



BANK OF GHANA
MONETARY POLICY REPORT

September 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 114th meeting held in September 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 inflation pressures. Other tasks for the Bank of Ghana include promoting and maintaining a sound financial sector with efficient payment systems through effective regulation and supervision. This is important for intermediation since risks associated with financial markets are also considered in the monetary policy formulation process.

Monetary Policy Strategy

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

The MPC Process

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

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Table of Contents

OVERVIEW	1
1. GLOBAL ECONOMIC DEVELOPMENTS	2
1.0 HIGHLIGHTS	2
1.1 GLOBAL GROWTH DEVELOPMENTS	2
1.2 GLOBAL PRICE DEVELOPMENTS.....	3
1.4 CURRENCY MARKETS	4
1.5 GLOBAL ECONOMIC OUTLOOK AND RISKS	7
2. EXTERNAL SECTOR DEVELOPMENTS	8
2.0 HIGHLIGHTS	8
2.1 COMMODITY PRICE TRENDS.....	8
2.2 TRADE BALANCE	10
2.3 CURRENT ACCOUNT.....	10
2.5 INTERNATIONAL RESERVES.....	10
2.6 COMMODITY PRICE OUTLOOK	11
3. REAL SECTOR DEVELOPMENTS	13
3.0 HIGHLIGHTS	13
3.1 GDP GROWTH.....	13
3.2 TRENDS IN REAL SECTOR INDICATORS.....	13
3.3 COMPOSITE INDEX OF ECONOMIC ACTIVITY	15
3.4 CONSUMER AND BUSINESS SURVEYS.....	15
4. MONETARY AND FINANCIAL DEVELOPMENTS	19
4.0 HIGHLIGHTS	19
4.1 DEVELOPMENTS IN MONETARY AGGREGATES.....	19
4.2 RESERVE MONEY	20
4.3 DEPOSIT MONEY BANKS CREDIT DEVELOPMENTS.....	21
4.4 MONEY MARKET DEVELOPMENTS	22
4.5 STOCK MARKET DEVELOPMENTS	23
5. BANKING SECTOR DEVELOPMENTS	26
5.0 HIGHLIGHTS	26
5.1 BANKS' BALANCE SHEET	26
5.2 CREDIT RISK	29
5.3 FINANCIAL SOUNDNESS INDICATORS	30
5.4 CREDIT CONDITIONS SURVEY	34
5.5 CONCLUSION AND OUTLOOK	35
6. INFLATION OUTLOOK AND ANALYSIS	38
6.0 GLOBAL PRICE DEVELOPMENTS.....	38
6.1 DOMESTIC PRICE DEVELOPMENTS	38
6.2 INFLATION RISK ASSESSMENT AND OUTLOOK.....	39

Overview

Global economic conditions have moderated somewhat, arising from the high inflation, tighter financing conditions, weak demand weighing down on manufacturing output, as well as the moderation in China's recovery after the sharp rebound in the first quarter. The slowdown in global growth momentum is, however, concentrated in advanced economies, with the Euro area a key downside risk, but emerging market and developing economies are expected to post some strong growth in 2023.

Headline inflation is expected to broadly remain above central bank targets for an extended period due to strong labour markets and pass-through of energy price shocks. The disinflation process is projected to take longer than expected, requiring moderately tighter policies, while the growing uncertainty about the global growth outlook could trigger repricing of risky assets, sharp tightening of financing conditions, and further strengthening of the US dollar. These could transmit to the domestic economy through the trade and financial channels.

On the domestic front, there are indications of a gradual improvement in macroeconomic conditions, evidenced by relatively strong economic growth. These developments provide evidence that the policy mix under the 3-year IMF Extended Credit Facility is beginning to yield results. Economic activity is picking up, the exchange rate is stabilising, inflation is declining, and level of foreign exchange reserves has improved. Sustained improvement in these indicators should result in the restoration of real incomes and purchasing power. The strong growth outturn observed in the first half of 2023 is expected to continue in the third quarter, as indicated by the July 2023 update of the Bank's CIEA.

Fiscal policies have remained consistent with the IMF-supported programme thus far, but challenges associated with revenue mobilization persist and will require additional efforts to safeguard the revenue-led fiscal adjustment programme.

The country's external sector position has improved in the first eight months of the year, supported by a current account surplus, reflecting higher gold export receipts, import compression, and lower outflows from the services and income accounts. The lower balance of payments deficit, the domestic gold purchase programme, as well as inflows from the mining sector and the liquidation of some short-term external liabilities, contributed to rebuilding the country's reserve buffers. Reserve accumulation will be bolstered by the expected inflows from the cocoa syndication loan, the second tranche of the IMF ECF programme, and other multilateral inflows in the last quarter of the year.

The Ghana cedi has remained stable, reflecting improved foreign exchange supply, including IMF flows, Bank of Ghana's Domestic Gold Purchase Programme, and purchases of repatriated export proceeds from mining companies and oil and gas producers.

On inflation dynamics, the continued tight monetary policy stance and relative exchange rate stability have contributed significantly to the disinflation process observed in the year thus far. While the disinflation process has resumed, which should result in a gradual return to the target band over the medium-term, barring unanticipated shocks, rising international crude oil prices and adjustments to utility tariffs remain a risk to the inflation outlook, which would have to be managed through monetary policy vigilance.

1. Global Economic Developments

1.0 Highlights

Global economic activity remained resilient in the first half of 2023 despite persistent challenges, but incoming data show some loss of momentum in the third quarter. Global headline inflation is projected to ease but remain above target for an extended period due to still high underlying inflation amid robust labour markets. The tight global financial conditions have continued, reflecting still tight monetary policy, stronger US dollar, and reversal of risk appetite for EMDE assets.

1.1 Global Growth Developments

Global growth was resilient in the first half of 2023, despite the challenging economic environment. Economic growth rebounded in major economies led by Japan with emerging markets and developing economies also expanding despite less than expected growth in China. The expansion in the first half of the year was driven by labour markets resilience and a strong services sector. Economic activity was also supported by falling energy and food prices, allowing global inflation pressures to ease and real incomes to recover somewhat. However, in the near-term headwinds still cloud the horizon. Manufacturing downturn has continued amid lower export demand and tighter financing conditions. Service sector growth has slowed, and the pace of China's recovery is moderating after a sharp rebound in the first quarter of 2023. Weaker activity in China is on the back of a deceleration in consumer spending due to renewed decline in housing sector, with exports declining sharply, reflecting weak external demand. Also, youth unemployment rates have risen in the country, further dampening consumption. The waning economic conditions is contributing to massive portfolio outflows from China with ramifications for Emerging Markets (EM) countries. Again, monetary policy tightening globally continues to be transmitted strongly to financing conditions. Data released for the beginning of the third quarter of 2023 showed that UK's economy contracted more than anticipated with a 0.5 percent drop in GDP in July. In the Eurozone, industrial output declined more than anticipated, accompanied by weak demand across both the industrial sector and household consumption.

On the back of these headwinds, global growth is projected to slow from 3.5 percent in 2022 to 3.0 percent in 2023, despite a 0.2 percentage points upgrade for 2023 from the April projections. The slowdown is concentrated in advanced economies. In contrast, growth in Emerging Markets and Developing Economies (EMDEs) is expected to remain strong with 4 percent growth in 2023. Within the advanced economies, the Euro Area is a key downside risk, driven by a combination of high inflation, tighter financing conditions and lower external demand (Table 1.1).

In the outlook, while some adverse risks to global growth have moderated, the balance remains tilted to the downside. There are growing signs that global activity is losing momentum due to continuous monetary policy tightening globally. In the United States, excess savings from the pandemic is all but depleted, with China showing signs of slowing down and the Euro Area remaining weak. Also, core inflation remains well above central banks' targets partly due to strong labour markets, which may delay the disinflation process requiring moderately tighter policies. Again, there is risk of renewed disruptions in global energy and food markets due to the recent Saudi Arabia –Russia production cuts pushing oil prices to a renewed high of US\$90 per barrel. In addition to higher energy cost, the termination of the Russia-Ukraine grain deal could push food prices up, with upward pressures on headline inflation.

Table 1.1: Global Growth Projections (%)

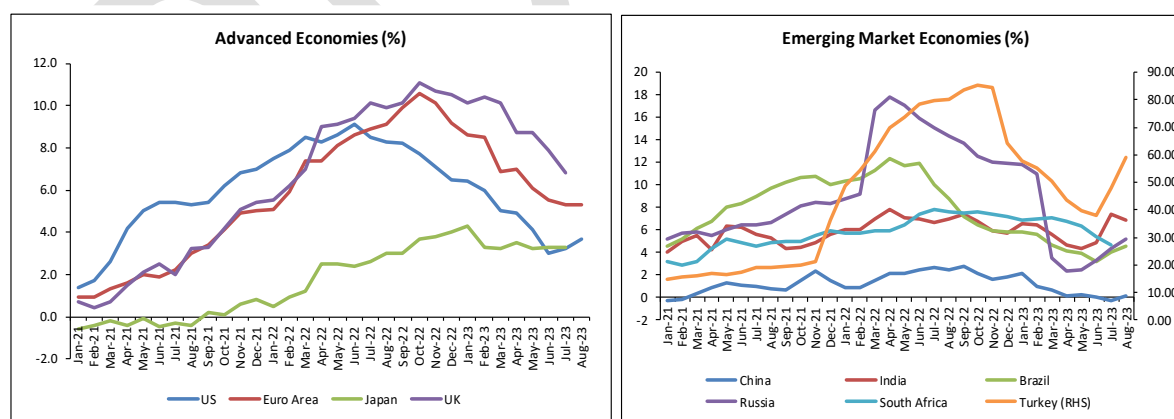
(Percent change)	Year over Year		
	Estimates	Projections	
		2022	2023
World	3.5	3.0	3.0
Advanced Economies	2.7	1.5	1.4
United States	2.1	1.8	1.0
Euro Area	3.5	0.9	1.5
Germany	1.8	-0.3	1.3
France	2.5	0.8	1.3
Italy	3.7	1.1	0.9
Spain	5.5	2.5	2.0
Japan	1.1	1.4	1.0
United Kingdom	4.1	0.4	1.0
Canada	3.4	1.7	1.4
Other Advanced Economies	2.7	2.0	2.3
Emerging Market and Developing Economies	4.0	4.0	4.1
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

Oil price has risen sharply since June 2023, driven by both supply and demand factors. On the supply side, Saudi Arabia and Russia’s production cuts in July and August contributed to a sharp rise in oil price. On the demand side, positive US economic data surprises and lower headline inflation supported the upwards pressures on oil prices. In the last couple of months, strong oil demand from travel and transport activity in China offset weak industrial demand in advanced economies. The FAO Food price index was down 2.1 percent from July, driven by declines in price indices for dairy products, vegetable oils, meat, and cereals, while the sugar price index increased moderately.

Figure 1.1: Headline Inflation in Advanced and Emerging Market Economies



Source: BOG/Trading Economics

The recent increase in oil price has led to a pickup in headline inflation in some advanced economies. But core inflation continues to decline, although at a slower pace amid robust labour markets. Headline inflation also picked up in most EMDEs amid oil price increase and currency pressures. Meanwhile, most survey-

based indicators of longer-term inflation expectations remain anchored at around 2 percent in advanced economies.

In the outlook, inflation is expected to remain above central banks' targets for an extended period, supported by several factors. Firstly, underlying inflation is likely to remain high reflecting strong labour markets and pass-through of past energy price shocks. Also, the US dollar's renewed strength, if sustained, could pose a threat to inflation.

1.3 Global Financial Markets Developments

Policy rates remain high as some central banks have continued the hiking cycle, but at a slower pace. The expectation of higher policy rates and forward guidance have kept long term bond yields relatively high. However, equity prices have recovered strongly since the banking sector turmoil in March, supported by AI tech stocks. Risk appetite for EMDE assets declined sharply in August 2023, driven by China. Outflows from EMs stood at US\$15.5 billion in August 2023, down from an inflow of US\$32 billion in July 2023. Excluding China, debt inflow to emerging market economies was around US\$11 billion.

Financial market conditions are expected to remain tight in the near-term. Higher policy rates, long-term bond yields and the renewed strength of the US dollar, could continue to keep financing conditions tight. The uncertainty about how central banks will navigate the difficult trade-offs they face could trigger a disruptive repricing of risky assets, sharp tightening of financial conditions and appreciation of the US dollar. Also, a prolonged slowdown in China could trigger a reversal of portfolio flows to EMDEs with implications for exchange rate stability.

Table 1.2: Monetary Policy Stance of Selected Central Banks

	Policy rate - Previous (%)	Policy Rate Current (%)	Forecast	Inflation July 2023	Inflation August 2023	Real rate	Infl Target	Overall Fiscal Deficit (2022, % of GDP)	GDP Growth (Dec.2022)	GrossDebt /GDP(2022, %)	YTD Depn/Apt
U.S	5.25	5.5	5.5	3.2	3.7	1.8	2%	-5.5	2.1	121.7	
Euro Area	4.25	4.5	4.50	5.3	5.3	-0.8	< 2%	-3.8	3.5	90.9	-0.5
UK	5	5.25	5	7.9	6.8	-1.8	2%	-6.3	4.1	102.6	2.5
Japan	-0.1	-0.1	-0.1	3.3	3.3	-3.4	2%	-7.8	1.0	261.3	-11.3
Russia	8.5	12	13.0	4.3	5.2	6.8	4%	-2.2	-2.1	19.6	-21.5
India	6.5	6.5	6.5	7.4	6.8	-0.33	4±2%	-9.6	7.0	83.1	-0.2
Brazil	13.75	13.25	13.5	4.0	4.6	8.64	4.5±1.5%	-4.6	2.9	85.9	6.7
Turkey	17.5	25	27.5	47.8	58.9	-33.9	5±2%	-1.6	5.6	31.2	-30.5
Malaysia	3	3	3.0	2.4	2.0	1.0	3% - 4%	-5.3	8.7	66.3	-5.9
Indonesia	5.75	5.75	5.75	3.1	3.3	2.48	3.5% ± 1%	-2.3	5.3	39.9	1.5
Chile	10.25	9.5	11.25	6.5	5.3	4.2	3±1%	1.3	2.4	38.0	-4.8
Ghana	29.5	30		43.1	40.1	-10.1	8±2%	-9.9	3.2	88.8	-11.5
South Africa	8.25	8.25	8.25	5.4	4.7	3.55	3% -6%	-4.5	2.0	71.0	-9.9
Nigeria	18.5	18.75	19	24.1	25.8	-7.05	6% -9%	-5.5	3.3	38.0	-40.0
Kenya	10.5	10.5	10.5	7.3	6.7	3.8	2.5-7.5%	-6.0	4.8	67.8	-15.9
Zambia	9.5	10	10	10.3	10.8	-0.8	9%	-7.9	4.7	130.0	-11.9
Morocco	3.0	3.0	3.0	5.5	4.9	-1.9		-5.1	1.1	68.8	6.6
Angola	17.0	17.0	19.0	12.1	13.5	3.46	9-11%	1.6	3.0	67.0	-38.9
Egypt	18.25	19.25	19.3	36.5	37.4	-18.15	7± 2%	-5.8	6.6	88.5	-19.8

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 appreciated in recent months helped by resilience in US economic activity and safe haven demand due to the slowdown in China. In the domestic currency market, the cedi has been relatively stable since February 2023, after depreciating sharply in January. The

gains made by the cedi was on the back of a relatively stable pipeline demand supported by inflows from mining, remittances and BDCs FX Auctions. In the near-term, the second tranche of IMF deal and expected inflow from cocoa syndicated loan as well as the BDC auction will provide forex liquidity to the market. Also, the conclusion of external debt restructuring will reinforce positive market sentiment, lending strength to the cedi. Nonetheless, the renewed strength of the US dollar may pose some risk to the exchange rate.

In the interbank market, the Ghana cedi depreciated by 22.2 percent, 26.1 percent and 23.5 percent against the dollar, the pound sterling and the euro, respectively, on a year-to-date basis. This is against a depreciation of 27.0 percent, 15.2 percent and 17.6 percent against the dollar, the pound sterling and the euro, respectively, during the same period in 2022 (Table 1.3). The Ghana cedi has been relatively stable since February 2023, reflecting positive market sentiment and improved forex liquidity.

