GCB BANK LIMITED

Planning and Research Monthly/Quarterly Economic Updates **Issue 27** **October 2021**

CONTENT

Key Macroeconomic Indicators and Forecast	Actual											Forecast	
	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
GDP (%)	0.4%			3.3%			3.6%*			4.2%*			4.4%
Inflation (Consumer Price Index)	10.4%	9.9%	10.3%	10.3%	8.5%	7.5%	7.8%	9.0%	9.7%	10.6%	10.5%*	10.4%	10.3%
MPR (Monetary Policy Rate)	14.5%	14.5%	14.5%	14.5%	14.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%
91-Day Treasury Bill	14.1%	14.1%	13.1%	12.9%	12.8%	12.8%	12.7%	12.6%	12.5%	12.5%	12.5%	12.4%	12.4%
182-Day Treasury Bill	14.1%	14.1%	14.0%	13.7%	13.6%	13.5%	13.4%	13.4%	13.2%	13.2%	13.2%	13.1%	13.1%
1-Year Bond Rate	17.0%	17.0%	16.9%	16.6%	16.5%	16.5%	16.3%	16.4%	16.1%	16.1%	16.3%	16.2%	16.1%
FX Rate (USD/GHS)	5.7602	5.7604	5.7374	5.7288	5.7322	5.7473	5.7626	5.8011	5.8517	5.8663	5.9009	5.9540	6.0255
FX Rate (GBP/GHS)	7.8742	7.8996	7.9945	7.8619	7.9222	8.1672	7.9590	8.0633	8.0482	7.9140	8.0816	8.0840	8.0864
FX Rate (EUR/GHS)	7.0643	6.9929	6.9545	6.7182	6.8958	7.0268	6.8333	6.8808	6.9068	6.7952	6.8231	6.8251	6.8271
Gold (US$/oz)	1,895.10	1,850.30	1,728.80	1,715.60	1,767.70	1,905.30	1,771.60	1,817.20	1,818.10	1,868.24	1,783.90	1,806.65	1,815.01
Cocoa (US$/ton)	2,424.35	2,401.55	2,507.04	2,347.85	2,382.00	2,456.00	2,363.34	2,356.79	2,484.58	2,574.00	2,461.66	2,459.45	2,562.17
WTI (US$/bbl)	48.52	52.20	61.50	59.16	63.58	66.32	73.47	73.95	68.50	67.63	83.57	82.46	82.24
Brent (US$/bbl)	51.80	55.53	64.42	62.74	66.76	69.32	74.62	76.33	72.99	72.38	83.72	83.12	83.25
*Forecast - GDP, Inflation													

