetary Policy Committee observed that baseline forecasts showed a slightly elevated profile in the horizon, which, if not contained, could embed in underlying inflationary pressures, and therefore increased the Monetary Policy Rate by 50 basis points to 30.0 percent in July 2023.

**Appendix Table 7.1: Headline Inflation**

	Combined	Food	Non-food	Combined	Food	Non-food
<b>Dec-20</b>	10.4	14.1	7.7	0.9	1.5	0.4
<b>2021</b>						
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
<b>2022</b>						
Jan	13.9	13.7	14.1	2.1	2.0	2.2
Feb	15.7	17.4	14.5	2.4	3.2	1.7
Mar	19.4	22.4	17.0	4.0	4.5	3.7
Apr	23.6	26.6	21.3	5.1	5.8	4.6
May	27.6	30.1	25.7	4.1	4.0	4.1
<b>Jun</b>	<b>29.8</b>	<b>30.7</b>	<b>29.1</b>	<b>3.0</b>	<b>2.3</b>	<b>3.6</b>
Sep	37.5	38.8	36.5	3.3	3.3	3.4
Oct	40.4	43.7	37.8	2.7	3.2	2.3
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
<b>2023</b>						
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
Apr	41.2	48.7	35.4	2.4	4.3	0.7
May	42.2	51.8	34.6	4.8	6.2	3.5
<b>Jun</b>	<b>42.5</b>	<b>54.2</b>	<b>33.4</b>	<b>3.2</b>	<b>3.9</b>	<b>2.6</b>

Source: Ghana Statistical Service

**Appendix Table 7.2: CPI Components**

CPI Components (%)	Weights (%)	2020		2021		2022						2023					
		Dec	Dec	Jan	Feb	Mar	Apr	May	Jun	Dec	Jan	Feb	Mar	Apr	May	Jun	
		Overall	100.0	10.4	12.6	13.9	15.7	19.4	23.6	27.6	<b>29.8</b>	54.1	53.6	52.8	45.0	41.2	42.2
<b>Food and Beverages</b>	43.1	14.1	12.8	13.7	17.4	22.4	26.6	30.1	<b>30.7</b>	59.7	61.0	59.1	50.8	48.7	51.8	<b>54.2</b>	
<b>Non-food</b>	56.9	7.7	12.5	14.1	14.5	17.0	21.3	25.7	<b>29.1</b>	49.9	47.8	47.9	40.6	35.4	34.6	<b>33.4</b>	
Alcoholic Beverages, Tobacco & Narcotics	3.7	6.0	9.6	8.0	9.0	11.4	16.3	18.5	<b>21.4</b>	38.5	43.3	44.5	41.2	37.5	42.1	<b>43.9</b>	
Clothing and footwear	8.1	7.9	8.6	8.3	9.5	12.2	15.6	20.2	<b>23.8</b>	41.9	43.5	43.7	38.3	34.1	34.0	<b>33.9</b>	
Housing and Utilities	10.2	20.1	20.7	28.7	25.4	21.4	25.0	32.3	<b>38.4</b>	82.3	71.1	69.6	64.7	59.0	54.0	<b>49.2</b>	
Furnishings, Household Equipment	3.2	4.7	9.6	11.0	14.4	18.5	28.5	33.8	<b>39.6</b>	71.5	71.7	69.8	67.4	56.3	57.8	<b>54.2</b>	
Health	0.7	6.0	6.0	5.4	6.9	8.8	10.0	11.3	<b>12.8</b>	34.4	35.0	33.5	27.9	28.7	33.6	<b>37.2</b>	
Transport	10.1	4.8	17.6	17.4	18.3	27.6	33.5	39.0	<b>41.6</b>	71.4	68.8	70.3	52.0	42.5	36.9	<b>32.3</b>	
Information and Communication	3.6	7.0	9.0	8.9	10.2	13.4	15.5	16.8	<b>14.5</b>	21.5	22.9	21.1	15.8	14.0	16.1	<b>21.6</b>	
Recreation & Culture	3.5	1.8	11.4	12.0	12.7	17.0	22.3	26.8	<b>31.3</b>	42.4	41.6	42.0	32.8	27.1	29.2	<b>29.7</b>	
Education	6.5	0.2	1.0	0.9	1.3	2.9	3.7	4.2	<b>4.4</b>	11.3	10.8	12.4	7.9	7.1	10.5	<b>14.3</b>	
Hotels, cafes and restaurants	4.6	5.4	8.9	9.1	10.6	12.6	16.5	18.1	<b>20.2</b>	9.2	9.6	9.2	6.9	4.2	5.9	<b>4.7</b>	
Insurance and Financial services	0.2	3.3	6.3	6.3	2.9	3.0	2.1	3.1	<b>5.8</b>	10.8	11.7	11.5	10.5	10.3	10.2	<b>10.7</b>	
Personal care, social protection & Miscellaneous services	2.4	3.8	10.6	10.8	13.5	17.0	23.2	27.3	<b>31.7</b>	60.9	63.1	62.5	53.7	48.5	53.4	<b>55.1</b>	

Source: Ghana Statistical Service