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
2022									
Jan	6.0236	-0.3	-0.29	8.0882	0.5	0.48	6.7506	1.1	1.15
Feb	6.6004	-8.7	-9.00	8.8568	-8.7	-8.24	7.4100	-8.9	-7.85
Mar	7.1122	-7.2	-15.55	9.3515	-5.3	-13.09	7.8986	-6.2	-13.55
Apr	7.1128	0.0	-15.56	8.9333	4.7	-9.02	7.4963	5.4	-8.91
May	7.1441	-0.4	-15.93	9.0041	-0.8	-9.74	7.6650	-2.2	-10.92
June	7.2305	-1.2	-16.93	8.8043	2.3	-7.69	7.5797	1.1	-9.92
July	7.6120	-5.0	-21.10	9.2642	-5.0	-12.27	7.7658	-2.4	-12.07
Aug	8.2325	-7.5	-27.04	9.5872	-3.4	-15.23	8.2909	-6.3	-17.64
Sep	9.6048	-14.3	-37.47	10.7017	-10.4	-24.06	9.4147	-11.9	-27.47
Oct	13.0086	-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
2023									
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
July	11.0034	-0.1	-22.06	14.1482	-1.1	-27.12	12.1272	-1.0	-24.59
August	11.0192	-0.1	-22.17	13.9514	1.4	-26.09	11.9473	1.5	-23.45

Source: Bank of Ghana staff computations

Considering major trade partners currency movements, the Ghana cedi depreciated by 30.3 percent in nominal trade weighted terms and 28.8 percent in forex transaction weighted terms on a year-to-date basis (Table 1.4). This is against a depreciation of 22.9 percent and 35.3 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
2022						
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	52.78	-35.60	-36.61	-113.52	-91.36
Nov-22	44.60	50.11	-1.24	-5.34	-116.18	-101.58
Dec-22	68.00	74.88	34.41	33.09	-41.79	-34.89
2023						
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
Jul-23	52.82	56.85	-0.14	-0.78	-28.74	-31.71
Aug-23	52.82	57.46	-0.01	1.06	-28.75	-30.32

Source: Bank of Ghana Staff Calculations

In real bilateral terms, the Ghana cedi depreciated by 13.5 percent, 19.5 percent and 14.4 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 Ghana cedi's real exchange rate depreciated by 12.5 percent and 0.4 percent against the US dollar and euro, respectively, while appreciating by 2.2 percent against the pound sterling 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
2022									
Jan-22	112.00	105.30	101.34	2.7	2.5	1.2	2.7	2.5	1.2
Feb-22	103.79	97.82	93.92	-7.9	-7.6	-7.9	-5.0	-4.9	-6.6
Mar-22	99.18	95.35	89.58	-4.7	-2.6	-4.8	-9.9	-7.6	-11.8
Apr-22	108.84	102.25	93.72	8.9	6.7	4.4	-0.1	-0.4	-6.9
May-22	109.84	104.97	96.04	0.9	2.6	2.4	0.8	2.2	-4.3
Jun-22	113.52	109.65	96.40	3.2	4.3	0.4	4.0	6.4	-3.9
Jul-22	113.96	106.84	94.46	0.4	-2.6	-2.1	4.4	4.0	-6.0
Aug-22	108.51	104.92	89.05	-5.0	-1.8	-6.1	-0.4	2.2	-12.5
Sep-22	97.41	96.22	78.70	-11.4	-9.0	-13.1	-11.9	-6.6	-27.3
Oct-22	72.21	69.69	59.44	-34.9	-38.1	-32.4	-50.9	-47.3	-68.5
Nov-22	73.97	71.18	64.15	2.4	2.1	7.3	-47.3	-44.2	-56.1
Dec-22	114.46	112.26	102.07	35.4	36.6	37.1	4.8	8.6	1.9
2023									
Jan-23	91.3	89.4	81.8	-25.4	-25.5	-24.8	-25.4	-25.5	-24.8
Feb-23	92.9	90.5	81.2	1.8	1.2	-0.7	-23.2	-24.0	-25.6
Mar-23	88.7	86.4	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	96.24	90.58	85.45	7.2	4.7	4.1	-18.9	-23.9	-19.4
Jun-23	96.86	91.24	87.72	0.6	0.7	2.6	-18.2	-23.0	-16.4
Jul-23	99.54	93.88	90.62	2.7	2.8	3.2	-15.0	-19.6	-12.6
Aug-23	100.04	93.94	89.91	0.5	0.1	-0.8	-14.4	-19.5	-13.5

Source: Bank of Ghana Staff Calculations

Table 1.6 shows the real effective exchange rate movements of the cedi against the three major currencies (i.e., US dollar, the euro, and the pound sterling). The cedi depreciated by 14.7 percent and 13.7 percent in real trade weighted terms and real forex transaction weighted terms on a year-to-date basis. These compares with a depreciation of 1.7 percent and 11.2 percent in real trade weighted terms and real FX transaction weighted terms, respectively, 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
2022						
Jan-22	102.20	109.92	1.32	2.48	1.32	2.48
Feb-22	94.72	101.89	-7.90	-7.89	-6.47	-5.21
Mar-22	90.40	97.50	-4.78	-4.50	-11.57	-9.94
Apr-22	94.98	106.10	4.82	8.11	-6.19	-1.03
May-22	97.21	107.46	2.30	1.26	-3.74	0.25
Jun-22	97.88	110.73	0.68	2.95	-3.03	3.19
Jul-22	96.08	110.51	-1.88	-0.20	-4.97	3.00
Aug-22	90.72	105.37	-5.91	-4.88	-11.17	-1.73
Sep-22	80.34	94.57	-12.92	-11.42	-25.53	-13.35
Oct-22	60.54	70.13	-32.71	-34.84	-66.59	-52.85
Nov-22	65.00	72.33	6.86	3.04	-55.16	-48.21
Dec-22	103.18	112.53	37.00	35.72	2.25	4.74
2023						
Jan-23	82.64	89.80	-24.85	-25.31	-24.85	-25.31
Feb-23	82.26	91.00	-0.46	1.32	-25.43	-23.66
Mar-23	80.74	87.31	-1.88	-4.23	-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	6.58	-19.43	-19.43
Jun-23	88.47	95.05	2.35	0.92	-16.62	-18.34
Jul-23	91.34	97.80	3.15	2.77	-12.95	-15.06
Aug-23	90.73	98.08	-0.67	0.29	-13.72	-14.73

Source: Bank of Ghana Staff Calculations

1.5 Global Economic Outlook and Risks

The external environment remains somewhat challenging. Some pressures have moderated, but others persist. There are concerns that growth momentum is slowing despite the resilience in the first half of 2023. China's growth has slowed, raising concerns about the near-term outlook for global growth. However, some price pressures have moderated (e.g. supply chain bottlenecks) but oil price has rebounded due to supply cuts by Saudi Arabia and Russia. The resurgence in the US dollar poses a threat to inflation amid persistent core inflation. Global financial conditions remain tight with policy rate hikes having slowed but expected to remain high in the near term. EMDEs currencies are facing renewed pressures from the stronger US dollar, posing currency risks with implications for the trade and financial sector channels.

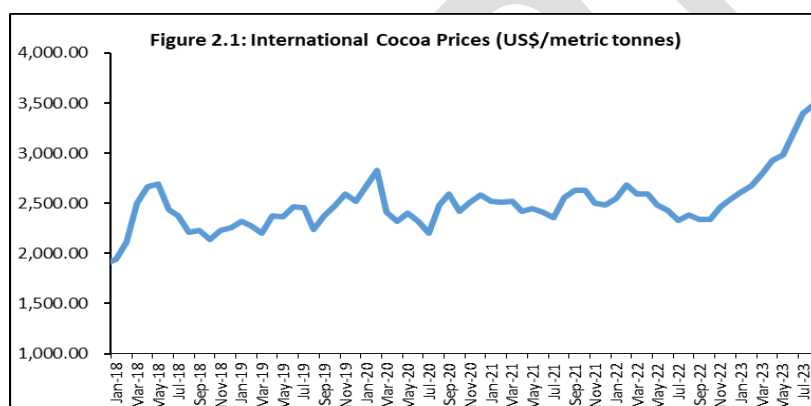
2. External Sector Developments

2.0 Highlights

The country's external sector position improved significantly in the first half year, bolstered by current account surplus, reflecting higher gold export 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 expected to be boosted by the expected inflows from cocoa syndication and other multilateral inflows.

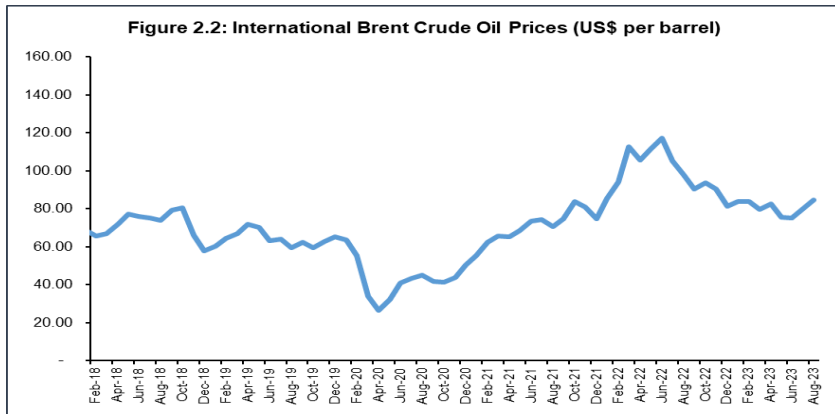
2.1 Commodity Price Trends

Cocoa futures rallied for the eighth successive month into August 2023 to an average price of US\$3,480.26 per tonne, representing an increase of 2.2 percent compared to the previous month. The bean remained supported at historically high levels by concerns over crop disease in West Africa and the prospect of a third successive global deficit in the 2023/24 season. The 2022/23 season crop in the second-biggest grower Ghana has been badly hit and projected to be about 650,000 metric tonnes well below the International Cocoa Organization's current estimate of 750,000 tonnes. Compared to the same period last year, the bean has gained 45.9 percent.

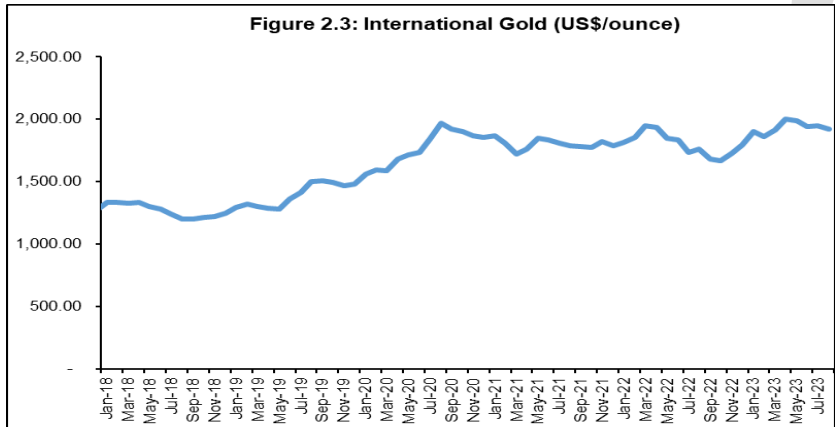


International Brent crude oil prices increased by 5.6 percent to close at an average price of US\$84.63 per barrel in August 2023 compared with US\$80.16 per barrel recorded in the previous month. Oil prices touched its highest in the year after a steep drawdown in US fuel stockpile and supply pressures from Saudi and Russian output cuts despite concerns that some central banks around the world will keep increasing interest rates to reduce inflation, which could slow economic growth and reduce oil demand. Prices have, however, fallen by 13.4 percent compared to same period last year.

Spot gold prices lost some earlier gains made in the previous month to settle at an average price of US\$1,918.77 per fine ounce in August 2023. This represents a 1.6 percent decline compared to the previous month. The yellow metal fell as the US dollar and Treasury yields gained momentum after improved economic data added weight to expectations that the Federal Reserve would carry on with its policy tightening. Prices have on the other hand gained 8.8 percent compared to the same period in 2022.

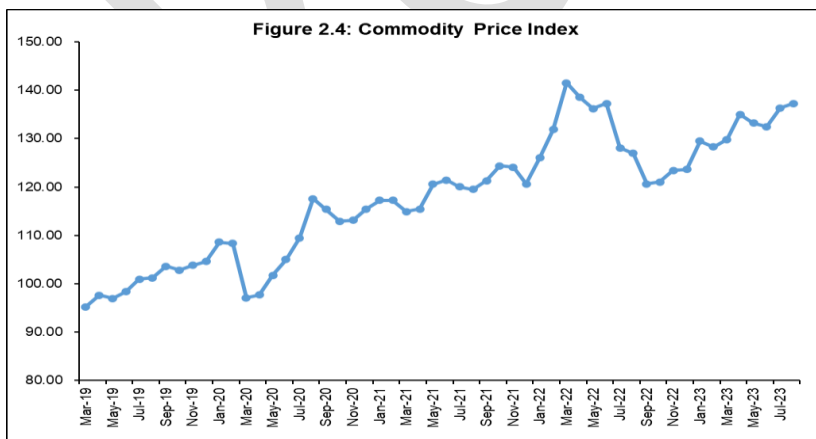


Source: Reuters



2.1.1 Commodity Price Index

The weighted average price of the three major commodities exported by Ghana (cocoa, gold, and crude oil) increased marginally in the month of August 2023. The index increased to 137.24 points from 136.34, representing a monthly growth of 0.6 percent. This was on the back of an increase in both crude oil and cocoa sub-indices while the gold sub-index fell. The crude oil and cocoa sub-indices increased by 5.6 and 2.2 percent respectively while the gold sub-index fell by 1.6 percent.



Source: BOG Staff Computations

2.2 Trade Balance

The trade account recorded a surplus of US\$2,016.31 million for the first eight months of 2023, up by 29.1 percent compared to the same period in 2022. The surplus was on the back of a drop in imports even though exports also fell.

Total exports declined by 8.9 percent to US\$10,766.05 million, driven largely by a fall in cocoa products and oil exports. The value of oil exports decreased by 38.0 percent to US\$2,374.64 million from both volume and price effects. Oil export volumes declined by 18.8 percent to 29.5 million barrels and prices fell by 23.6 percent to US\$80.55 per barrel. Cocoa products exports also fell by 16.6 percent to US\$550.55 million due to a decline in volumes. On the other hand, cocoa beans exports went up by 10.1 percent to US\$1,056.20 million largely due to an increase in volumes by 11.2 percent to 431,760.71 tonnes. Gold exports reached US\$4,672.21 million, benefiting from volume and price increases of 8.5 and 1.9 percent, respectively. Earnings from other exports, including non-traditional exports, also increased marginally by 1.6 percent to US\$1,943.57 million.

Equally, total imports reduced by 14.7 percent to US\$8,749.74 million on account of a decline in both non-oil and oil imports. Non-Oil imports decreased by 13.1 percent to US\$6,098.58 million whereas oil and gas imports also decreased by 18.3 percent to US\$2,651.16 million.

2.3 Current Account

In the first half of 2023, the current account recorded a provisional surplus of US\$864.10 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 reflect mainly 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 accounts recorded a net outflow of US\$907.18 million in the first half of 2023, 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 a debt standstill on some external debt and lower private loan repayments. As a result of these developments, the overall balance of payments turned out a lower deficit of US\$341.0 million during the review period, compared with a deficit of US\$2,497.07 million a year earlier.

2.5 International Reserves

At end of August 2023, Gross International Reserves (excluding Ghana Petroleum Funds, pledged and encumbered assets) stood at US\$2,089.54 million, equivalent to 1.0 month of import cover, compared with 0.6 month of import cover at the end of December 2022. Including the petroleum funds and the pledged assets, the Gross International Reserves at the end of August 2023 was US\$5,094.39 million (2.4 months of imports cover) compared with the end-December 2022 position of US\$6,252.72 million (2.7 months of import cover).

2.6 Commodity Price Outlook

Cocoa futures are projected to remain positive as the 2023/24 production outlook across West Africa where global production has been dented by El Nino, a weather phenomenon which is expected to persist beyond December 2023.

Crude oil prices are expected to trade in the positive territory as demand gradually returns to pre-pandemic levels. On the supply side, the one-month extension of the voluntary production cut of 1 million barrels per day by Saudi Arabia, as well as Russia's decision to cut oil exports by 300,000 bpd will further tighten global supply and boost prices.

Gold prices would likely rebound on a sharp downturn in inflation figures and a tilt in market expectations towards a pause or reduction in US Fed rates.

Table 2.1: Trade Balance (US\$ million)

	2021 Jan - Aug	2022 Jan - Aug	Prov 2023 Jan - Aug	Abs Y/Y Chg	Rel Y/Y Chg
Trade Balance (\$'M)	892.4	1,562.2	2,016.3	454.1	29.1
<i>Trade Bal (% GDP)</i>	<i>1.1</i>	<i>2.1</i>	<i>2.6</i>		
Total Exports (\$'M)	9,895.1	11,819.9	10,766.0	-1,053.8	-8.9
Gold (\$'M)	3,427.3	4,226.7	4,672.2	445.5	10.5
Volume (fine ounces)	1,897,167	2,350,516	2,549,483	198,967.1	8.5
Unit Price (\$/fine ounce)	1,806.5	1,798.2	1,832.6	34.4	1.9
Cocoa Beans (\$'M)	1,417.8	959.3	1,056.2	96.9	10.1
Volume (tonnes)	553,449	388,254	431,761	43,506.6	11.2
Unit Price (\$/tonne)	2,561.7	2,470.9	2,446.3	-24.6	-1.0
Cocoa Products (\$'M)	724.1	660.1	550.5	-109.5	-16.6
Volume (tonnes)	211,270	213,505	169,183	-44,322.8	-20.8
Unit Price (\$/tonne)	3,427.4	3,091.7	3,254.2	162.5	5.3
Crude Oil (\$'M)	2,435.7	3,827.8	2,374.6	-1,453.1	-38.0
Volume (barrels)	36,229,440	36,312,333	29,480,554	-6,831,779.0	-18.8
Unit Price (\$/bbl)	67.2	105.4	80.5	-24.9	-23.6
Other Exports	1,890.2	2,146.0	2,112.4	-33.5	-1.6
<i>o/w Non-Traditional Exports</i>	1,516.7	1,656.6	1,616.2	-40.4	-2.4
Total Import (\$'M)	6,807.0	7,435.2	6,438.9	-996.3	-13.4
Non-Oil	5,544.8	5,184.2	4,469.6	-714.6	-13.8
Oil and Gas	1,262.2	2,251.0	1,969.3	-281.7	-12.5
<i>of which: Products</i>	1,112.6	2,117.5	1,743.3	-374.2	-17.7
Crude Oil (\$'M)	48.9	21.2	77.7	56.5	266.5
Volume (barrels)	715,750	203,488	1,035,624	832,136.6	408.9
Unit Price (\$/bbl)	68.3	104.2	75.0	-29.1	-28.0
Gas (\$'M)	100.7	112.3	148.3	36.0	32.0
Volume (MMBtu)	13,508,806	14,470,136	17,122,679	2,652,543.7	18.3
Unit Price (\$/mmBtu)	7.5	7.8	8.7	0.9	11.6