Executive Summary

Macro Indicators	Current Situation	Outlook
Economic growth	• Provisional real GDP growth rate including Oil and Gas was 3.9% (year on year) in the second quarter of 2021. In the same period of 2020, the growth was -5.7%. • GDP growth rate without oil and gas (Non-Oil GDP) for the second quarter of 2021 was 5.2% which compares to the same period in 2020 with a growth rate of -5.8%. • The Service sector recorded the highest growth of 11.0% and was followed by the Agriculture sector with a growth of 5.5%. The Industry sector contracted by 4.3 percent.	• In the outlook, we forecast real GDP growth of 4.4% in 2021 compared to 0.4% in 2020. The hydrocarbons sector is expected to be one of the main drivers of growth in 2021. Also, gold production, a bounce back in the service sector and agriculture sector benefiting from government efforts to improve cocoa yields will drive the growth.
Fiscal Policy	• Provisional data on the budget execution for the period January to July 2021 indicated an overall broad cash fiscal deficit of 6.1 percent of GDP, against the target of 5.7 percent of GDP. This was due to higher revenue shortfalls. • The corresponding primary balance was a deficit of 1.9 percent of GDP compared to the target deficit of 1.3 percent of GDP. • Over the period, total revenue and grants amounted to GH¢34.3 billion (7.8 percent of GDP), below the projected GH¢38.8 billion (8.8 percent of GDP). • Total expenditures and arrears clearance amounted to GH¢61.1 billion (13.9 percent of GDP), which was below the programmed target of GH¢63.8 billion (14.5 percent of GDP).	• Looking ahead, revenue growth will rebound in 2021, but come in below official targets. This will be on the back of improving economic conditions resulting in higher receipts from personal income and business taxes, value-added tax (VAT) and taxes on international trade. • We expect that expenditure will remain elevated in the coming months. Public sector salaries and benefits will remain the largest non-interest expenditure item, followed by grants to other government units. • The fiscal deficit is expected to narrow to 9.8% of GDP in 2021 from 11.7% of GDP in 2020.
Debt Sustainability	• Developments in the fiscal space impacted on the stock of public debt which increased to 76.4 percent of GDP (GH¢335.9 billion) at the end of July 2021, compared with 76.0 percent of GDP (GH¢291.6 billion) at the end of December 2020. • Of the total debt stock, domestic debt was GH¢173.4 billion (39.5 percent of GDP) while the external debt was GH¢162.5 billion (37.0 percent of GDP).	• Our expectation is that public borrowing will continue to rise to cover the shortfalls in the coming quarters, and forecast total public debt rising from 76% of GDP in 2020 to 78% in 2021. This reflects plans by government to issue up to USD2.0bn worth of 'green' and 'social' bonds by November.
Inflation	• The latest reading showed significant increase in headline inflation from 9.7 percent in August 2021, to 10.6 percent in September and above the upper limit of the medium-term target band of BoG. The upward trajectory of inflation was mainly driven by a surge in food prices over the period. • Food inflation increased from 10.6 percent in August to 11.5% percent in September. • Non-food inflation also rose marginally from 8.7 percent to 9.9 percent over the same comparative months.	• Ongoing supply-side pressures will keep inflation high over the remainder of the year and a little over the upper limit of the medium term target of 6-10% of the BoG. • We forecast inflation to end the year 2021 at **10.3±0.2%,** from 10.4% in 2020. For the month of October 2021, we forecast inflation of **10.5±0.2%.**
Interest Rate	• The 91-day and 182-day Treasury bill rates declined to 12.45 percent and 13.15 percent respectively in October 2021 from 12.49 percent and 13.22 percent for both instruments in September 2021. The corresponding period a year ago was 14.06 percent for the 91-day and 14.12 percent for 182-day. • Conversely, the rate on the 364-day Government instrument went up marginally to 16.26 percent in October from 16.14 percent in September. It stood at 16.99 percent over the same comparative period in 2020. • The monetary policy rate was unchanged at 13.5% in the last MPC meeting in September 2021 with the committee sighting fairly balanced risks to inflation and growth in the outlook as the basis of maintaining the policy rate. • The interbank market rate inched up marginally to 12.67% in the month of October from 12.61% in September largely due to liquidity squeeze on the interbank market and the uptick in inflation.	• We expect the BoG to hold its Monetary Policy Rate (MPR) at 13.50% until end-2021, as risks to the growth and inflation outlooks remain finely balanced. Economic growth will accelerate in 2021, but uncertainty over Ghana's vaccine rollout will continue to pose significant downside risks to growth. This will disincentivise the BoG from hiking, despite inflation remaining relatively elevated. We expect the BoG to hike the MPR by 100bps to 14.50% by end-2022 as risks to the growth outlook fade. • We forecast interest rates on the short end of the money market to be relatively stable for the rest of 2021 with the 91-day and 182-day bill projected at **12.4%** and **13.1%** respectively by the end of the year. The 364-day instrument is also forecast at **16.1%** for the same period.
Exchange Rate	• The cedi has been under some minimal pressure in the month of October due to demand pressures by traders importing goods for the festive season as well as capital flow reversals by portfolio investors on the bonds market. • The cedi depreciated against the dollar, GBP and EUR by 0.59%, 2.07% and 0.41% respectively in the month of October 2021. • Year to date, the cedi has depreciated by 2.38% and 2.57% against the dollar and GBP respectively. It has however appreciated by 3.54% against the EUR. • Year on Year, the cedi has seen a cumulative depreciation of 3.24%, 8.54 and 2.24% respectively to the dollar, GBP and the EUR.	• We believe that the cedi will continue to weaken over our short-term forecast period, and fall from a spot rate of 5.97GHS:USD to **GHS6.03:USD** by end-2021. • Subdued sentiment, amid a stable short-term outlook for the US dollar and demand pressures for dollar to import goods for the festive season, will exert some mild downward pressure on the cedi during the rest of the year. • Also, we believe that the inflow from the $1.5 billion Cocoa Syndication loan to boost an already strong reserve position (in excess of five months of import cover) should provide enough buffer to see the cedi through the rest of this year. • We therefore project the cedi to be trading at **GHS5.95:US$1, GHS8.09:£1** and **GHS6.83:€1** respectively by the end of November of 2021.
Business Impact	• Opportunity to Invest in Long Term Attractive Govt. Securities • Key Sectors for Targeting: Hotels & Restaurants, Cocoa Sub-sector, Import trade etc. • Trade Transactions • Credit Risk on the high	

02 Economic Developments

Global Overview-*Recovery During a Pandemic-Health Concerns, Supply Disruptions, and Price Pressures.*

The global economic recovery is continuing, even as the pandemic resurges. The fault lines opened up by COVID-19 are looking more persistent—near-term divergences are expected to leave lasting imprints on medium-term performance. Vaccine access and early policy support are the principal drivers of the gaps. Rapid spread of Delta and the threat of new variants have increased uncertainty about how quickly the pandemic can be overcome. Policy choices have become more difficult, confronting multidimensional challenges—subdued employment growth, rising inflation, food insecurity, the setback to human capital accumulation, and climate change—with limited room to maneuver.

