

HIGHLIGHTS OF THE BANK OF GHANA MONETARY POLICY COMMITTEE PRESS RELEASE, MAY 2020

A Ghana Export-Import Bank BoG, MPC Press Release
Infograph

STATE OF THE WORLD ECONOMY

- Global Economic Outlook remains uncertain with the second wave upsurge of the pandemic in other economies.
- The IMF revised its initial growth forecast from contraction of 3% to 4.9% in its June release of World Economic Outlook.
- Projected recovery is to be more gradual than previously projected.
- In emerging markets & developing economies, inflation dynamics will continue to depend on exchange rate movement and covid-19 impact on food prices.

REAL SECTOR DEVELOPMENT

- First quarter GDP growth in 2020 was 4.9% compared to 6.7% during same period in 2019.
- Non-oil growth dipped from 6.0% in first quarter of 2019 to 4.9% during same period in 2020.
- Consumption proxied by domestic VAT receipts dropped.
- BOG composite Index of economic Activities contracted sharply by 10.6% in May 2020 compared to 5.6% growth in May 2019.

INFLATION

Food Prices | Non-Food Prices | Overall

	Food Prices	Non-Food Prices	Overall
Jan-March	8.4%	7.4%	7.8%
April-June	13.9%	9.2%	11.2%

EXPORTS

- In the first half of 2020 total exports contracted by 8.4% year-on-year to US\$7.4 billion,
- Crude oil exports receipts contracted by 37.9% year-on-year.
- Gold export receipts increased by 6.9%
- Cocoa export receipts also went up by 8.7%

IMPORTS

- Total imports contracted by 4.1% to US\$6.4 billion on account of 26.4% contraction in oil and gas imports in line with slowed economic activity.

TRADE SURPLUS

- The development resulted in lower trade surplus of US\$952.7 million (1.4%GDP) compared with US\$1.4billion (2.0%GDP) for the corresponding period of 2019.



CREDIT TO PRIVATE SECTOR

- Annual growth in private sector credit declined to 12.4% in June 2020 compared to 16.8% increase in the same period in 2019.
- In real terms private sector credit expanded marginally by 1.2% compared to 8.6% in June 2019.
- New credit advances grew by 30.4% year-on-year to GHS15.8 billion by end June 2020.

INVESTMENT RATE

	June 2020	June 2019
91 day T-bill :	14.00%	14.80%
182 day T-bill:	14.10%	15.20%
2-year bond	18.80%	19.80%
3-year bond	18.90%	19.70%
5-year bond	19.30%	19.80%
6-year bond	21.00%	Unchanged
7-year bond	16.30%	Unchanged
10-year bond	19.80%	Unchanged
15-year bond	19.80%	Unchanged

- Yield on the 20- year instrument has moved up from 20.3% from September 2019 to 21.7% in June 2020.
- Weighted average interbank rate was 13.8% as of June 2020 compared to 15.2% at the same time in 2019.
- Average lending rate of banks declined from 24.1% to 22% over the same period.

CURRENT ACCOUNT DEFICIT

- Current account deficit for the first half of 2020, improved marginally from a deficit of US\$661.1 million (1.0% GDP) a year ago to a deficit of US\$556.3 million (0.8% of GDP).

MONETARY AND BANKING SECTOR DEVELOPMENT

- Growth in broad money supply (M2+) moderated in June 2020 in line with slowdown in economic activities.
- Annual growth in M2+ declined to 20.1% compared with 22.1% growth in corresponding period in 2019.
- The moderation in the growth of total liquidity was driven by the significant decline in Net Foreign Assets (NFA) to 6.2% from 22.5% over the same period in 2019.
- The growth in M2+ reflected mainly in currency outside banks and domestic deposits.

INTERNAL RESERVES

- Gross internal reserves stood at US\$9.2 billion at end of June 2020, providing cover for 4.3 months of imports of goods and services compared with US\$8.4 billion equivalent of 4.0 months of imports cover recorded at the end of December 2019.
- The local currency depreciated by 2.5% against the US\$ in the year to 23rd July 2020. The comparative depreciation was 8.3% a year ago.

DEFICIT

- Budget deficit of 6.3% of GDP was recorded in the first half, against a target of 3.0% GDP.
- These were due to revenue under-performance and increased Covid-19 related spendings.
- The overall budget deficit for 2020 has been reviewed upwards to 11.4% of GDP from the earlier 4.7% of GDP

- Total revenue and grants for the year 2020 has been revised downwards to GHS53.7 billion (13.9% of GDP) from the initial target of GH67.1 billion (16.9% of GDP).
- Expenditure and arrears clearance is projected to rise to GH97.7 billion (25.4% of GDP) from earlier target of GHS86.0 billion (21.6% of GDP).
- Primary balance is also projected at a deficit of 4.6% of GDP from the initial target of surplus of 0.7% GDP.
- Public debt stock rose to 67% of GDP (GHS 258 billion) at the end of June 2020 compared with 62.4% of GDP (GHS218.2 billion) at end December 2019.
- Of the total debt stock domestic debt was GHS122.1 billion (31.7 % of GDP) while external debt was GHS 136.3 billion (35.4% of GDP).

Source: Bank of Ghana Monetary Policy Committee, Press Release, July 2020

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