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.	%
Current account balance	-548.2	-761.8	-1,111.9	859.1	1,971	-177.3
Trade balance	1,005.5	886.9	1,474.3	1,784.4	310	21.0
Exports, f.o.b.	7,396.0	7,649.2	8,877.1	8,159.0	-718	-8.1
Cocoa beans & products	1,542.5	1,787.3	1,415.8	1,453.5	38	2.7
Gold	3,182.7	2,666.7	3,025.4	3,456.4	431	14.2
Crude oil	1,421.3	1,757.1	2,833.5	1,664.4	-1,169	-41.3
Other exports (Incl.non-traditional)	1,249.5	1,438.2	1,602.4	1,584.7	-18	-1.1
Imports, f.o.b.	-6,390.5	-6,762.4	-7,402.7	-6,374.6	1,028	-13.9
Non-oil	-5,473.8	-5,544.8	-5,184.2	-4,446.6	738	-14.2
Oil & gas	-916.8	-1,217.5	-2,218.5	-1,928.1	290	-13.1
Services: net	-2,115.6	-1,732.6	-1,819.9	-1,730.6	89	-4.9
Inflows	3,726.8	4,370.8	4,177.9	4,379.8	202	4.8
outflows	-5,842.3	-6,103.3	-5,997.8	-6,110.4	-113	1.9
Investment income: net	-1,163.4	-1,630.9	-2,338.5	-1,092.3	1,246	-53.3
Inflows	446.1	326.1	404.4	253.8	-151	-37.2
outflows	-1,609.5	-1,957.1	-2,742.9	-1,346.0	1,397	-50.9
<i>of which:</i>						
<i>interest on public debt</i>	-751.7	-991.2	-978.9	-109.5	869	-88.8
<i>Other Primary Income Outflows</i>	-857.8	-965.8	-1,764.0	-1,236.5	527	-29.9
Current Transfers: net	1,725.3	1,714.8	1,572.2	1,897.5	325	20.7
Official transfers: net	0.0	0.0	0.1	0.0	0	-100.0
Private individual transfers: net	1,725.3	1,714.8	1,572.0	1,897.5	326	20.7
Capital & financial account: net	1,613.9	3,014.3	-1,341.2	-907.2	434	-32.4
Capital account: net	139.3	124.9	91.0	59.7	-31	-34.3
<i>of which: capital transfers: net</i>	139.3	124.9	91.0	59.7	-31	-34.3
Financial account: net	1,474.7	2,889.4	-1,432.2	-966.9	465	-32.5
Foreign direct investments: net	557.2	954.2	787.4	610.4	-177	-22.5
Portfolio investments: net	1,722.4	2,758.1	-345.7	-132.9	213	-61.5
Financial derivatives: net	312.5	-212.3	-180.4	124.4	305	-168.9
Other investment: net	-1,117.4	-610.5	-1,693.5	-1,568.8	125	-7.4
Medium & long term: net	-197.5	-519.8	-1,413.9	-338.7	1,075	-76.0
Official Capital: net	1,392.9	544.2	165.5	823.6	658	397.6
Government oil investment: net	234.9	38.2	-245.1	-19.3	226	-92.1
Loans: net	1,158.0	506.0	410.7	842.9	432	105.3
Disbursements	1,646.7	969.1	1,069.7	1,106.8	37	3.5
Amortization	-488.7	-463.1	-659.1	-263.9	395	-60.0
Other Capital: net	-1,590.4	-1,064.1	-1,579.4	-1,162.3	417	-26.4
Loan: net	-811.6	-604.6	-1,226.8	-885.5	341	-27.8
Inflows	1,125.0	1,314.4	239.1	174.4	-65	-27.1
outflows	-1,936.6	-1,919.0	-1,465.9	-1,059.9	406	-27.7
Others (currency & deposits, other equity): net	-778.8	-459.5	-352.6	-276.8	76	-21.5
Inflows	2,432.0	2,860.3	3,317.0	3,267.5	-49	-1.5
outflows	-3,210.8	-3,319.8	-3,669.6	-3,544.3	125	-3.4
Short-term capital: net	-919.9	-90.7	-279.6	-1,230.1	-950	340.0
Non-monetary: net	-802.5	-809.3	-308.3	-549.5	-241	78.2
Monetary: net	-117.4	718.6	28.7	-680.6	-709	-2,472.2
Errors & omission: net	-55.9	117.3	-44.0	-292.9	-249	566.0
Overall balance	1,009.9	2,369.8	-2,497.1	-341.0	2,156	-86.3
<i>Changes in net intern., reserve assets (-, incr.)</i>	-1,009.9	-2,369.8	2,497.1	341.0	-2,156	-86.3

Source: Bank of Ghana

3. Real Sector Developments

3.0 Highlights

The latest high frequency indicators pointed to some moderation in economic activity in July 2023 compared to a year ago. Port activity, cement sales and vehicle registration contracted. Industrial consumption of electricity, private sector contributions to Social Security and tourist arrivals, however, improved in the review period.

3.1 GDP Growth

The latest data released by the Ghana Statistical Service showed real GDP growth of 3.2 percent for the second quarter of 2023, slightly lower than 3.3 percent in the first quarter, and 3.5 percent in the same period of 2022. The GDP growth outturn was largely driven by the services and agriculture sectors, which grew by 6.3 percent and 6.0 percent, respectively. However, industry contracted by 1.9 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 July 2023, compared with the corresponding period in 2022. Domestic VAT collections increased by 20.1 percent on a year-on-year basis to GH¢906.60 million, from GH¢754.64 million. Cumulatively, total domestic VAT for the first seven months of 2023 was up by 63.1 percent to GH¢7,476.91 million compared with GH¢4,584.75 million for the corresponding period of last year.

Retail sales increased by 45.6 percent (year-on-year) to GH¢168.46 million in July 2023, up from the GH¢115.74 million recorded in the same period in 2022. On a month-on-month basis, retail sales improved by 3.3 percent in July 2023 from GH¢163.12 million in the preceding month. In cumulative terms, retail sales for the first seven months of 2023 grew by 38.2 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 July 2023.

Total Direct Taxes collected increased by 52.2 percent (year-on-year) to GH¢3,267.24 million in July 2023, relative to GH¢2,146.92 million recorded for the same period in 2022. Cumulatively, total Direct Taxes collected for the first seven months of 2023 increased by 53.7 percent to GH¢26,086.88 million, from GH¢16,971.67 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 45.9 percent, Corporate tax accounted for 38.0 percent, while "Other Tax Sources" contributed 16.1 percent.

Total private sector workers' contribution to the SSNIT Pension Scheme (Tier-1) increased by 44.1 percent in year-on-year terms to GH¢365.26 million in July 2023, from GH¢253.47 million collected during the corresponding period in 2022. Cumulatively, for the first seven months of 2023, the contribution grew by 26.9 percent to GH¢2,261.42 million, relative to GH¢1,782.35 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 27.2 percent (year-on-year) in July 2023 to 194,597.00 tonnes, from 267,479.46 tonnes recorded a year ago. On a month-on-month basis, cement sales remained largely unchanged in July 2023 compared with the 195,695.36 tonnes recorded in June 2023. Cement sales for the first seven months of 2023 went down by 25.8 percent to 1,549,147.05 tonnes, from 2,087,474.79 tonnes for the same period of 2022.

Vehicle Registration

Transport sector activities, gauged by new vehicle registrations at the Driver and Vehicle Licensing Authority (DVLA), declined by 16.7 percent to 12,000 in July 2023, compared with 14,398 vehicles registered during the corresponding period in 2022. Cumulatively, new vehicles registrations within the first seven months of 2023 decreased by 40.8 percent to 97,975 from 165,608 recorded a year ago.

Industrial Consumption of Electricity

Industrial consumption of electricity increased by 32.9 percent in July 2023 to 368.06 gigawatts, as against 276.87 gigawatts recorded for the corresponding period in 2022. In cumulative terms, electricity consumed by industries for the first seven months of 2023 increased by 21.7 percent to 2,315.24 gigawatts from 1,902.35 gigawatts for the corresponding period a year ago.

Passenger Arrivals

Passenger arrivals improved by 13.4 percent in year-on-year terms to 104,460 in July 2023, up from 92,140 arrivals recorded a year ago. Compared to June 2023, passenger arrivals went up by 13.0 percent. Cumulatively, for the first seven months of 2023, there were 616,101 arrivals recorded at the international airport and the land borders, compared with 479,874 arrivals for the corresponding period in 2022, representing a growth of 28.4 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 eased by 2.4 percent, year-on-year, to 56,860 in July 2023, down from 58,261 in July 2022. In cumulative terms, total container traffic for the first seven months of 2023 dipped by 11.1 percent to 357,680 compared with 402,277 for the corresponding period of last year.

Labour Market - Advertised Jobs

The number of jobs advertised in selected print¹ and online² media, which partly gauges labour demand in the economy, increased in August 2023 relative to the corresponding period a year ago. In total, 2,775 job adverts were recorded as compared with 2,467 for the same period in 2022, indicating an improvement of 12.5 percent (year-on-year). On a month-on-month basis, the number of job vacancies increased by 4.2 percent from the 2,662 jobs advertised in July 2023. Cumulatively, for the first eight months of 2023, the total number of advertised jobs went up by 6.6 percent to 22,303 from 20,929 recorded during the same period in 2022.

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

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

Private Sector Pension Contributions

Total private sector SSNIT contributors, which partially gauges employment conditions, declined marginally by 1.5 percent to 924,892 in July 2023, compared with 939,135 for the same period in 2022. On a month-on-month basis, total private sector SSNIT contributors dipped by 2.9 percent from the 952,836 individuals recorded in June 2023. Cumulatively, for the first seven months of 2023, the total number of private sector contributors remained largely unchanged at 6,649,478 from 6,641,557 recorded in the corresponding period of 2022.

3.3 Composite Index of Economic Activity

The updated real Composite Index of Economic Activity (CIEA) contracted by 2.8 percent in July 2023, compared with 0.5 percent growth in the corresponding period of 2022. The main indicators that weighed down the Index during the period were credit to the private sector, cement sales and port activity. Industrial consumption of electricity, SSNIT contributions from the private sector and tourist arrivals, however, improved.

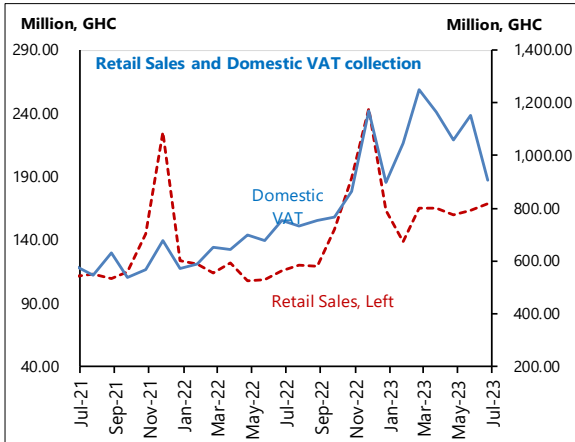
3.4 Consumer and Business Surveys

The consumer and business confidence surveys conducted in August 2023 reflected mixed sentiments. The Consumer Confidence Index eased to 86.2 in August 2023 from 87.5 in June 2023 due to the utility tariff adjustments and recent ex-pump petroleum price increases. Business Confidence Index, on the other hand, improved marginally to 80.3 from 80.0 due to the achievement of short-term targets, positive sentiments about industry prospects due to improving consumer demand, and relative stability in the local currency. Similarly, Ghana's Purchasing Managers' Index (PMI) increased for the sixth successive month, pointing to sustained improvement in business activity.

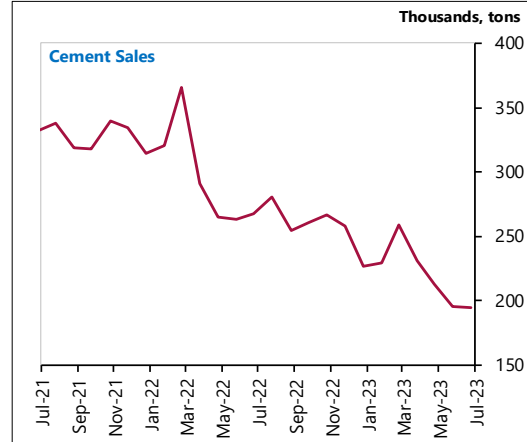
Appendix

Panel 1: Ghana's Leading Indicators of Economic Activity

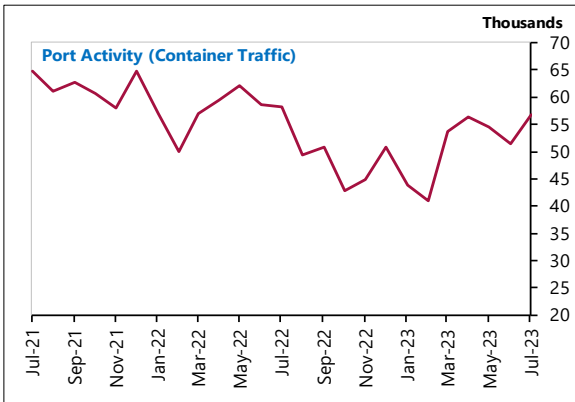
...Domestic VAT collections declined while retail sales improved in July 2023 compared to June 2023...



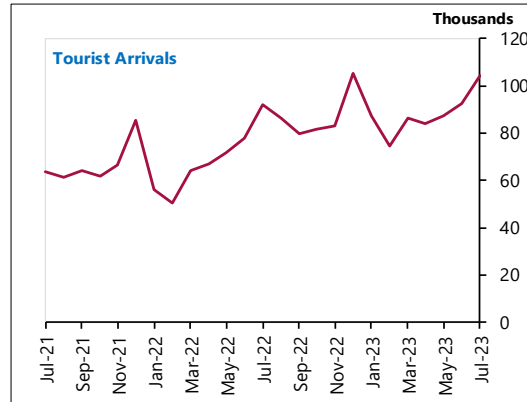
...Construction activities, proxied by cement sales, remained largely unchanged in July 2023 compared to June 2023...



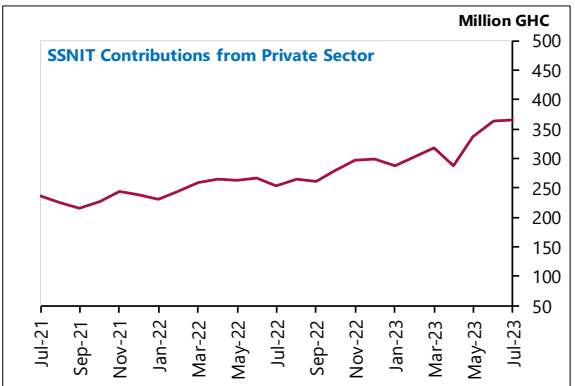
...Port activity improved in July 2023 compared to the previous month...



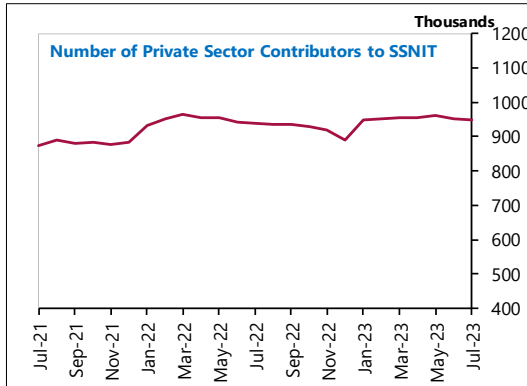
...Tourist arrivals increased in July 2023 compared to June 2023...



...Labour market conditions remained largely unchanged in July 2023 relative to June 2023...



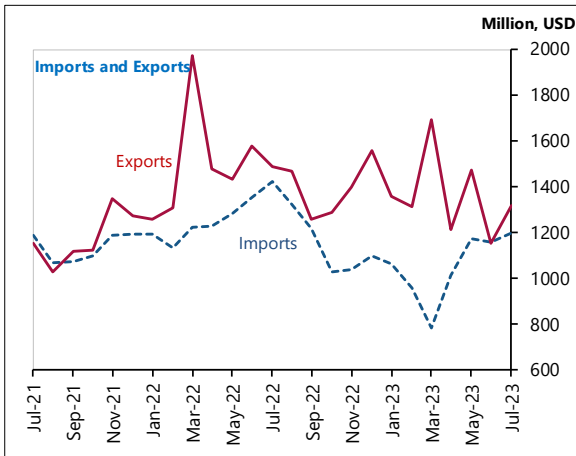
...Labour hiring conditions, proxied by the number of private sector workers contributing to SSNIT, remained largely unchanged...



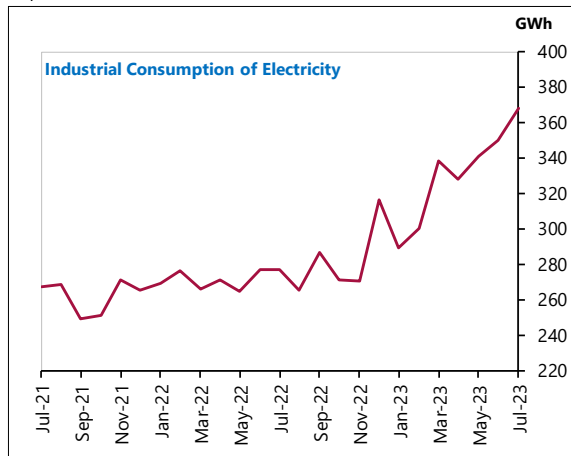
Sources: Bank of Ghana, Various Stakeholders

Panel 2: Ghana's Leading Indicators of Economic Activity

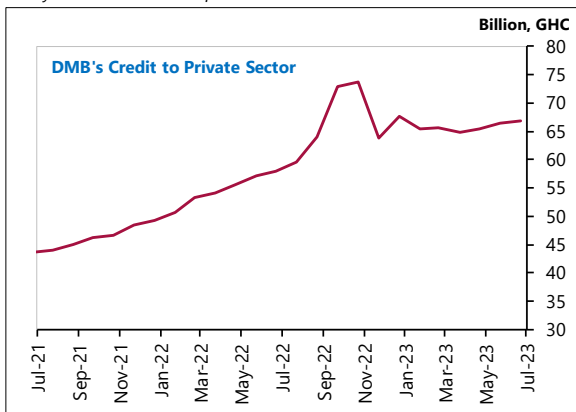
...Imports and exports improved in July 2023 compared to June 2023...



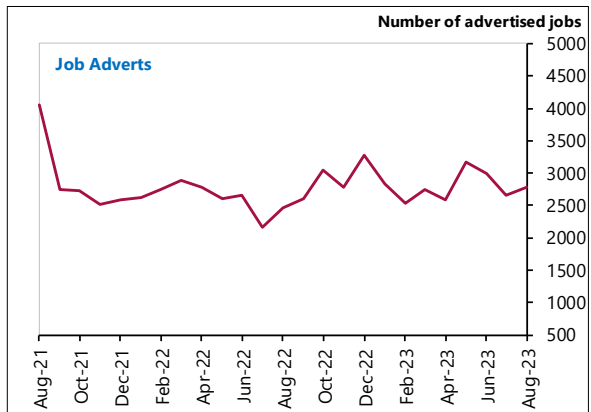
...Industrial activity, proxied by industrial consumption of electricity, improved...