The global economy is projected to grow at 5.9 percent in 2021 and 4.9 percent in 2022 (0.1 percentage point lower for 2021 than in the July 2021 World Economic Outlook (WEO) Update). The downward revision for 2021 reflects a downgrade for advanced economies—in part due to supply disruptions—and for low-income developing countries, largely due to worsening pandemic dynamics. This is partially offset by stronger near-term prospects among some commodity-exporting emerging market and developing economies.

Beyond 2022 global growth is projected to moderate to about 3.3 percent over the medium term. Advanced economy output is forecast to exceed pre-pandemic medium-term projections—largely reflecting sizable anticipated further policy support in the United States. By contrast, persistent output losses are anticipated for the emerging market and developing economy group due to slower vaccine rollouts and generally less policy support compared to advanced economies.

Headline inflation rates have increased rapidly in the United States and in some emerging market and developing economies. In most cases, rising inflation reflects pandemic-related supply-demand mismatches and higher commodity prices compared to their low base from a year ago. Price pressures are expected to subside in 2022. In some emerging market and developing economies, price pressures are expected to persist because of elevated food prices, lagged effects of higher oil prices, and exchange rate depreciation lifting the prices of imported goods. However, great uncertainty surrounds inflation prospects—primarily stemming from the path of the pandemic, the duration of supply disruptions, and how inflation expectations may evolve in this environment.

Overall, the balance of risks for growth is tilted to the downside. The major source of concern is that more aggressive SARS-CoV-2 variants could emerge before widespread vaccination is reached.

Table 1: Overview of the World Economic Outlook Projections

Table 1.1. Overview of the *World Economic Outlook* Projections
(Percent change, unless noted otherwise)

		Projections		Difference from July 2021 WEO *Update*[1]		Difference from April 2021 WEO[1]	
	2020	2021	2022	2021	2022	2021	2022
World Output	**–3.1**	**5.9**	**4.9**	**–0.1**	**0.0**	**–0.1**	**0.5**
Advanced Economies	**–4.5**	**5.2**	**4.5**	**–0.4**	**0.1**	**0.1**	**0.9**
United States	–3.4	6.0	5.2	–1.0	0.3	–0.4	1.7
Euro Area	–6.3	5.0	4.3	0.4	0.0	0.6	0.5
Germany	–4.6	3.1	4.6	–0.5	0.5	–0.5	1.2
France	–8.0	6.3	3.9	0.5	–0.3	0.5	–0.3
Italy	–8.9	5.8	4.2	0.9	0.0	1.6	0.6
Spain	–10.8	5.7	6.4	–0.5	0.6	–0.7	1.7
Japan	–4.6	2.4	3.2	–0.4	0.2	–0.9	0.7
United Kingdom	–9.8	6.8	5.0	–0.2	0.2	1.5	–0.1
Canada	–5.3	5.7	4.9	–0.6	0.4	0.7	0.2
Other Advanced Economies[2]	–1.9	4.6	3.7	–0.3	0.1	0.2	0.3
Emerging Market and Developing Economies	**–2.1**	**6.4**	**5.1**	**0.1**	**–0.1**	**–0.3**	**0.1**
Emerging and Developing Asia	–0.8	7.2	6.3	–0.3	–0.1	–1.4	0.3
China	2.3	8.0	5.6	–0.1	–0.1	–0.4	0.0
India[3]	–7.3	9.5	8.5	0.0	0.0	–3.0	1.6
ASEAN-5[4]	–3.4	2.9	5.8	–1.4	–0.5	–2.0	–0.3
Emerging and Developing Europe	–2.0	6.0	3.6	1.1	0.0	1.6	–0.3
Russia	–3.0	4.7	2.9	0.3	–0.2	0.9	–0.9
Latin America and the Caribbean	–7.0	6.3	3.0	0.5	–0.2	1.7	–0.1
Brazil	–4.1	5.2	1.5	–0.1	–0.4	1.5	–1.1
Mexico	–8.3	6.2	4.0	–0.1	–0.2	1.2	1.0
Middle East and Central Asia	–2.8	4.1	4.1	0.1	0.4	0.4	0.3
Saudi Arabia	–4.1	2.8	4.8	0.4	0.0	–0.1	0.8
Sub-Saharan Africa	–1.7	3.7	3.8	0.3	–0.3	0.3	–0.2
Nigeria	–1.8	2.6	2.7	0.1	0.1	0.1	0.4
South Africa	–6.4	5.0	2.2	1.0	0.0	1.9	0.2
Memorandum							
World Growth Based on Market Exchange Rates	–3.5	5.7	4.7	–0.3	0.1	–0.1	0.6
European Union	–5.9	5.1	4.4	0.4	0.0	0.7	0.5
Middle East and North Africa	–3.2	4.1	4.1	0.0	0.4	0.1	0.4
Emerging Market and Middle-Income Economies	–2.3	6.7	5.1	0.2	–0.1	–0.2	0.1
Low-Income Developing Countries	0.1	3.0	5.3	–0.9	–0.2	–1.3	0.1
World Trade Volume (goods and services)	**–8.2**	**9.7**	**6.7**	**0.0**	**–0.3**	**1.3**	**0.2**
Imports							
Advanced Economies	–9.0	9.0	7.3	–0.7	–0.3	–0.1	0.9
Emerging Market and Developing Economies	–8.0	12.1	7.1	0.7	0.0	3.1	–0.3
Exports							
Advanced Economies	–9.4	8.0	6.6	0.0	0.0	0.1	0.2
Emerging Market and Developing Economies	–5.2	11.6	5.8	0.8	–0.9	4.0	–0.2
Commodity Prices (US dollars)							
Oil[5]	–32.7	59.1	–1.8	2.5	0.8	17.4	4.5
Nonfuel (average based on world commodity import weights)	6.7	26.7	–0.9	0.2	–0.1	10.6	1.0
Consumer Prices							
Advanced Economies[6]	0.7	2.8	2.3	0.4	0.2	1.2	0.6
Emerging Market and Developing Economies[7]	5.1	5.5	4.9	0.1	0.2	0.6	0.5
London Interbank Offered Rate (percent)							
On US Dollar Deposits (six month)	0.7	0.2	0.4	–0.1	0.0	–0.1	0.0
On Euro Deposits (three month)	–0.4	–0.5	–0.5	0.0	0.0	0.0	0.0
On Japanese Yen Deposits (six month)	0.0	–0.1	0.0	–0.1	0.0	0.0	0.0

Source: IMF staff estimates.
Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during July 23–August 20, 2021. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. WEO = *World Economic Outlook*.
[1]Difference based on rounded figures for the current, July 2021 WEO *Update*, and April 2021 WEO forecasts.
[2]Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.
[3]For India, data and forecasts are presented on a fiscal year basis, and GDP from 2011 onward is based on GDP at market prices with fiscal year 2011/12 as a base year.

Ghana Economic Growth- ***Growth to rebound in 2021 on the back of hydrocarbons, mining, agriculture and service sectors.***

Provisional real GDP growth rate including Oil and Gas was 3.9% (year on year) in the second quarter of 2021. In the same period of 2020, the growth was -5.7%. GDP growth rate without oil and gas (Non-Oil GDP) for the second quarter of 2021 was 5.2% which compares to the same period in 2020 with a growth rate of -5.8%. The Service sector recorded the highest growth of 11.0% and was followed by the Agriculture sector with a growth of 5.5%. The Industry sector contracted by 4.3 percent.

In absolute value terms, real GDP (Including Oil & Gas) for the 2nd quarter of 2021 was GH¢39,162.2 million compared to GH¢37,710.3 million in the 2nd quarter of 2020. The Non-oil real GDP for the 2nd quarter of 2021 was GH¢36,369.9 million compared to GH¢34,580.9 million in the 2nd quarter of 2020.

Nominal GDP in purchaser's value for the 2nd quarter of 2021 was GH¢101,945.7 million compared to GH¢88,470.1 million in the 2nd quarter of 2020. The Non-oil nominal GDP (GDP without Oil and Gas) for the 2nd quarter of 2021 was GH¢97,489.6 million compared to GH¢85,661.5 million in the 2nd quarter of 2020.

The Services sector was the largest sector of the Ghanaian economy in the second quarter of 2021 with a share of 50 percent of GDP at basic prices. The GDP share of Industry and Agriculture were 29 percent and 21 percent respectively.

Main sub-sectors that expanded in quarter two of 2021 were:

- Water Supply, Sewerage, Water Management & Remediation Activities (20.5%);
- Information & Communication (20.0%);
- Hotel & Restaurants (18.7%);
- Real Estate (13.8%);
- Fishing (12.7%);
- Forestry & Logging (11.9%);
- Education (11.8%);
- Trade, Repair of Vehicles, House Goods (10.7%);
- Electricity (9.5%);
- Manufacturing (8.3%).

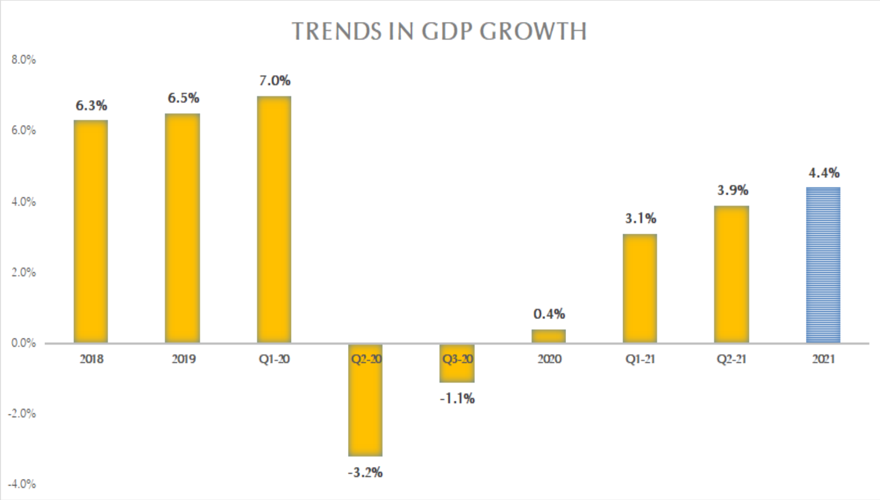
The Sub-sector that contracted in quarter two of 2021 was:

- Mining & Quarrying (-18.9%).