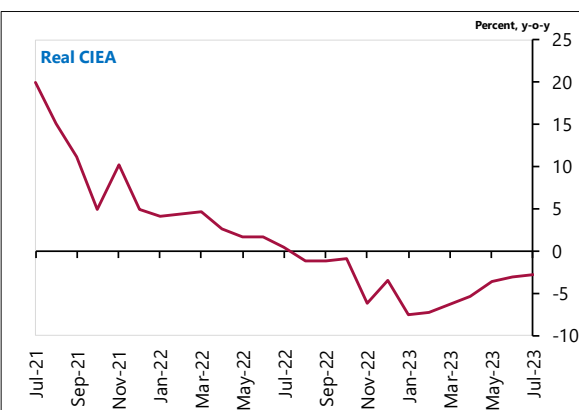
...Commercial banks' credit to the private sector remained largely unchanged in July 2023 relative to the previous month...



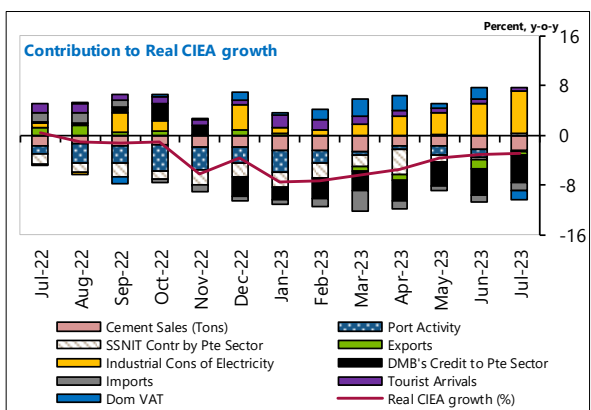
...Demand for labour, proxied by the number of job adverts (in print and online media), increased in August 2023...



...On a year-on-year basis, the real CIEA contracted by 2.8 percent in July 2023, compared with a growth rate of 0.5 percent in July 2022...



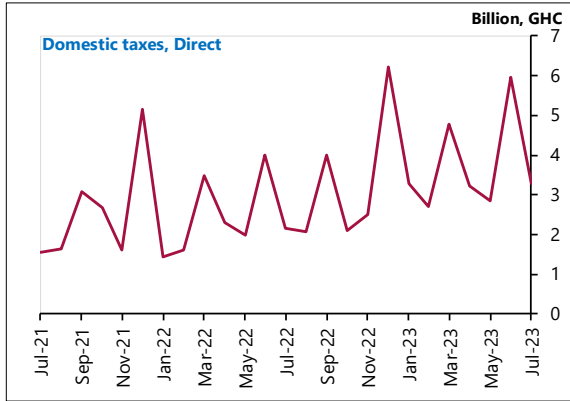
...The decline in the real CIEA was mainly due to contractions in DMBs Credit to the Private Sector, Cement Sales, Domestic VAT, Imports, Exports and Port Activity...



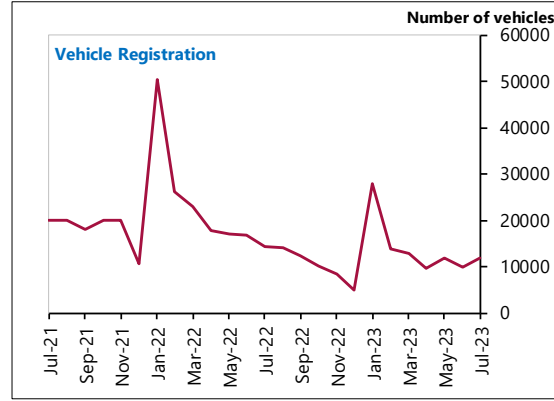
Source: Bank of Ghana, Various Stakeholders

Panel 3: Ghana's Leading Indicators of Economic Activity

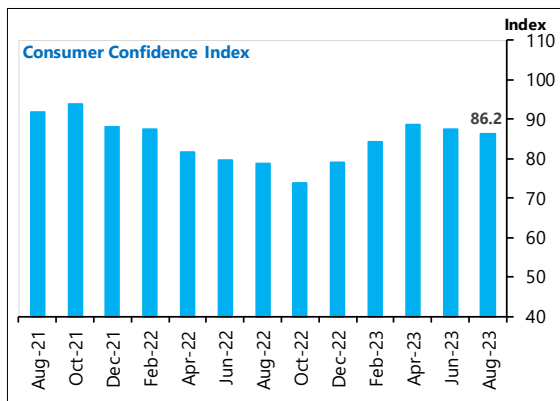
...Domestic tax collection decreased in July 2023 compared to June 2023...



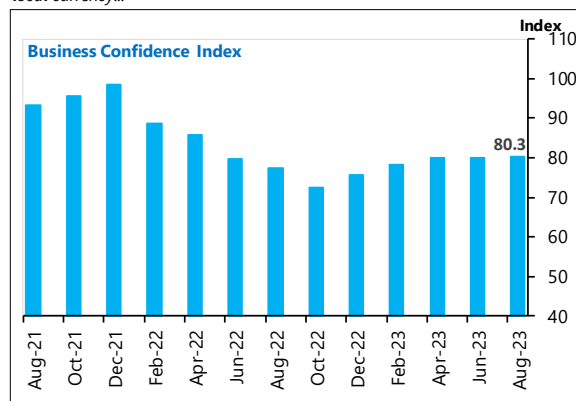
...Vehicle registration increased in July 2023 compared to the month before...



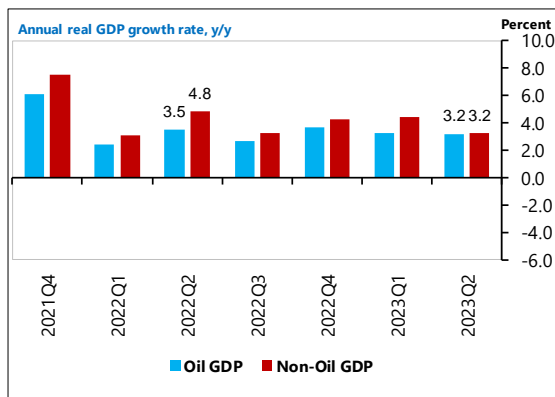
...Consumer Confidence dipped due to the utility tariff adjustments and recent increases in ex-pump petroleum prices...



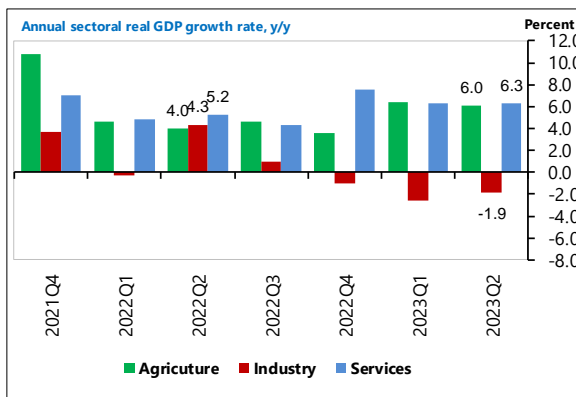
...Business sentiments improved marginally as businesses achieved their short-term targets and expressed positive sentiments about industry prospects due to improving consumer demand and the relative stability in the local currency...



...Real Oil and Non-Oil GDP both grew by 3.2 percent in 2023Q2, compared with growth rates of 3.5 percent and 4.8 percent respectively in the corresponding period of 2022...



...The Services and Agriculture sectors were the drivers of growth in 2023Q2, recording growth rates of 6.3 percent and 6.0 percent respectively...



Source: Bank of Ghana, Various Stakeholders

4. Monetary and Financial Developments

4.0 Highlights

Monetary aggregates recorded strong growth in August 2023, reflecting expansion in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of depository corporations' sector. Developments in interest rates on the money market 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, reflecting the non-issuance of pre-DDEP bonds. The GSE-CI recorded significant year-to-date gain in August 2023 compared with a loss, same period last year.

4.1 Developments in Monetary Aggregates

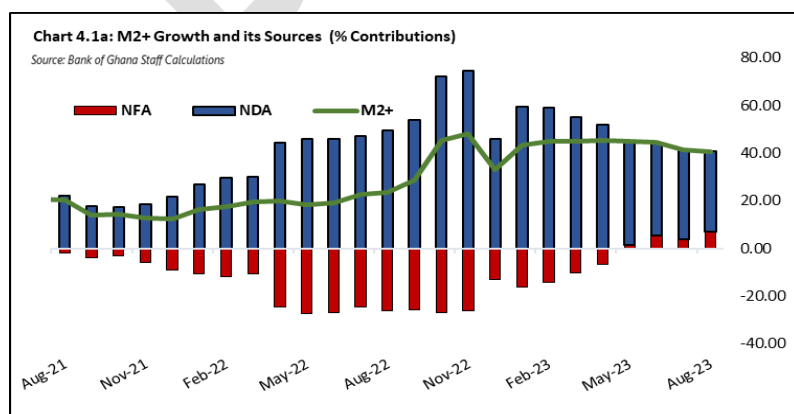
Money Supply

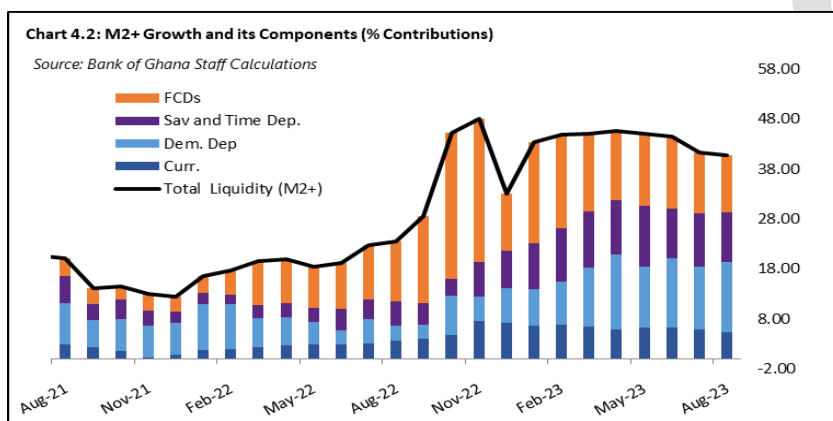
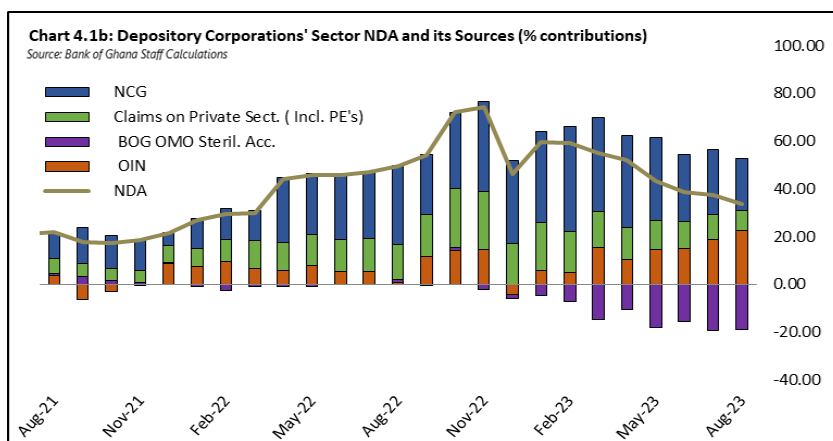
Developments in monetary aggregates showed sustained growth in broad money supply (M2+) in August 2023, driven by both Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the depository corporation sector. Annual growth in M2+ was up by 40.8 percent in August 2023 relative to 23.4 percent in the corresponding period of 2022. The contribution of NDA to the growth of M2+ decreased to 33.7 percent from 49.7 percent, while the contribution of NFA increased to 7.0 percent from negative 26.3 percent, over the same comparative period.

In terms of annual growth rates, NDA expanded by 30.9 percent in August 2023 relative to 58.4 percent in August 2022, while NFA expanded by 76.7 percent compared with 175.8 percent contraction, over the same comparative period (Chart 4.1a and Appendix Table 4.1).

The decrease in the contribution of the NDA in the growth of M2+ was mainly due to increased OMO sterilization, reflecting the tight monetary policy stance, relative to corresponding period in 2022 (Chart 4.1b, and Appendix Table 4.1).

Analysis of the components of M2+ showed that the growth in M2+ reflected in increased growth in all its components, except the growth in foreign currency deposits which declined in August 2023, relative to same period in 2022. Growth in foreign currency deposits, however, remained strong, largely underpinned by exchange rate depreciation (Chart 4.2).

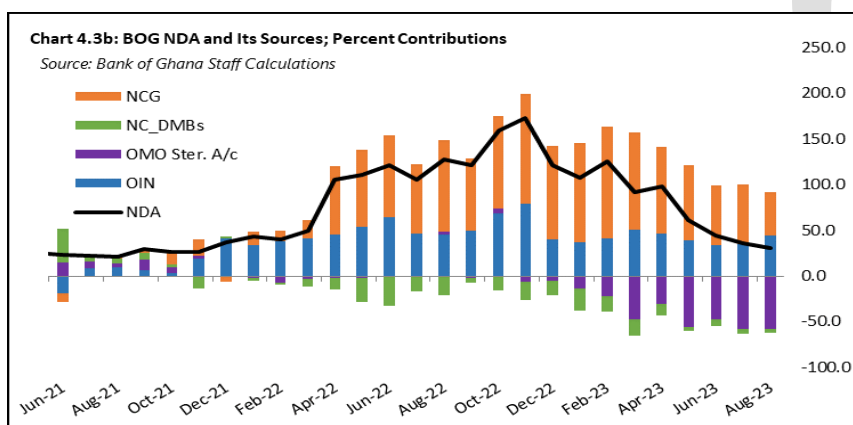
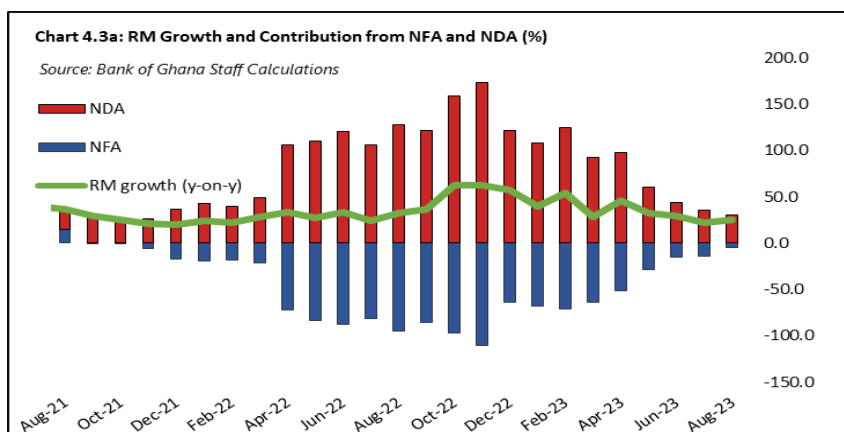




4.2 Reserve Money

Reserve Money (RM) grew by 25.5 percent on year-on-year basis in August 2023, compared with 33.1 percent growth recorded in the corresponding period of 2022. The moderation in the pace of RM growth was attributed to increased sterilization 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 30.6 percent of the growth in RM in August 2023, relative to 127.7 percent, same time last year.

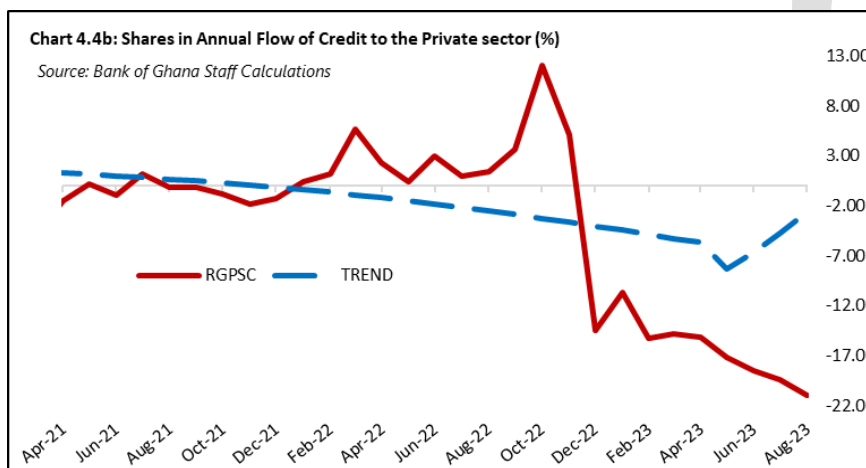
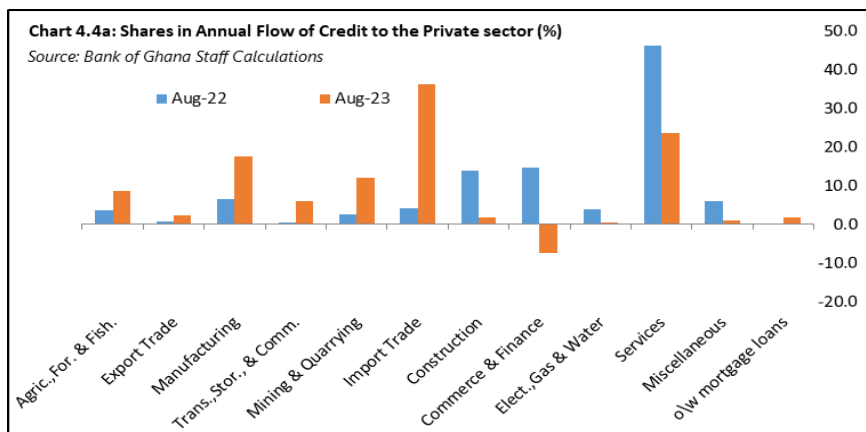
The Net Foreign Assets (NFA) of the Central Bank, however, contracted, albeit at a slower pace relative to the corresponding period in 2022, on account of a net drawdown in foreign assets for balance of payment support, particularly, in the second half of 2022. The relatively slower pace of contraction, however, reflects a net build-up in the foreign assets of the Central Bank, on the back of inflows from the gold proceeds and the IMF Extended Credit Facility. The contribution of NFA to the growth in RM was *negative* 5.1 percent in August 2023, relative to *negative* 94.6 percent recorded in the corresponding period of 2022 (Chart 4.3a, 4.3b, and Appendix 4.2).