In addition to the above, the BoG's update of the Composite Index of Economic Activity (CIEA) for July 2021 reflected continued recovery in domestic economic activity. The real CIEA recorded a 20.0 percent year-on-year growth in July 2021, compared with 20.2 percent in June 2021, and 3.9 percent growth in July 2020. The growth in the indicators were somewhat broad-based with port activity, imports, domestic VAT, and air-passenger arrivals accounting for the increase.

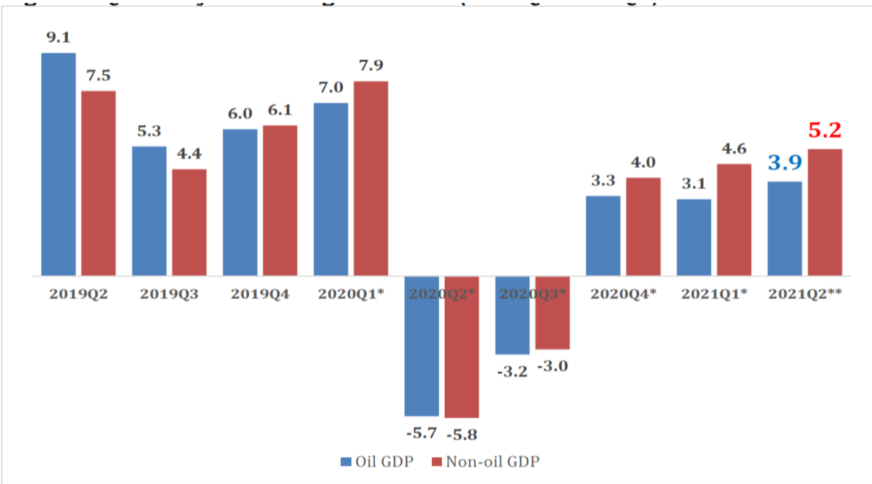
The Ghana Purchasing Managers Index fell in August 2021 mainly on the back of rising input costs. The decline in the Purchasing Managers Index was consistent with the results of the BoG's latest confidence surveys, conducted in August 2021, and which indicated some softening of business sentiments. The survey results revealed the inability of businesses to meet their short-term company targets driven by high input costs, unavailability of raw materials, weak consumer demand, and rising labour costs. Consumer confidence, on the other hand improved, reflecting optimism about current and future economic conditions.

Fig 1: Trends in Real GDP Growth Rate



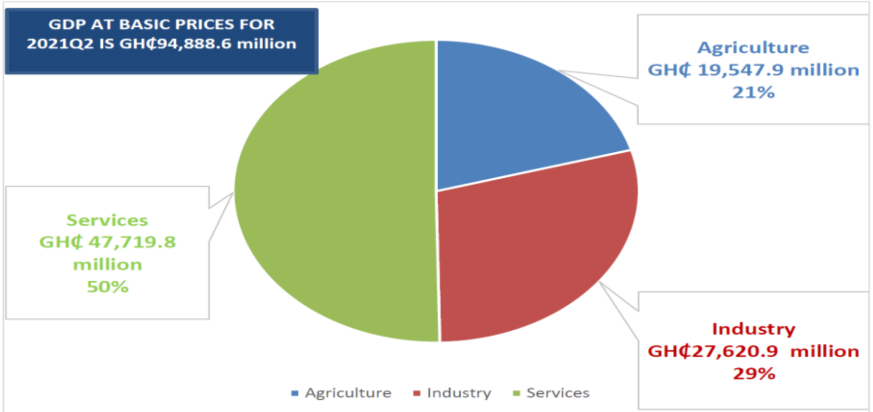
Source: Ghana Statistical Service (GSS)

Fig 2: Quarterly real GDP growth rate (2019Q1-2021Q1)



Source: Ghana Statistical Service (GSS)

Fig 3: Sectoral distribution (%) of nominal GDP at Basic Prices



Source: Ghana Statistical Service (GSS)