4.3 Deposit Money Banks Credit Developments

Deposit Money Banks' credit to the private sector and public institutions increased by GH¢6,328.50 million (9.6%) in August 2023 compared with GH¢17,229.23 million (35.3%) recorded in August 2022. Credit to the private sector increased by GH¢6,350.21 million (10.7% y/y) in August 2023 compared with GH¢15,711.79 million (35.8% y/y) recorded in the corresponding period of 2022. The slowdown in nominal growth in private sector credit partially reflects risk aversion of banks.

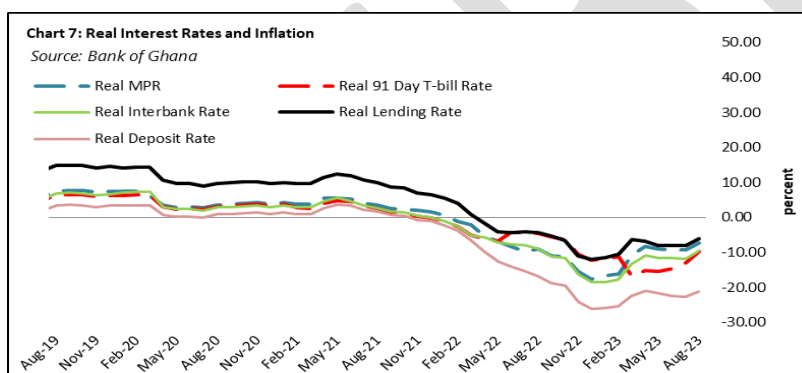
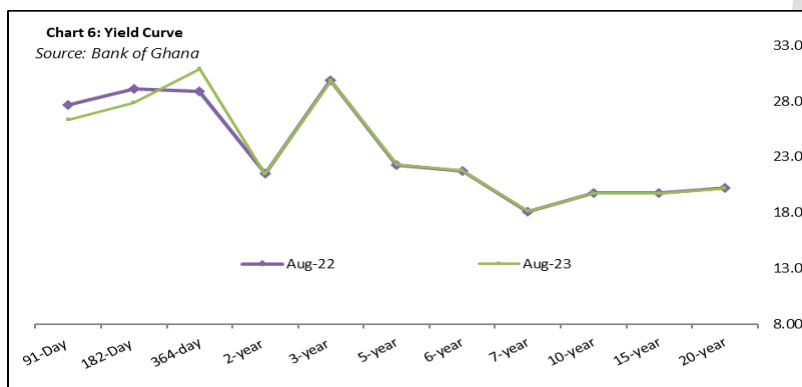
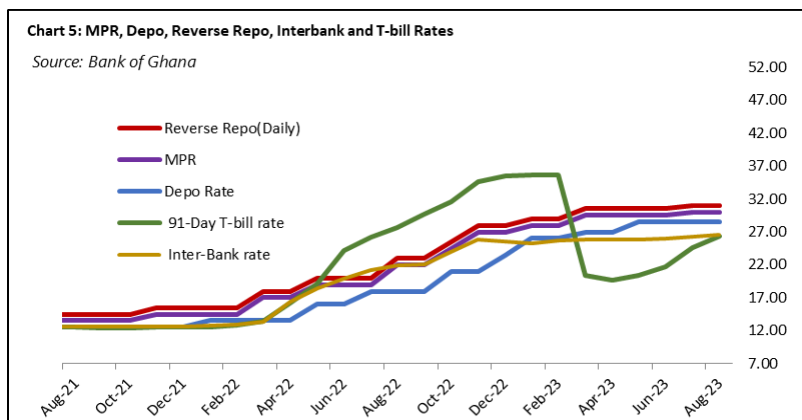
Outstanding credit to the private sector at the end of August 2023 was GH¢65,998.88 million, compared with GH¢59,648.67 million recorded in August 2022. In real terms, credit to the private sector contracted by 21.0 percent relative to a growth of 1.4 percent, over the same comparative period, reflecting sustained price pressures. Growth in real private sector credit continued to trend below the long-run path in August 2023 (Chart 4.4b). Credit flow to the private sector remained concentrated in five sectors, comprising: import trade; services; manufacturing; mining and quarrying; and transport, storage, and communication sectors (Chart 4.4a).



4.4 Money Market Developments

Developments in interest rates broadly showed mixed trends at the short end of the yield curve. The 91-day and 182-day Treasury bill rates decreased marginally to 26.35 percent and 27.84 percent, respectively, in August 2023, from 27.68 percent and 29.12 percent, respectively, in the corresponding period of 2022. The rate on the 364-day instrument, however, increased to 30.88 percent in August 2023 from 28.92 percent in August 2022.

On the interbank market, the Interbank Weighted Average Rate (IWAR) increased to 26.59 percent in August 2023 from 21.93 percent in August 2022, in tandem with increases in the monetary policy rate over the comparative period. Consequently, retail rates have adjusted upwards, inducing the average lending rates of banks to increase to 31.78 percent in August 2023 from 27.96 percent recorded in the corresponding period of 2022 (Charts 4.5, 4.6 and 4.7).



4.5 Stock Market Developments

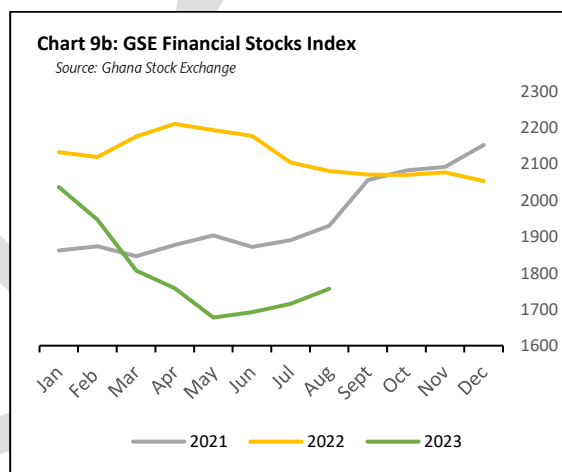
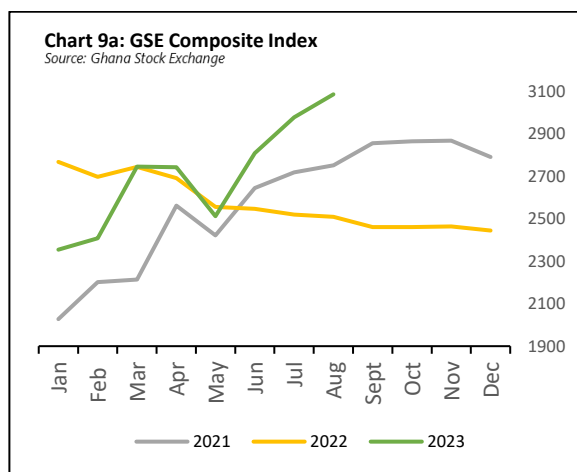
The Ghana Stock Exchange Composite Index (GSE-CI) increased to 3084.79 points in August 2023 from 2508.99 points recorded in the corresponding period of 2022. This translates into a year-on-year gain of 23 percent in August 2023 compared to a loss of 8.8 percent in August 2022. The performance of GSE-CI reflects improved demand for equities driven by shocks to bond prices on account of DDEP, 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 1,756.12 points, representing a loss of 15.6 percent compared to a gain of 7.8 percent, over the same comparative period. The loss in GSE-FSI was on the back of increased perception of risk in the financial sector, induced by the impact of the DDEP on banks' balance

sheets. The financial stocks index, however, is beginning to show some recovery over recent months, following improved profitability by listed financial institutions (Chart 4.9b).

Performance of Ghana Stock Exchange (Table 2)										Changes			
	Aug-21	Aug-22	Dec-22	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Y-O-Y	Y-T-D	M-O-M (August)	
										2022	2023	2023	
GSE CI	2750.37	2508.99	2443.91	2745.33	2741.46	2511.29	2808.03	2976.77	3084.79	-8.78	22.95	26.22	
GSE FI	1929.19	2079.94	2052.99	1806.67	1758.28	1677.35	1691.91	1715.17	1756.12	7.81	-15.57	-14.44	
Market Capitalization	62904.96	64445.45	64507.32	67846.89	68278.45	65783.30	70238.82	72075.71	73250.18	2.45	13.66	13.55	
												2022	
													2023
												0.10	1.63

Source: Ghana Stock Exchange and Bank of Ghana Staff Calculations



Total market capitalisation of the GSE was GH¢73.25 billion at the end of August 2023, representing a 13.7 percent growth, relative to a 2.5 percent growth in August 2022. The increase in market capitalization was mainly driven by appreciation in share prices in the manufacturing, distribution, mining, IT, agriculture, and oil sectors. (Table 2, Charts 4.8a, 4.8b).

Conclusion

Developments in monetary aggregates showed sustained growth in broad money supply in August 2023, mainly driven by expansion in both Net Domestic Assets and Net Foreign Assets of the depository corporation sector. Annual growth in reserve money, however, declined considerably on the back of increased OMO sterilization, reflecting the tight of monetary policy stance. Nominal growth in private sector credit decelerated, partially reflecting risk aversion of banks, induced by increased perception of credit default risk. In real terms, private sector credit contracted, largely on account of price pressures and the sluggish growth in nominal credit.

Appendix Table 4.1

Appendix 1: Sources of Growth in Total Liquidity (M2+) (millions of Ghana cedis unless otherwise stated)									
	Aug-21	Aug-22	Dec-22	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
1 Net Foreign Assets	18442.81	(13987.40)	(10321.15)	(12006.65)	(10392.27)	(4341.98)	649.68	(2907.27)	(3262.56)
Bank of Ghana	21169.25	(14375.54)	(17487.62)	(23944.90)	(22971.16)	(17154.60)	(13750.27)	(15749.79)	(16909.37)
Commercial Banks	(2726.43)	388.14	7166.46	11938.25	12578.90	12812.61	14399.95	12842.51	13646.81
2 Net Domestic Assets	105105.76	166443.23	190587.59	218993.06	217520.46	211287.26	208970.98	215963.91	217857.65
ow: Claims on government (net)	71118.09	111504.72	122594.34	144290.49	149678.43	144436.51	137161.10	142457.36	144411.94
ow: Claims on Private sector (Incl. PE's)	56040.64	74602.10	85078.76	88275.49	87074.43	86924.88	87839.24	88343.61	87747.26
ow: BOG OMO Sterilisation Acc.	(7163.95)	(5068.15)	(7725.48)	(2740.77)	(19524.09)	(31024.06)	(27273.48)	(39930.72)	(34729.01)
6 Total Liquidity (M2+)	123548.57	152455.83	180266.84	206986.41	207528.19	206945.28	209620.61	212656.64	214595.09
7 ow: Broad Money Supply (M2)	96081.78	110233.88	135142.49	148131.00	150496.16	149200.43	150070.96	152984.19	154965.77
ow: Foreign Currency Deposits (emillion)	27466.80	42221.95	45124.35	58856.41	57032.04	57744.85	59550.05	59672.45	59629.32
Change from previous year (in per cent)									
8 Net Foreign Assets	(9.12)	(175.84)	(237.04)	(597.01)	803.01	(34.09)	(108.70)	(67.62)	(76.67)
9 Net Domestic Assets	27.37	58.36	48.87	96.07	51.63	41.58	36.92	35.24	30.89
ow: Claims on government (net)	19.16	56.79	62.72	64.29	59.92	52.27	42.22	40.46	29.51
ow: Claims on Private sector (Incl. PE's)	12.48	33.12	37.70	32.13	28.71	24.64	23.12	22.03	17.62
ow: BOG OMO Sterilisation Acc.	14.47	18.45	(36.62)	(336.31)	(299.42)	(498.64)	(495.08)	(573.11)	(494.43)
12 Total Liquidity (M2+)	20.17	23.40	32.98	45.02	45.57	45.08	44.41	41.38	40.76
13 Broad Money Supply (M2)	21.80	14.73	27.81	39.68	43.05	41.29	40.93	39.96	40.58
14 Foreign Currency Deposits (FCDs)	15.39	53.72	51.33	60.46	52.66	55.89	54.00	45.15	41.23
Cumulative change from previous year end (in per cent)									
16 Net Foreign Assets	(0.84)	(285.72)	(237.04)	35.33	0.69	(57.99)	(106.29)	(71.83)	(68.39)
16 Net Domestic Assets	3.12	30.01	48.87	14.90	14.34	10.86	9.65	13.10	14.31
17 ow: Claims on government (net)	3.12	48.05	62.72	17.69	18.87	17.86	11.92	16.24	17.84
18 Broad Money (M2+)	2.51	12.47	32.98	14.82	15.12	14.80	16.28	17.57	19.04
Annual per cent contribution to money growth									
19 Net Foreign Assets	(1.80)	(26.25)	(14.51)	(10.10)	(6.48)	1.57	5.59	4.04	7.03
20 NDA	21.97	49.65	47.49	95.12	52.05	43.50	38.82	37.34	33.72
21 Total Liquidity (M2+)	20.17	23.40	32.98	14.82	15.12	14.80	16.28	17.57	19.04
Memoandum items									
22 Reserve Money	37557.02	49977.35	68103.84	57840.77	69161.50	61727.91	62343.44	60728.08	62730.87
23 NFA (\$million)	3151.70	(1699.05)	(1208.49)	(1090.16)	(948.93)	(395.75)	59.08	(264.21)	(296.08)
24 Currency ratio	0.18	0.18	0.21	0.18	0.18	0.18	0.18	0.17	0.17
25 FCD/M2+	0.22	0.28	0.25	0.28	0.27	0.28	0.28	0.28	0.28
26 FCD/Total Deposit	0.26	0.33	0.30	0.33	0.32	0.33	0.33	0.33	0.33
27 RM multiplier	2.56	2.21	1.98	2.56	2.18	2.42	2.41	2.52	2.47

Appendix Table 4.2

Appendix 2: Sources of Growth in Reserve Money (millions of Ghana cedis unless otherwise stated)									
	Aug-21	Aug-22	Dec-22	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
1 Net Foreign Assets (NFA)	21169.25	(14375.54)	(17487.62)	(23944.90)	(22971.16)	(17154.60)	(13750.27)	(15749.79)	(16909.37)
2 Net Domestic Assets (NDA)	16387.78	64352.89	85591.45	81785.67	92132.66	78882.51	76093.71	76477.87	79640.24
of which:									
ow: Claims on government (net)	28128.38	63633.39	73910.16	87171.91	88150.86	87329.61	82951.81	86758.11	87852.88
ow: Claims on DMB's (net)	658.89	(7136.80)	(4057.39)	(9875.29)	(9161.54)	(8221.39)	(8502.16)	(8285.03)	(9085.23)
ow: OMO Sterilisation Account.	(7163.95)	(5842.44)	(7725.48)	(27440.77)	(19524.09)	(31024.06)	(27273.48)	(33930.72)	(34729.01)
6 Reserve Money (RM)	37557.02	49977.35	68103.84	57840.77	69161.50	61727.91	62343.44	60728.08	62730.87
7 ow: Currency	18683.08	23075.40	31420.85	31194.57	31338.54	31616.88	31238.50	31124.87	31398.13
ow: DMB's reserves	15192.17	22516.91	31727.84	21355.42	32532.02	24824.79	25888.23	24102.53	25855.98
ow: Non-Bank deposits	3701.79	4385.04	4955.35	5290.78	5290.94	5268.46	5216.71	5500.69	5678.78
Change from previous year (in per cent)									
10 Net Foreign Assets	24.30	(167.91)	(312.05)	(633.79)	(1680.85)	349.86	114.78	75.09	17.63
11 Net Domestic Assets	58.92	292.89	144.56	102.54	101.33	58.42	39.26	30.63	23.78
ow: Claims on government (net)	3.05	143.54	151.48	120.71	104.12	78.57	61.27	59.83	37.75
ow: Claims on DMB's (net)	206.72	1183.15	243.91	(420.80)	(190.05)	(51.32)	(81.71)	(48.13)	(27.30)
ow: OMO Sterilisation Account.	14.47	18.45	(38.62)	(338.31)	(299.42)	(498.64)	(495.08)	(573.11)	(494.43)
15 Reserve Money (RM)	36.70	33.07	57.48	28.92	46.48	32.42	29.24	22.56	25.52
16 ow: Currency	18.28	23.64	44.30	41.21	33.80	39.82	41.34	39.23	36.06
Cumulative change from previous year end (in per cent)									
17 Net Foreign Assets (NFA)	49.89	(274.31)	(312.05)	36.92	31.36	(1.90)	(21.37)	(9.94)	(3.31)
18 Net Domestic Assets (NDA)	(25.52)	83.88	144.56	(4.45)	7.84	(7.84)	(11.10)	(10.65)	(6.95)
19 ow: Claims on government (net)	(17.66)	116.52	151.48	17.94	19.27	18.16	12.23	17.38	18.59
20 Reserve Money (RM)	3.96	15.57	57.48	(15.07)	1.55	(9.36)	(8.46)	(10.83)	(7.89)
Annual per cent contribution									
21 Net Foreign Assets	15.06	(94.64)	(59.51)	(63.37)	(51.73)	(28.62)	(15.23)	(13.63)	(5.07)
22 Net Domestic Assets (NDA)	21.84	127.71	116.99	92.28	98.21	61.04	44.47	36.19	30.59
23 RM growth (y-o-y)	36.70	33.07	57.48	28.92	46.48	32.42	29.24	22.56	25.52

Source: Bank of Ghana Staff Calculations

5. Banking Sector Developments

5.0 Highlights

The banking sector remained sound during the first eight months of the year, notwithstanding signs of the lingering impact of the domestic debt restructuring and the challenging macroeconomic environment on the sector's performance. The industry's performance was supported by a healthy balance sheet, which reflected appreciable increases in total assets, deposits, and loans. Profitability also improved during the review period, on account of significant increases in all income lines, particularly interest income from loans and investments.

The key financial soundness indicators posted a mixed performance but broadly remained within regulatory and prudential benchmarks. The industry's CAR was above the revised regulatory minimum of 10 percent but declined in August 2023, reflecting impairment losses on investments from the domestic debt restructuring. The industry's NPL ratio, however, increased due to a higher increase in the NPL stock relative to the growth in loans and advances.

Broadly, the outlook remains stable in the medium-term on the back of the regulatory reliefs and other interventions, including the anticipated Ghana Financial Stability Fund.