Table 2 Year-on-year growth rates in 2nd quarter of 2021

Sector	Expanding sub-sectors		Contracting sub-sectors	
Agriculture (5.5%)	Fishing	12.7%		
	Forestry & Logging	11.9%		
	Livestock	5.7%		
	Crops	4.5%		
Industry (-4.3%)	Water Supply, Sewerage, Waste Management & Remediation Activities	20.5%	Mining & Quarrying	-18.9%
	Electricity	9.5%		
	Manufacturing	8.3%		
	Construction	2.4%		
Services (11.0%)	Health & Social Work	22.5%		
	Information & Communication	20.0%		
	Hotel & Restaurants	18.7%		
	Real Estate	13.8		
	Education	11.8%		
	Trade, Repair of Vehicle, Household Goods	10.7%		
	Transport & Storage	7.6%		
	Public Administration & Defence, Social Security	6.6%		
	Finance & Insurance	5.1%		
	Other Personal Service Activities	4.9%		
	Professional, Administrative & Support	3.1%		

Source: Ghana Statistical Service (GSS)

In the outlook, the economy narrowly avoided recession in 2020, achieving real GDP growth of 0.4%. We forecast real GDP growth of 4.4% in 2021, as global and domestic conditions pick up, and it will be fairly broad-based across the main sectors. GoG, EIU, IMF and Fitch Solutions are projecting a GDP growth of 5.1%, 4.8%, 4.7% and 4.8% respectively. Oil output volumes will tick up slightly in 2021, from a modest dip in 2020. Gold production is expected to continue to rise amid high global prices, combined with government efforts to curtail illegal mining, which will boost formal sector activity. Services will recover in 2021, as most strict containment measures are lifted, although some restrictions will remain. The agricultural sector will register growth, benefiting from government investment to improve cocoa yields.

In the medium term our expectation is that real GDP growth will average 3.9%, as we do not expect a return to the strong pre-pandemic annual growth rates of 6- 8%, as growth in the oil sector is constrained. The government is keen to develop the hydrocarbons sector, but we expect oil production to stay broadly flat at existing fields, and development work at new sites will be slow. In 2020 the Ministry of Energy mandated that the existing

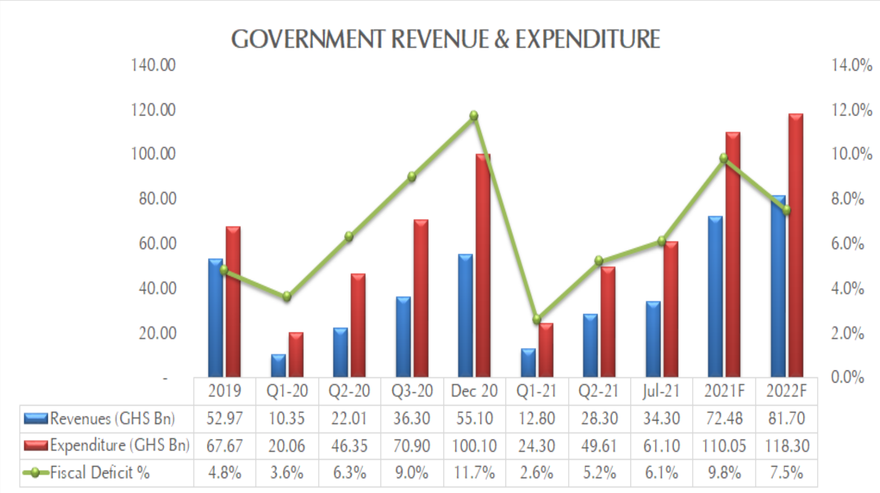
Sankofa oilfield (operated by Italy's Eni) unify operations with the adjoining Afina oilfield (managed by a Ghanaian energy company, Springfield), which has not yet been developed. Eni is disputing this ruling, arguing that unifying the fields is not commercially viable. We expect the legal case to be protracted, and therefore do not expect a jump in output from the site. Output at Ghana's other two oilfields—Jubilee and Tweneboa Enyenra Ntomme—will also remain flat. A final investment decision (FID) on Pecan, an offshore oilfield (managed by Aker Energy, a Norwegian firm) was originally scheduled for 2020, but was delayed indefinitely owing to the fallout from the pandemic. The firm is working on a revised plan for the field, with the intention of submitting the proposal to the government by the end of 2021. We expect the FID to be reached in 2022, but production would be unlikely until 2024. With output from existing fields staying broadly flat, oil production volumes are expected to remain stable in 2021-24 and increase from 2025, assuming that Pecan comes online.

Output from the gold sector will remain broadly flat in 2022, then increase from 2023 as the Ahafo North mine begins production. The agricultural sector will continue to grow, with increases in cocoa output and agro-processing through the Ghana CARES initiative. As the rollout of vaccines picks up from 2022, allowing lifting of restrictions, services will record stronger growth. Accordingly, real GDP growth will pick up to about 4.8% in 2022, and then decline gradually, to 4.5% by 2025.

Fiscal Policy- ***Elevated Spending Will See Ghana Maintain Wide Budget Deficits of 9.8% in 2021.***

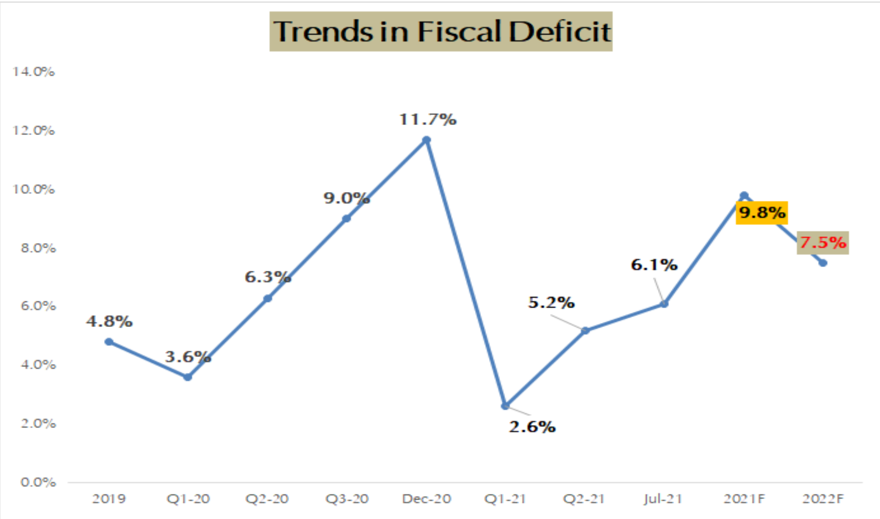
On fiscal policy, provisional data on the budget execution for the period January to July 2021 indicated an overall broad cash fiscal deficit of 6.1 percent of GDP, against the target of 5.7 percent of GDP. This was due to higher revenue shortfalls. The corresponding primary balance was a deficit of 1.9 percent of GDP compared to the target deficit of 1.3 percent of GDP. Over the period, total revenue and grants amounted to GH¢34.3 billion (7.8 percent of GDP), below the projected GH¢38.8 billion (8.8 percent of GDP). Total expenditures and arrears clearance amounted to GH¢61.1 billion (13.9 percent of GDP), which was below the programmed target of GH¢63.8 billion (14.5 percent of GDP).

Fig 4: Trends in Budget Deficit



Source: MoFEP/Budget Statement

Fig 5: Trends in Budget Deficit



Source: MoFEP/Budget Statement

Looking ahead, we continue to forecast a Ghanaian fiscal deficit of 9.8% of GDP in 2021 (GoG forecast of 9.5%), reflecting a slight narrowing from 11.7% in 2020, when the economic downturn caused by the Covid-19 pandemic caused revenue growth to slow. Meanwhile, expenditure accelerated as the government rolled out a fiscal support package (worth around 1.8% of GDP).

Revenue growth will rebound in 2021, but come in below official targets. Robust growth in real GDP (we forecast 4.4%) will result in revenues rising substantially – from 13.6% of GDP to a forecast of about 15.8% (GHS70.6bn) – as improving economic conditions result in higher receipts from personal income and business taxes, value-added tax (VAT) and taxes on international trade. The government has also introduced several measures to bolster revenues, including increasing the VAT rate (from 12.5% to 13.5%), new levies (including a 'pollution and sanitation levy'), and reforms to widen the tax net and increase the effectiveness of the revenue authority, notably through increased digitisation. However, to date, the impact of the government's tax measures has been mixed. According to the latest MPC report, total revenues as at July performed below target, largely as a result of 'shortfalls in personal, self-employed, corporate and excise taxes'. We expect revenue growth to continue to underperform in the coming months, with our lower forecast for real GDP growth in 2021 to the official government forecast which is 5.1% – pointing to a lower full-year tax take than the government anticipated in its 2021 budget.

We expect that expenditure will remain elevated in the coming months, and rise from 24.7% of GDP in 2020 to 25.6% (GHS114.6bn) in 2021. Public sector salaries and benefits will remain the largest non-interest expenditure item, followed by grants to other government units. The government expects the former to rise by 7.2% to GHS30.3bn in 2021, but we anticipate that growing political pressure for larger pay increases (as evidenced by threats in late July and October of nationwide strike action by university staff and health workers over pay demands) to result in higher-than expected expenditure. The budget also includes funding for the second phase of the government's Ghana CARES 'Obaatanpa' coronavirus support and recovery scheme, which includes funding to develop public healthcare capacity, procure vaccines, and provide support for local communities and businesses. These measures will come at the expense of general procurement expenditure, and capital expenditure (capex), funding for which will both be trimmed in 2021. As a result, capex will likely fall from 12.1% of total expenditure to 10.2% in 2021. The budget deficit will narrow in 2022, albeit to a still-wide 7.5% of GDP, as expenditure growth moderates in line with the government's medium-term fiscal consolidation plans.

Debt Sustainability-*Ghana's debt likely to remain above the debt sustainability level with a forecast of 78% of GDP in 2021.*

Developments in the fiscal space impacted on the stock of public debt which increased to 76.4 percent of GDP (GH¢335.9 billion) at the end of July 2021, compared with 76.0 percent of GDP (GH¢291.6 billion) at the end of December 2020. Of the total debt stock, domestic debt was GH¢173.4 billion (39.5 percent of GDP) while the external debt was GH¢162.5 billion (37.0 percent of GDP).