5.1 Banks' Balance Sheet

Total assets of the banking sector increased by 19.6 percent to GH¢244.7 billion as at August 2023, driven by robust growth in deposits. This compared with 22.9 percent growth recorded in August 2022. Foreign assets grew by 48.6 percent in August 2023, from 60.7 percent in August 2022, while domestic assets went up by 17.7 percent in August 2023, compared to 21.0 percent growth in August 2022. Accordingly, the share of foreign assets in total assets increased to 7.8 percent from 6.3 percent, while the share of domestic assets declined to 92.2 percent from 93.7 percent, during the same reference period (Table 5.1).

Investments stood at GH¢97.1 billion in August 2023, up by 19.9 percent, from the modest growth of 0.8 percent in August 2022, as banks continued to rebalance assets portfolio in favour of short-term investments following the DDEP and revision of the Cash Reserve Ratio. Banks' short-term investments increased sharply by 242.6 percent in August 2023, after contracting by 38.2 percent in August 2022, while long-term investments (securities) recorded a contraction of 28.6 percent from a growth of 16.9 percent during the same reference period. Consequently, the share of investments in total assets inched up marginally to 39.7 percent in August 2023, from 39.6 percent in August 2022.

Gross loans and advances recorded a slower annual growth of 9.6 percent to GH¢72.4 billion in August 2023, compared to the 35.3 percent growth in August 2022. Growth in net loans and advances (gross loans adjusted for provisions and interest in suspense) was also lower, from 38.3 percent in August 2022 to 5.7 percent in August 2023.

Deposits remained the main source of funding for the banking sector, accounting for 77.6 percent share of total assets in August 2023, up from 66.8 percent a year ago. Deposits grew by 38.9 percent year-on-year to GH¢189.9 billion in August 2023, compared with 22.5 percent growth in the same period of last year. Foreign currency deposits increased by 48.6 percent to GH¢62.0 billion in August 2023, compared to a growth of 43.0 percent a year ago, partly driven by the currency depreciation. Borrowings, however,

declined by 41.0 percent to GH¢13.9 billion in August 2023, after increasing by 25.1 percent in August 2022. The contraction in borrowings reflected sharp declines in the main components of total borrowings, except for long-term domestic borrowings. For instance, on the domestic front, short-term borrowings at end-August 2023 contracted by 36.5 percent compared with the 62.5 percent growth in August 2022. On the external front, short-term foreign borrowings contracted sharply by 77.9 percent, after increasing by 14.7 percent in the same comparative period, while long-term foreign borrowings contracted by 31.9 percent against a 13.0 percent growth. Long-term domestic borrowing, however, increased by 56.5 percent in August 2023, relative to a contraction of 34.6 percent during the same period in the previous year.

The industry's shareholders' funds shrunk by 10.3 percent to GH¢23.9 billion in August 2023, compared to a growth of 13.4 percent in August 2022. The decline in shareholders' funds is attributable to the moderation in banks' reserves on account of the losses made in the 2022 financial year after reflecting the impact of the DDEP Phase I, coupled with the slower growth in paid-up capital from 5.2 percent in August 2022 to 1.6 percent in August 2023.

	(GH ¢'million)			Y-on-Y Growth (%)			Shares (%)	
	Aug-22	Jun-23	Aug-23	Aug-22	Jun-23	Aug-23	Aug-22	Aug-23
TOTAL ASSETS	204,571.8	242,399.8	244,724.3	22.9	21.2	19.6	100.0	100.0
A. Foreign Assets	12,891.4	20,946.3	19,158.3	60.7	74.5	48.6	6.3	7.8
B. Domestic Assets	191,680.3	221,453.6	225,566.0	21.0	17.8	17.7	93.7	92.2
Investments	80,959.2	89,971.9	97,077.8	0.8	11.0	19.9	39.6	39.7
i. Bills	14,437.7	39,895.1	49,469.5	-38.2	149.6	242.6	7.1	20.2
ii. Securities	66,291.8	49,816.9	47,348.1	16.9	-23.2	-28.6	32.4	19.3
Advances (Net)	58,530.1	62,623.9	61,883.1	38.3	11.3	5.7	28.6	25.3
of which Foreign Currency	18,706.6	22,049.8	20,910.1	43.7	25.8	11.8	9.1	8.5
Gross Advances	66,100.9	73,125.3	72,429.4	35.3	15.4	9.6	32.3	29.6
Other Assets	10,661.7	14,711.8	14,375.8	39.8	39.2	34.8	5.2	5.9
Fixed Assets	5,450.3	7,457.4	7,539.0	5.6	39.4	38.3	2.7	3.1
TOTAL LIABILITIES AND CAPITAL	204,571.8	242,399.8	244,724.3	22.9	21.2	19.6	100.0	100.0
Total Deposits	136,674.7	187,569.2	189,863.8	22.5	42.8	38.9	66.8	77.6
of which Foreign Currency	41,748.8	62,596.5	62,048.6	43.0	62.5	48.6	20.4	25.4
Total Borrowings	23,478.3	16,047.5	13,851.8	25.1	-39.1	-41.0	11.5	5.7
Foreign Liabilities	13,556.8	7,548.2	6,104.3	17.5	-47.0	-55.0	6.6	2.5
i. Short-term borrowings	6,171.9	1,869.6	1,362.2	14.7	-75.7	-77.9	3.0	0.6
ii. Long-term borrowings	5,662.4	4,117.9	3,854.7	13.0	-16.2	-31.9	2.8	1.6
iii. Deposits of non-residents	1,722.5	1,543.5	884.3	50.7	-5.8	-48.7	0.8	0.4
Domestic Liabilities	163,411.5	211,700.4	213,884.2	25.4	33.6	30.9	79.9	87.4
i. Short-term borrowing	10,312.9	8,321.2	6,551.3	62.5	-33.6	-36.5	5.0	2.7
ii. Long-term Borrowings	1,331.1	1,738.8	2,083.5	-34.6	45.1	56.5	0.7	0.9
iii. Domestic Deposits	134,952.2	186,025.7	188,979.5	22.2	43.4	40.0	66.0	77.2
Other Liabilities	17,793.7	15,907.4	16,560.7	41.8	-1.0	-6.9	8.7	6.8
Paid-up capital	10,265.1	10,432.1	10,432.1	5.2	2.6	1.6	5.0	4.3
Shareholders' Funds	26,625.0	22,293.7	23,878.4	13.4	-15.1	-10.3	13.0	9.8

Source: Bank of Ghana

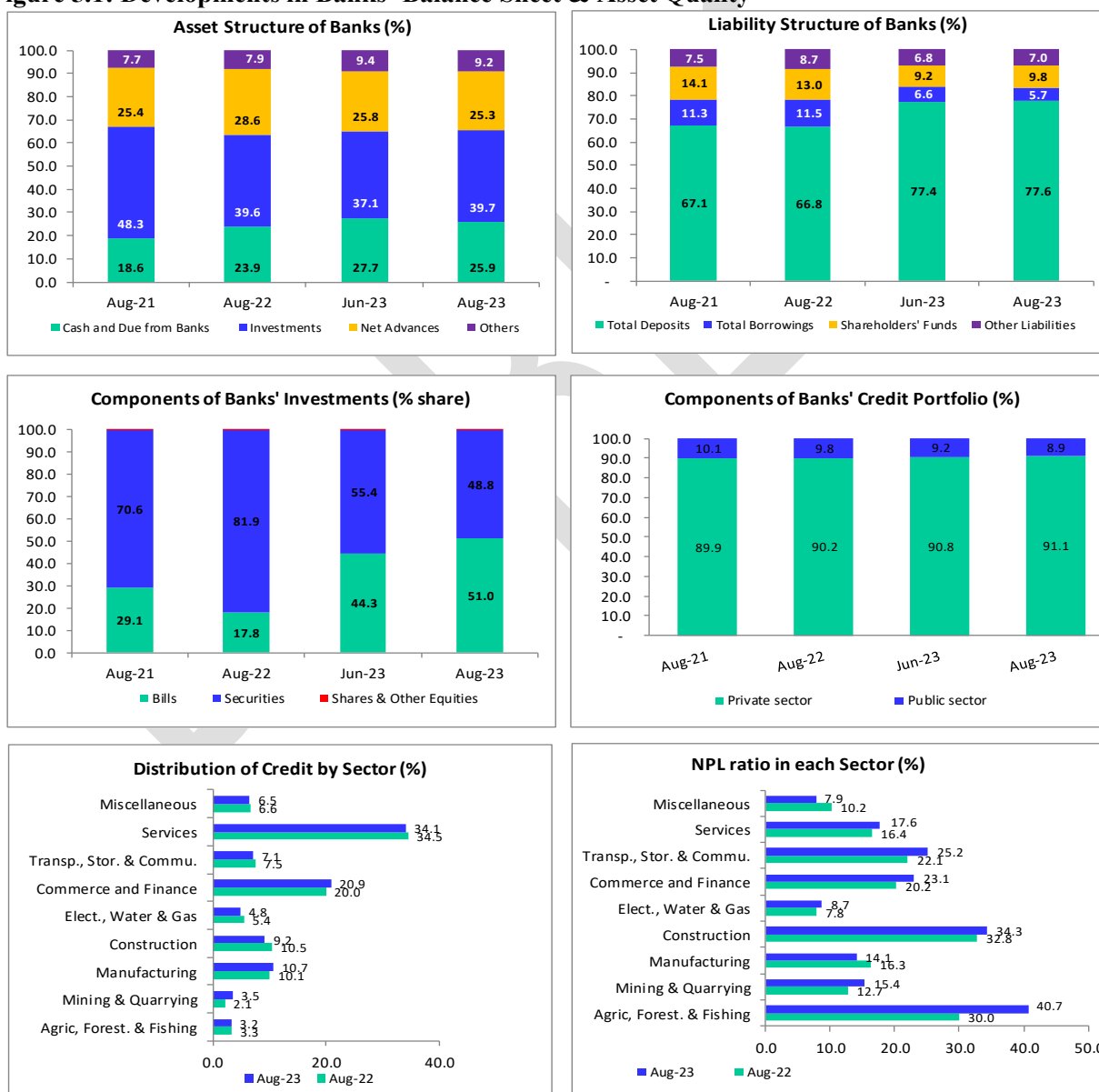
5.1.1 Asset and Liability Structure

Investments (comprising bills, securities, and equity) remained the largest component of banks' assets, followed by cash and due from banks and net advances. The share of investments in banks' assets recorded a marginal increase to 39.7 percent in August 2023 from 39.6 percent in August 2022, while cash and bank balances increased to 25.9 percent from 23.9 percent in the same review period, reflective of the ongoing portfolio reallocation by the banks. Investments, cash, and bank balances together accounted for 65.6 percent of total assets in August 2023, compared to a share of 63.5 percent in August 2022. The share of Net loans and advances declined to 25.3 percent from 28.1 percent, on the back of the slowdown in credit

growth during the period under review. The share of non-earning assets (fixed assets and other assets) in banks' total assets increased to 9.2 percent, from 7.9 percent (Annexes Table 5.1).

The share of deposits in banks' liabilities and shareholders' funds increased to 77.6 percent in August 2023, from 66.8 percent in the corresponding period last year, reflecting sustained deposits growth during the review period. The size of shareholders' funds in banks' liabilities and capital, however, declined to 9.8 percent from 13.0 percent, consistent with the contraction in shareholders' funds. Similarly, the share of borrowings dipped to 5.7 percent in August 2023 from 11.5 percent in August 2022, in line with the observed decline in total borrowings. The share of other liabilities also decreased to 7.0 percent in August 2023, from 8.7 percent during the same period a year ago. (Annexes Table 5.1).

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



Source: Bank of Ghana Staff Calculations

5.1.2 Share of Banks' Investments

Bills (short-term debt instruments) constituted the largest component of banks' investment portfolio, with its share growing sharply to 51.0 percent in August 2023, from 17.8 percent in August 2022. The significant increase in the share of short-term investments can be attributable to limited trading on the medium-to-long term instruments because of the DDEP. Consequently, the share of long-term securities in total investments, declined significantly to 48.8 percent, from 81.9 percent over the same reference period. The share of equity investments remained negligible, moderating to 0.2 percent from 0.3 percent during the period under review (Figure 5.1).

5.2 Credit Risk

Credit risk elevated somewhat during the period under review, following the sharp increase in the NPL stock, which translated into a higher NPL ratio.

5.2.1 Credit Portfolio Analysis

The stock of gross loans and advances (domestic and foreign) increased at a slower pace by 9.6 percent to GH¢72.4 billion at end-August 2023, compared to the 35.3 percent growth during the same period last year. Private sector credit (comprising credit to private enterprises and households) also posted a lower growth of 10.6 percent to GH¢66.0 billion in August 2023, relative to 35.8 percent growth in the corresponding period in the previous year. Public sector credit, however, declined marginally by 0.3 percent to GH¢6.4 billion at end-August 2023 from GH¢6.5 billion (30.7 percent y/y growth) in August 2022. Consequently, the share of private sector credit in total credit inched up to 91.1 percent in August 2023, from 90.2 percent in August 2022, while the share of public sector credit declined to 8.9 percent, from 9.8 percent during the same review period (Annexes Tables 5.2 & 5.4).

In terms of the distribution of credit by sectors, the services sector remained the largest recipient of the industry's credit, accounting for 34.1 percent at end-August 2023 (from 34.5 percent in August 2022), followed by the commerce and finance sectors with a share of 20.9 percent (from 20.0 percent in August 2022), while the manufacturing sector accounted for a 10.7 percent share, slightly up from 10.1 percent in August 2022 (Figure 5.1). Together, these three sectors accounted for 65.7 percent of total credit in August 2023, compared with 64.6 percent in August 2022. The agriculture, forestry and fishing sector remained the lowest recipients of total credit with a share of 3.2 percent from 3.3 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, signalling moderation in trade finance activities by banks. Banks' contingent liabilities contracted by 30.1 percent to GH¢18.0 billion as at end-August 2023, from GH¢23.1 billion as at end-August 2022. In relative terms, contingent liabilities as a percentage of total liabilities declined to 8.2 percent in August 2023 from 13.0 percent in August 2022 (Annexes Table 5.3).

5.2.3 Asset Quality

The industry's asset quality weakened during the period under review reflected by the pickup in the NPL stock and NPL ratio. The industry's NPL ratio rose to 20.0 percent in August 2023, from 14.3 percent in August 2022. Adjusted for the fully provisioned loan loss category, the industry's NPL ratio increased sharply to 9.0 percent from 3.8 percent during the same review period, due to increasing shares of both sub-standard and doubtful loans in the NPL stock (Figure 5.2). The rise in the NPL ratio was attributable to the

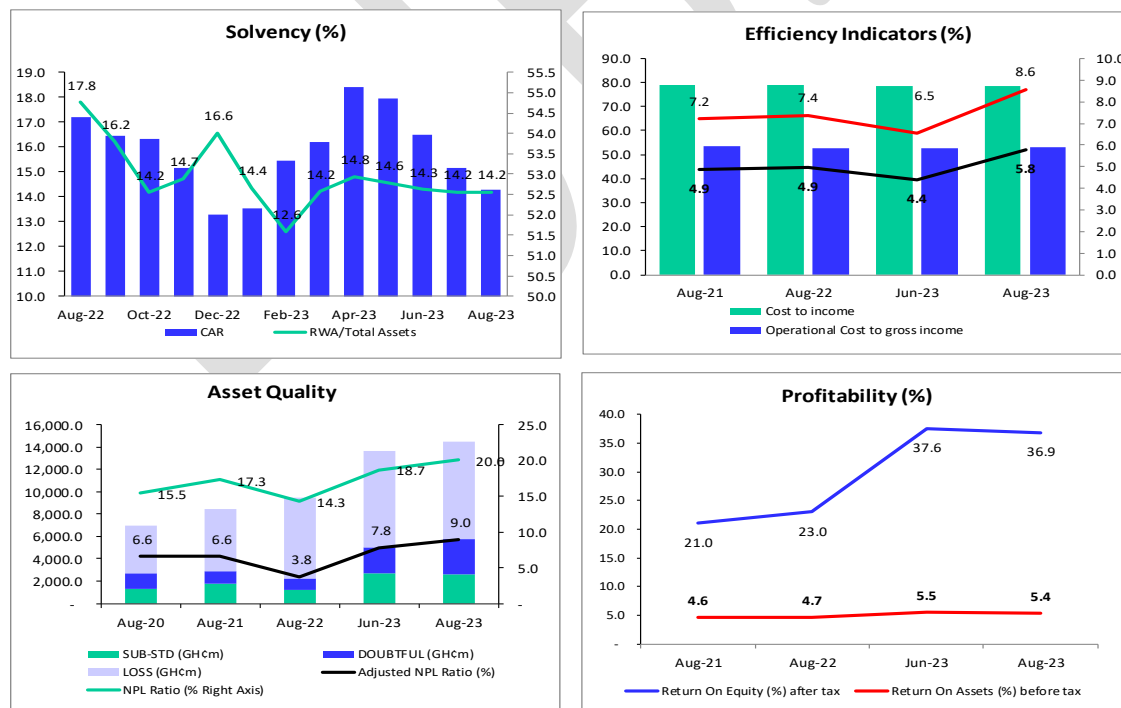
higher growth in the NPL stock relative to the growth in total loans during the reference period. The industry’s NPL stock increased by 53.6 percent to GH¢14.5 billion in August 2023, from GH¢9.5 billion in August 2022, partly reflecting the revaluation of foreign currency NPLs as well as deterioration in some domestic currency loans. When decomposed into the two main economic sectors, the private sector accounted for the most non-performing loans as the larger recipient of total credit. The proportion of NPLs attributable to the private sector was 95.0 percent in August 2023, marginally lower than the 95.9 percent recorded in August 2022, while that of the public sector rose to 5.0 percent, from 4.1 percent a year ago (Annexes Table 5.4).

Except for the manufacturing sector, all other sectors recorded higher NPL ratios in August 2023 compared with the same period in 2022. The agriculture, forestry and fishing sector overtook the construction sector with the highest NPL ratio of 40.7 percent in August 2023 (a sharp increase from 30.0 percent a year ago), while the construction sector recorded a higher NPL ratio of 34.3 percent from 32.8 percent during the same reference period. The NPL ratio of the transportation, storage and communication sector also rose to 25.2 percent from 22.1 percent, akin to the increase in the NPL ratio of the commerce and finance sector to 23.1 percent from 20.2 percent. The NPL ratio of the manufacturing sector, however, declined to 14.1 percent in August 2023 from 16.3 percent in August 2022. The electricity, water and gas sector accounted for the lowest NPL ratio of 8.7 percent in August 2023, higher than the 7.8 percent recorded during the same period in 2022.

5.3 Financial Soundness Indicators

Trends in the industry’s Financial Soundness Indicators (FSIs) were mixed during the period under review.

Figure 5.2: Key Financial Soundness Indicators (FSIs)



Source: Bank of Ghana Staff Calculations

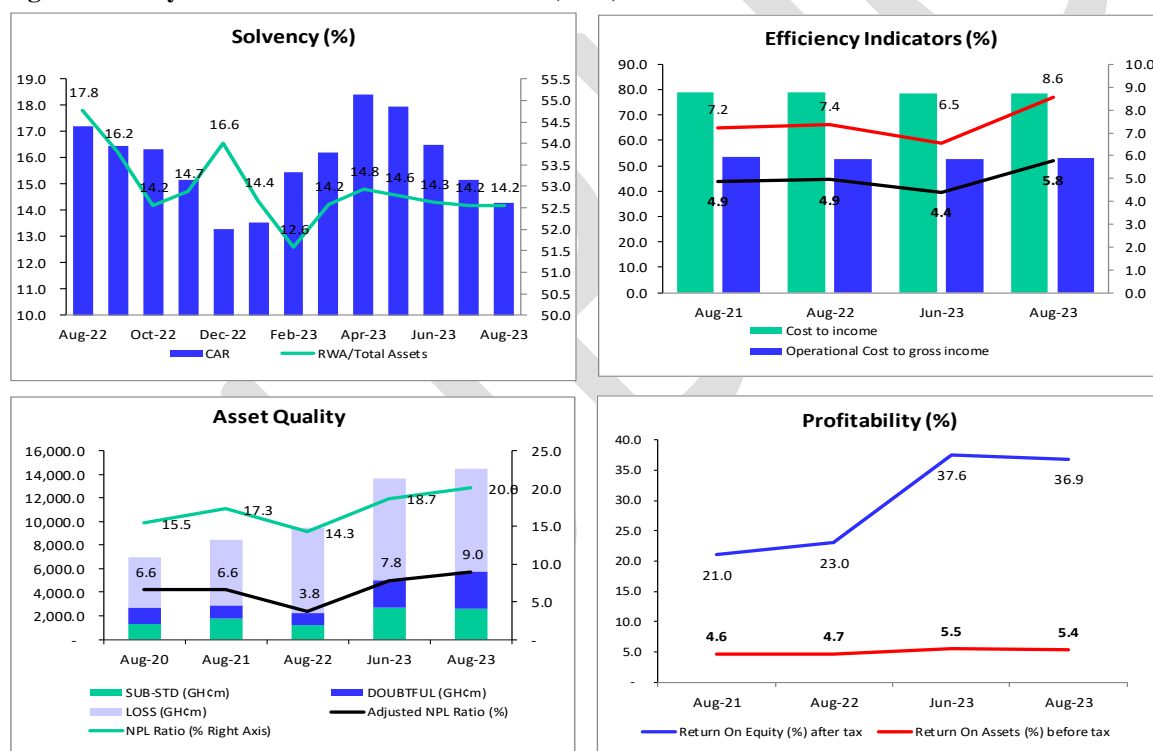
5.3.1 Liquidity Indicators

The industry's liquidity position remained strong in August 2023 compared with the same period in 2022. The ratio of core liquid assets (mainly cash and due from banks) to total assets ratio increased to 25.9 percent in August 2023, from 23.9 percent in August 2022, while the ratio of core liquid assets to total deposits decreased to 33.4 percent in August 2023 from 35.8 percent in August 2022, on the back of the higher growth in deposits. The ratio of broad liquid assets to total deposits, also declined significantly to 84.4 percent in August 2023, from 94.9 percent in August 2022, while broad liquid assets to total assets ratio increased to 65.5 percent from 63.4 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 regulatory reliefs, was 14.2 percent in August 2023, higher than the revised prudential minimum of 10 percent, but lower than 17.8 percent in August 2022. The decline in the CAR remains attributable to the losses incurred by banks on their investments following the DDEP (Phase I).

Figure 5.2: Key Financial Soundness Indicators (FSIs)



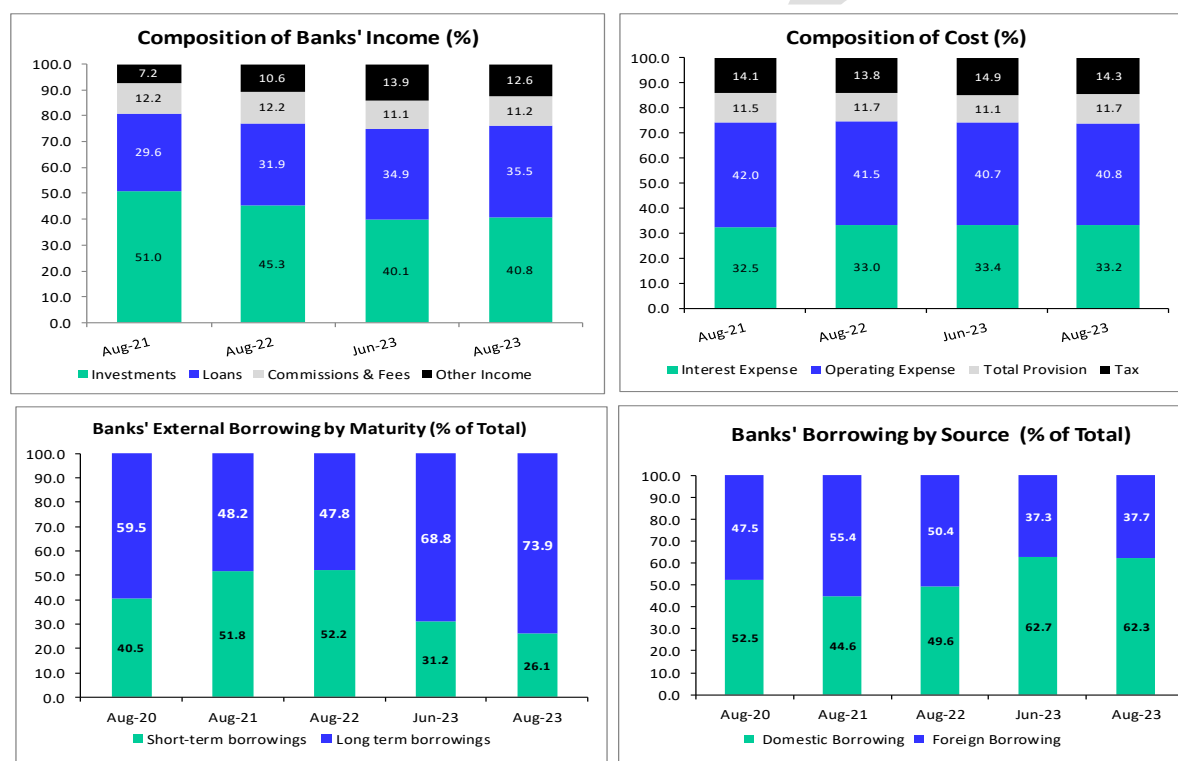
Source: Bank of Ghana Staff Calculations

5.3.3 Profitability

The industry's profit-after-tax increased by 41.1 percent to GH¢5.7 billion in August 2023, compared with the 26.5 percent growth recorded in August 2022. Profit-before-tax also rose by 41.5 percent to GH¢8.6 billion, from GH¢6.1 billion in August 2022 (25.2% year-on-year growth). The higher growth in profit during the first eight months of this year came on the back of higher increases in all the income lines of banks which offset increases in the major cost lines.

Net interest income increased by 37.9 percent to GH¢13.5 billion in August 2023, higher than the corresponding growth of 17.3 percent in August 2022. On year-on-year basis, interest income increased to GH¢20.3 billion from GH¢14.8 billion, representing a higher growth of 37.7 percent in August 2023 compared with 20.6 percent in August 2022. Interest expenses also increased to GH¢6.9 billion in August 2023 from GH¢5.0 billion in August 2022, representing a growth rate of 37.5 percent, compared to 27.9 percent in the same review period. The increase in net interest income was attributed to improved interest income on loans and investments arising from increases in lending rates and the interest rates on money market instruments respectively. The higher growth in interest expenses can also be traced to 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 broadly increased during the period under review. Net fees and commissions increased by 27.3 percent in August 2023, from 26.9 percent in August 2022, whereas growth in other income moderated to 64.6 percent in August 2023 from 85.6 percent growth in August 2022. These developments resulted in a 39.9 percent increase in the industry's net operating income to GH¢11.0 billion in August 2023 compared with the 26.4 percent growth recorded in August 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 40.1 percent in August 2023, compared to 24.3 percent in August 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 36.4 percent in August 2023, compared to the 28.7 percent increase in August 2022, reflecting 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 improvement in profit-before-tax and profit-after-tax, respectively. The ROE rose sharply from 23.0 percent in August 2022 to 36.9 percent in August 2023, while ROA increased from 4.7 percent to 5.4 percent during the same reference period (Figure 5.2 and Annexes Table 5.6).

(b) *Interest Margin and Spread*

Interest spread for the banking sector widened to 8.1 percent in August 2023, from 7.1 percent in August 2022. The increase in the spread was on the back of an increase in gross yield to 12.2 percent in August 2023 from 10.8 percent a year ago, while interest payable increased to 4.1 percent, from 3.6 percent during the same review period. The interest margin to total assets ratio also rose to 5.5 percent in August 2023 from 4.8 percent in August 2022, while interest margin to gross income moderated to 50.5 percent from 51.1 percent during the same reference period. The ratio of gross income to total assets (asset utilisation) increased marginally to 10.9 percent in August 2023 from 9.4 percent in August 2022, while the profitability ratio increased to 21.3 percent from 21.0 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 August 2023, although its share declined to 40.8 percent from 45.3 percent in August 2022. The share of interest income from loans, however, increased to 35.5 percent from 31.9 percent, in line with increases in gross advances and lending rates during the year. The share of banks' income from fees and commissions, on the other hand, moderated to 11.2 percent from 12.2 percent, while the share of income from other sources increased to 12.6 percent from 10.6 percent during the same reference period (Figure 5.3).

5.3.4 Operational Efficiency

The industry remained broadly efficient during the period under review. Cost-to-income ratio improved marginally to 78.7 percent in August 2023, from 78.9 percent in August 2022, while cost-to-total assets ratio weakened to 8.6 percent, from 7.4 percent in the same reference period. Operational cost-to-total assets ratio also went up to 5.8 percent in August 2023 from 4.9 percent in August 2022, reflecting the higher growth in operating expenses during the period under review. The ratio of operational cost to total income also edged up marginally to 53.0 percent, from 52.8 percent, following the pickup in operating expenses in August 2023 compared to the corresponding period last year (Figure 5.2).

5.3.5 Banks' Counterparty Relationships

Total offshore balances increased by 39.7 percent to GH¢15.5 billion in August 2023, compared to the 74.6 percent growth in the corresponding period in the previous year, driven largely by the 12.9 percent increase in Nostro balances in August 2023, compared with the 48.9 percent growth in August 2022. Industry placements also grew at a slower rate of 67.1 percent in August 2023, following the sharp growth of 112.8 percent during the same period last year. The ratio of offshore balances to net worth increased to 65.0 percent in August 2023, from 41.7 percent in August 2022, reflecting the growth in offshore balances, while the industry's net worth contracted during the period under review (Annexes Table 5.8).

The share of banks' external borrowings in total borrowings declined to 37.7 percent in August 2023, from 50.4 percent in August 2022, while the share of domestic borrowings increased to 62.3 percent from 49.6 percent over the same reference period. Banks' external borrowings was skewed towards long-term

instruments, as the share of long-term borrowings in total external borrowings increased sharply to 73.9 percent in August 2023, from 47.8 percent in August 2022, while the share of short-term borrowings declined to 26.1 percent, from 52.2 percent during the period under review (Figure 5.3).

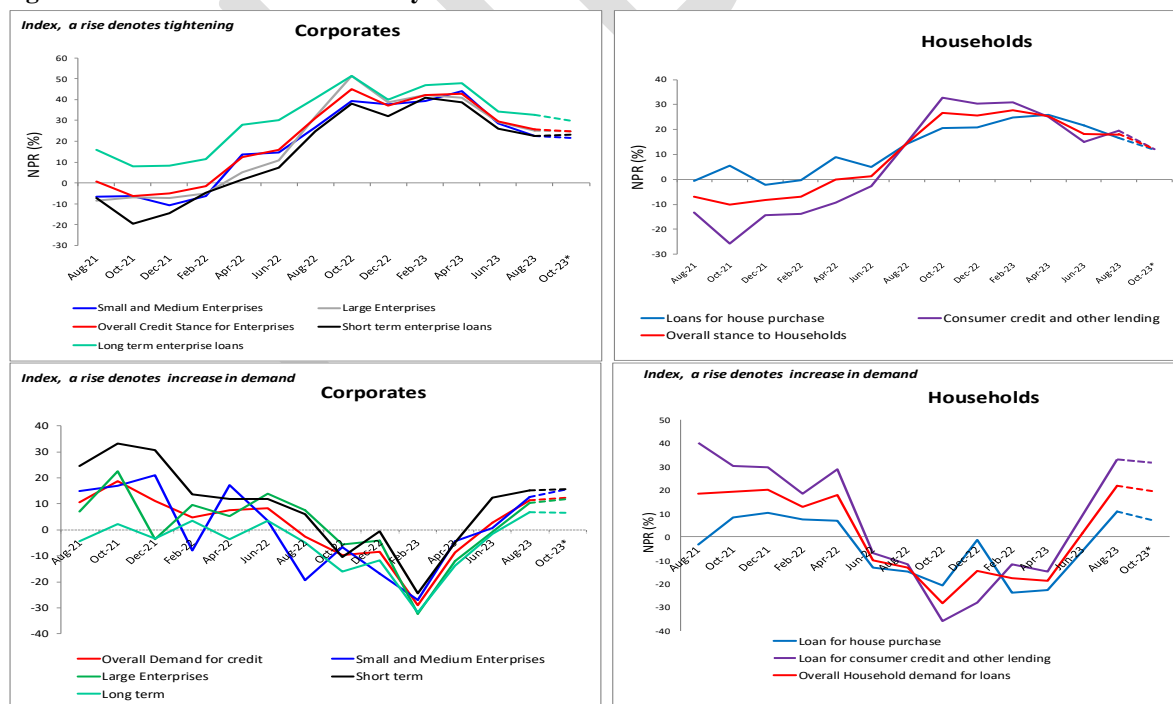
5.4 Credit Conditions Survey

Results of the August 2023 Credit Conditions Survey indicated a net easing in the overall stance on loans to enterprises between July and August 2023, on the back of a net easing stance on all components of enterprise loans. Banks projected their overall stance on enterprise loans to record a net ease in September and October 2023, compared with net ease in all components of enterprise loans apart from short term enterprise loans.

The overall credit stance on loans to households eased marginally during the August 2023 survey round from a net ease in loans for house purchase whereas consumer credit and other lending tightened. Over the next two months, banks project further net easing in the overall stance on loans to households, which will be reflected in loans for house purchases and consumer credit.

The August 2023 survey further indicated an increase in overall demand for enterprise loans from net increases in all components of enterprise loans. Banks project 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 except long-term enterprise loans. Overall credit demand by households also increased sharply between July and August 2023, from a net increase in the demand for loans for house purchase and consumer credit and other lending. Over the next two months, however, banks project 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).

Figure 5.4: Credit Conditions Survey Results



Source: Bank of Ghana Staff Calculations

5.5 Conclusion and Outlook

The banking sector's performance in August 2023 was robust despite weakening in some key financial soundness indicators, particularly asset quality and solvency. The balance sheet of the industry remained healthy, evidenced by sustained increases in total assets, deposits, and loans. Prudential data for the first eight months of 2023 also pointed to higher profit levels, which signal some turnaround from the losses incurred in December 2022 because of the Phase I of the DDEP. Additionally, sustaining the high profits recorded during the review period could be capitalised by banks to improve their solvency positions. The key risks in the outlook remain asset quality risks which are on the upside and could potentially erode some of the gains to be realised from the high profits being posted by the industry, and the potential risk to financial stability from the Phase II of the DDEP.

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Annexes

Table 5.1: Asset and Liability Structure of the Banking Sector

	Aug-20	Aug-21	Aug-22	Jun-23	Aug-23
Components of Assets (% of Total)					
Cash and Due from Banks	21.7	20.7	23.4	27.7	25.9
Investments	42.3	46.5	40.5	37.1	39.7
Net Advances	28.0	25.2	28.1	25.8	25.3
Others	8.0	7.6	8.0	9.4	9.2
Components of Liabilities and Shareholders' Funds (% of Total)					
Total Deposits	64.2	67.1	66.8	77.4	77.6
Total Borrowings	10.6	11.3	11.5	6.6	5.7
Shareholders' Funds	14.2	14.1	13.0	9.2	9.8
Other Liabilities	10.9	7.5	8.7	6.8	7.0

Table 5.2: Credit Growth

Economic Sector	Ghc'million				y/y growth (%)	
	Aug-21	Aug-22	Jun-23	Aug-23	Aug-22	Aug-23
Public Sector	4,934.82	6,452.26	6,754.31	6,430.55	30.7	-0.3
Private Sector	43,936.88	59,648.67	66,370.96	65,998.88	35.8	10.6
- Private Enterprises	31,954.12	43,930.46	46,643.78	47,982.93	37.5	9.2
o/w Foreign	4,267.73	6,717.59	3,219.23	3,393.85	57.4	-49.5
Indigenous	27,686.39	37,212.87	45,424.55	44,589.08	34.4	19.8
- Households	10,355.59	13,837.50	16,208.51	16,925.84	33.6	22.3
Gross Loans	48,871.7	66,100.9	73,125.3	72,429.4	35.3	9.6

Table 5.3: Contingent Liability

	Aug-20	Aug-21	Aug-22	Jun-23	Aug-23
Contingent Liabilities (GHC'million)	10,784.4	14,997.9	23,097.1	19,885.5	18,046.7
Growth (y-o-y)	7.9	36.8	51.8	(12.9)	(30.1)
% of Total Liabilities	8.8	10.6	13.0	9.0	8.2

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

	Aug-21		Aug-22		Jun-23		Aug-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
a. Public Sector	10.1	3.0	9.8	4.1	9.2	4.5	8.9	5.0
i. Government	4.8	1.8	5.1	1.6	4.1	2.3	3.5	3.2
ii. Public Institutions	2.4	0.0	1.8	0.2	1.8	0.0	1.7	0.0
iii. Public Enterprises	2.9	1.1	2.8	2.4	3.3	2.2	3.7	1.8
b. Private Sector	89.9	97.0	90.2	95.9	90.8	95.5	91.1	95.0
i. Private Enterprises	65.4	88.9	66.5	84.4	66.5	84.0	66.2	84.7
o/w Foreign	8.7	5.0	10.2	10.5	4.4	2.6	4.7	2.5
Indigenous	56.7	84.0	56.3	73.9	62.1	81.4	61.6	82.2
ii. Households	21.2	6.4	20.9	9.2	22.2	10.8	23.4	9.6
iii. Others	3.3	1.6	2.8	2.3	2.1	0.7	1.5	0.7

Table 5.5: Liquidity Ratios

	Aug-20	Aug-21	Aug-22	Jun-23	Aug-23
Liquid Assets (Core) - (GHC'million)	29,819.5	30,915.9	48,950.2	67,100.0	63,368.6
Liquid Assets (Broad) - (GHC'million)	92,364.3	111,024.0	129,679.6	156,811.9	160,186.2
Liquid Assets to total deposits (Core)-%	32.5	27.7	35.8	35.8	33.4
Liquid Assets to total deposits (Broad)- %	100.8	99.5	94.9	83.6	84.4
Liquid assets to total assets (Core)- %	20.9	18.6	23.9	27.7	25.9
Liquid assets to total assets (Broad)- %	64.8	66.7	63.4	64.7	65.5

Source: Bank of Ghana Staff Calculations

Table 5.6: Profitability Indicators (%)

	Aug-21	Aug-22	Jun-23	Aug-23
Gross Yield	11.1	10.8	9.1	12.2
Interest Payable	3.5	3.6	3.2	4.1
Spread	7.6	7.1	6.0	8.1
Asset Utilisation	9.1	9.4	8.3	10.9
Interest Margin to Total Assets	5.0	4.8	4.1	5.5
Interest Margin to Gross income	54.9	51.1	49.1	50.5
Profitability Ratio	20.9	21.0	21.3	21.3
Return On Equity (%) after tax	21.0	23.0	37.6	36.9
Return On Assets (%) before tax	4.6	4.7	5.5	5.4

Table 5.7: DMBs' Income Statement Highlights

	Aug-21	Aug-22	Jun-23	Aug-23	Aug-22	Jun-23	Aug-23
	<u>(GH C'million)</u>				<u>Y-on-y Growth (%)</u>		
Interest Income	12,233.3	14,759.1	15,092.6	20,330.3	20.6	44.3	37.7
Interest Expenses	(3,898.4)	(4,985.5)	(5,211.3)	(6,853.8)	27.9	50.0	37.5
Net Interest Income	8,334.9	9,773.6	9,881.2	13,476.4	17.3	41.4	37.9
Fees and Commissions (Net)	1,846.1	2,342.3	2,243.4	2,982.9	26.9	30.6	27.3
Other Income	1,097.0	2,036.4	2,805.7	3,350.9	85.6	84.9	64.6
Operating Income	11,278.0	14,152.3	14,930.3	19,810.2	25.5	46.1	40.0
Operating Expenses	(5,036.2)	(6,261.2)	(6,577.6)	(8,770.0)	24.3	44.9	40.1
Staff Cost (deduct)	(2,717.1)	(3,350.5)	(3,120.0)	(4,193.9)	23.3	26.9	25.2
Other operating Expenses	(2,319.1)	(2,910.7)	(3,457.7)	(4,576.0)	25.5	66.2	57.2
Net Operating Income	6,241.8	7,891.1	8,352.7	11,040.2	26.4	47.0	39.9
Total Provision (Loan losses, Depreciation & others)	(1,377.0)	(1,771.5)	(1,731.9)	(2,416.6)	28.7	32.7	36.4
Income Before Tax	4,865.4	6,093.0	6,620.8	8,623.7	25.2	51.2	41.5
Tax	(1,690.4)	(2,076.3)	(2,320.9)	(2,957.0)	22.8	51.0	42.4
Net Income	3,174.9	4,016.7	4,299.9	5,666.6	26.5	51.4	41.1
Gross Income	15,176.4	19,137.8	20,141.6	26,664.1	26.1	47.1	39.3

Table 5.8: Developments in Offshore Balances

	Aug-20	Aug-21	Aug-22	Jun-23	Aug-23
Offshore balances as % to Networkth	49.3	27.1	41.7	78.3	65.0
Annual Growth in Offshore balances (%)	13.9	-36.4	74.6	67.8	39.7
Annual Growth in Nostro Balances (%)	33.8	-36.7	48.9	77.9	12.9
Annual Growth in Placement (%)	-6.3	-36.1	112.8	58.8	67.1

Source: Bank of Ghana Staff Calculations

6. Inflation Outlook and Analysis

6.0 Global Price Developments

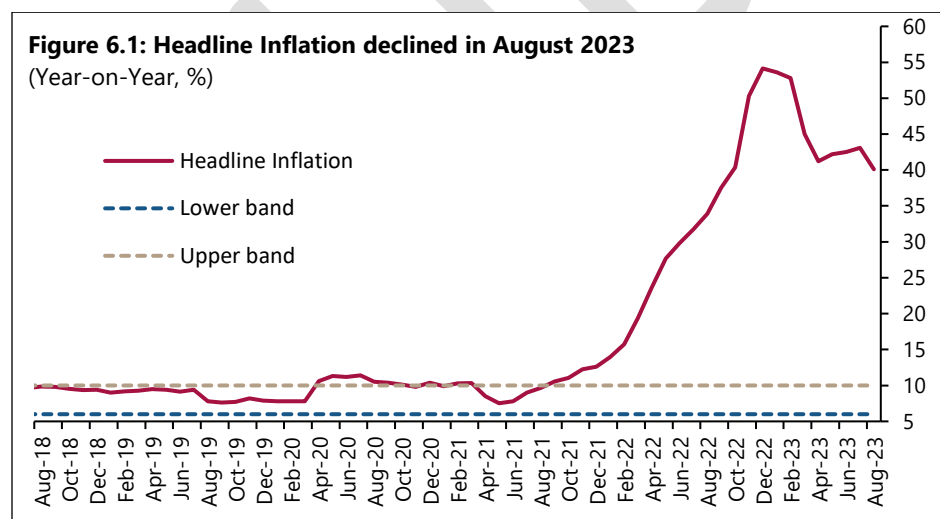
Global economic conditions have broadly weakened, reflecting a loss in momentum in the manufacturing and services sectors, triggered by lower export demand and tighter financing conditions. In line with these developments, global growth in 2023 is projected to slow to 3.0 percent, from the 3.5 percent recorded in 2022. Growth in Emerging Market and Developing Economies is, however, projected to remain unchanged at 4.0 percent in 2023, same as in 2022.

Global headline inflation is projected to decline to 6.8 percent in 2023, down from 8.7 percent in 2022. With declining inflation, long-term inflation expectations for advanced and EMDEs have remained largely anchored, reflecting the continued tightening policy stance of central banks globally. Some risks to the disinflation path remain, particularly, the recent increases in crude oil prices and pass-through effects of past cost shocks could exert some upward pressure on headline inflation globally.

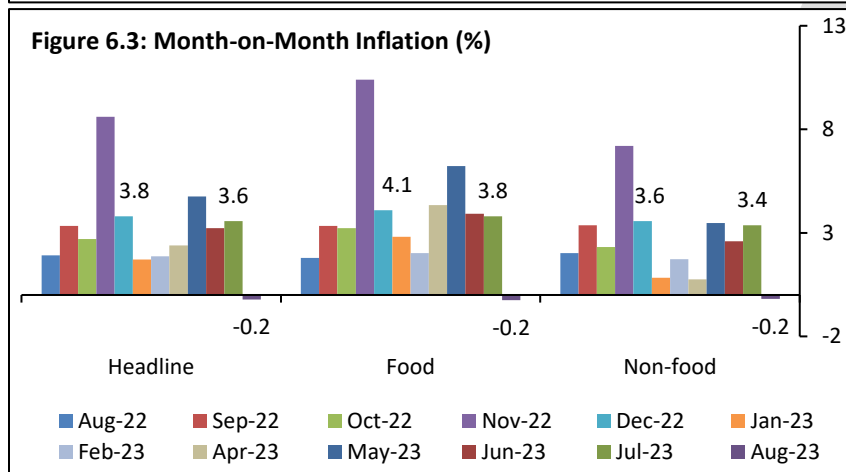
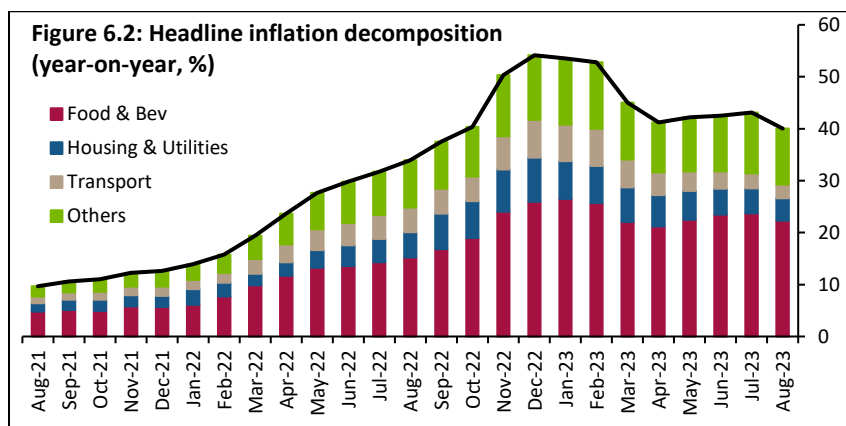
6.1 Domestic Price Developments

Headline inflation eased in August 2023, after increasing for three consecutive months. Headline inflation fell to 40.1 percent in August, from 43.1 percent in July. Food inflation declined sharply by 3.1 percentage points to 51.9 percent in August 2023, while non-food inflation declined by 2.9 percentage points to 30.9 percent over the same period. In line with developments in headline inflation, underlying inflationary pressures also softened in August. Headline inflation, excluding energy and utility prices, declined to 41.0 percent in August 2023, from 44.2 percent in July 2023.

An assessment of inflation dynamics for locally produced and imported items indicated that imported inflation slowed down to 36.2 percent in August, from 45.7 percent in July. This contrasted with local inflation which increased to 42.4 percent from 37.5 percent over the same period.



Source: Bank of Ghana and GSS

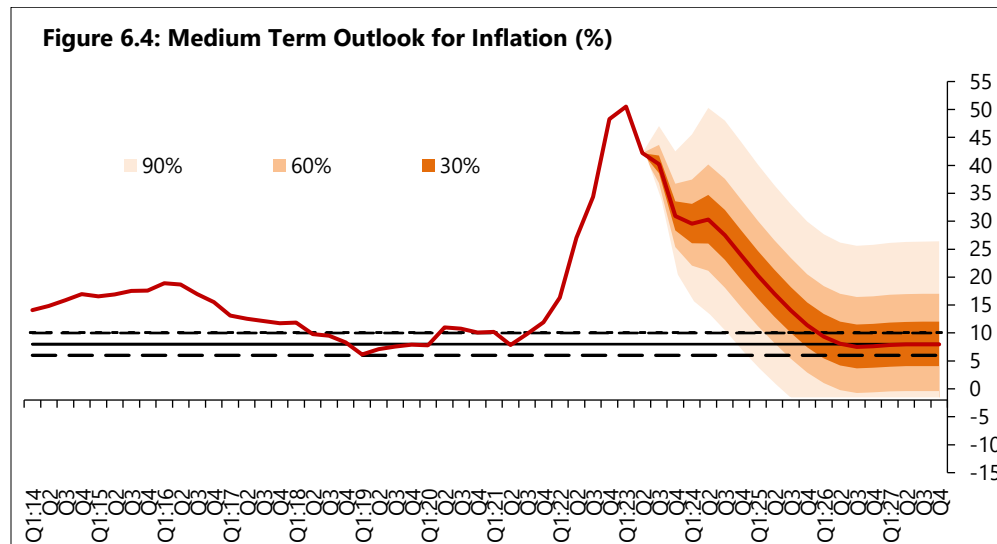


Source: Bank of Ghana and GSS

6.2 Inflation Risk Assessment and Outlook

The tight monetary policy stance and relative exchange rate stability have contributed significantly to the disinflation process observed in the first eight months of the year, notwithstanding the marginal increases witnessed between May and July. Headline inflation has declined by a cumulative 14.0 percent since the peak of 54.1 percent recorded in December 2022. Non-food inflation has also declined sharply by close to 20 percent, broadly reflecting the effectiveness of monetary policy. All the Banks' measures of core inflation are on a downward trend, indicating continued easing of underlying inflationary pressures. In addition, one-year ahead survey-based inflation expectations seem well anchored.

The disinflation process is expected to continue to ensure that headline inflation returns to target in the medium-term. However, risks to the disinflation path include increased utility tariffs and volatility in commodity prices, especially, crude oil prices. These risks to the inflation outlook will be moderated by the tight monetary policy, relative stability in the local currency, and some base drift effects.



Source: Bank of Ghana Staff Calculations

Appendix Headline Inflation (%)

	Combined	Food	Non-food	Combined	Food	Non-food
Dec-20	10.4	14.1	7.7	0.9	1.5	0.4
2021						
Jul	9.0	9.5	8.6	1.6	2.0	1.3
Aug	9.7	10.6	8.7	0.3	0.2	0.3
Sept	10.6	11.5	9.9	0.6	0.0	1.2
Oct	11.0	11.0	11.0	0.6	0.3	1.3
Nov	12.2	13.1	11.6	1.4	2.1	0.9
Dec	12.6	12.8	12.5	1.2	1.2	1.2
2022						
Jan	13.9	13.7	14.1	2.1	2.0	2.2
Feb	15.7	17.4	14.5	2.4	3.2	1.7
Mar	19.4	22.4	17.0	4.0	4.5	3.7
Apr	23.6	26.6	21.3	5.1	5.8	4.6
Jul	31.7	32.3	31.3	3.1	3.3	3.0
Aug	33.9	34.4	33.6	1.9	1.8	2.0
Sep	37.5	38.8	36.5	3.3	3.3	3.4
Oct	40.4	43.7	37.8	2.7	3.2	2.3
Nov	50.3	55.3	46.5	8.6	10.4	7.2
Dec	54.1	59.7	49.9	3.8	4.1	3.6
2023						
Jan	53.6	61.0	47.9	1.7	2.8	0.8
Feb	52.8	59.1	47.9	1.9	2.0	1.7
Mar	45.0	50.8	40.6	-1.2	-0.9	-1.5
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
Jun	42.5	54.2	33.4	3.2	3.9	2.6
Jul	43.1	55.0	33.8	3.6	3.8	3.4
Aug	40.1	51.9	30.9	-0.2	-0.3	-0.2

Source: Ghana Statistical Service

CPI Components (%)

CPI Components (%)																		
	Weights (%)	2020		2021		2022						2023						
		Dec	Dec	Jan	Feb	Mar	Jun	Jul	Aug	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Overall	100.0	10.4	12.6	13.9	15.7	19.4	29.8	31.7	33.9	54.1	53.6	52.8	45.0	41.2	42.2	42.5	43.1	40.1
Food and Beverages	43.1	14.1	12.8	13.7	17.4	22.4	30.7	32.3	34.4	59.7	61.0	59.1	50.8	48.7	51.8	54.2	55.0	51.9
Non-food	56.9	7.7	12.5	14.1	14.5	17.0	29.1	31.3	33.6	49.9	47.8	47.9	40.6	35.4	34.6	33.4	33.8	30.9
Alcoholic Beverages, Tobacco & Narcotics	3.7	6.0	9.6	8.0	9.0	11.4	21.4	21.2	23.7	38.5	43.3	44.5	41.2	37.5	42.1	43.9	48.7	46.4
Clothing and footwear	8.1	7.9	8.6	8.3	9.5	12.2	23.8	24.7	26.2	41.9	43.5	43.7	38.3	34.1	34.0	33.9	36.2	35.4
Housing and Utilities	10.2	20.1	20.7	28.7	25.4	21.4	38.4	43.0	46.7	82.3	71.1	69.6	64.7	59.0	54.0	49.2	47.4	42.2
Furnishings, Household Equipment	3.2	4.7	9.6	11.0	14.4	18.5	39.6	42.0	44.7	71.5	71.7	69.8	67.4	56.3	57.8	54.2	56.9	52.6
Health	0.7	6.0	6.0	5.4	6.9	8.8	12.8	14.1	16.2	34.4	35.0	33.5	27.9	28.7	33.6	37.2	41.2	38.3
Transport	10.1	4.8	17.6	17.4	18.3	27.6	41.6	44.6	45.7	71.4	68.8	70.3	52.0	42.5	36.9	32.3	28.5	26.4
Information and Communication	3.6	7.0	9.0	8.9	10.2	13.4	14.5	14.3	15.0	21.5	22.9	21.1	15.8	14.0	16.1	21.6	22.6	20.4
Recreation & Culture	3.5	1.8	11.4	12.0	12.7	17.0	31.3	33.8	36.4	42.4	41.6	42.0	32.8	27.1	29.2	29.7	32.4	28.7
Education	6.5	0.2	1.0	0.9	1.3	2.9	4.4	5.1	7.2	11.3	10.8	12.4	7.9	7.1	10.5	14.3	17.0	13.0
Hotels, cafes and restaurants	4.6	5.4	8.9	9.1	10.6	12.6	20.2	20.9	22.4	9.2	9.6	9.2	6.9	4.2	5.9	4.7	6.9	7.6
Insurance and Financial services	0.2	3.3	6.3	6.3	2.9	3.0	5.8	5.3	5.4	10.8	11.7	11.5	10.5	10.3	10.2	10.7	11.2	11.1
Personal care, social protection & Miscellaneous services	2.4	3.8	10.6	10.8	13.5	17.0	31.7	33.7	36.0	60.9	63.1	62.5	53.7	48.5	53.4	55.1	60.5	56.3

Source: Ghana Statistical Service