Fig 6: Public Debt Development

	External Debt	Domestic Debt	Total Public Debt
2019	112.5	105.5	218.2
Q1-20	125.5	111.3	236.7
Q2-20	136.7	122.1	258.8
Q3-20	138.5	135.3	273.8
Dec-20	141.8	149.8	291.6
Q1-21	141.0	163.6	304.6
May-21	161.5	170.8	332.4
Jun-21	161.8	173.0	334.8
Jul-21	162.5	173.4	335.9
% of GDP	37.0%	39.5%	76.4%

Source: Bank of Ghana

Our expectation is that public borrowing will continue to rise to cover the shortfalls in the coming quarters, and forecast total public debt rising from 76% of GDP in 2020 to 78% in 2021. This reflects new borrowing from international capital markets – Ghana raised USD3.0bn in a Eurobond sale in April and plans to issue up to USD2.0bn worth of 'green' and 'social' bonds by November – and increased recourse to domestic borrowing. This will be used to roll over existing obligations and to finance the fiscal deficit.

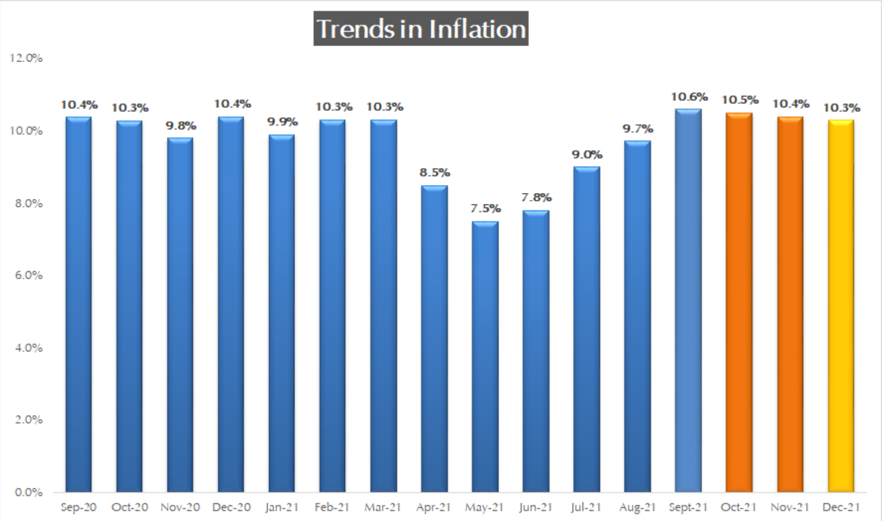
Inflation-*Inflation likely to end the year at 10.3% due to supply side pressures*

Price developments indicate an increase in the general price level in the past four month. The latest reading showed significant increase in headline inflation from 9.7 percent in August 2021, to 10.6 percent in September and above the upper limit of the medium-term target band of BoG. The upward trajectory of inflation was mainly driven by a surge in food prices over the period.

Food inflation increased from 10.6 percent in August to 11.5% percent in September. Non-food inflation also rose marginally from 8.7 percent to 9.9 percent over the same comparative months.

The above trends are beginning to reflect in underlying inflation as all BoG's core measures of inflation has also seen some increase. The core inflation measure, which excludes energy and utility, increased from 7.5 percent in June 2021 to 8.9 percent in July, and then to 9.5 percent in August. The weighted inflation expectations index also picked up in July 2021, reflecting higher inflation expectations by businesses, consumers and the financial sector.

Fig 7: Inflation rate



Source: GSS/ GCB Research Forecast

Inflation has risen sharply over the last three readings, driven mainly by sustained food price increases. Although food inflation has pushed overall inflation above the upper limit of the BoG target band (6-10%), core inflation remains relatively subdued. The increase in inflation is mainly due to food inflation which is expected to abate with the onset of the harvest season. This notwithstanding, our latest forecast indicates that inflation will be a little over the medium-term target band of the central bank by the close of the year. The ongoing supply side pressure (high food prices, rising global commodity prices and supply-chain disruption, owing to the pandemic) is expected to keep inflation high for the rest of the year. We forecast inflation to end the year 2021 at 10.3±0.2%, from 10.4% in 2020. For the month of October 2021, we forecast inflation of 10.5±0.2%.

Interest Rates- ***BoG to hold Monetary Policy Rate at 13.5 percent till the end of the year and hike to 14.5% in 2022.***

Money market interest rates remained stable at the short end of the market whilst the long end saw some marginal uptick in the month of October. The 91-day and 182-day Treasury bill rates declined to 12.45 percent and 13.15 percent respectively in October 2021 from 12.49 percent and 13.22 percent for both instruments in September 2021. The corresponding period a year ago was 14.06 percent for the 91-day and 14.12 percent for 182-day.

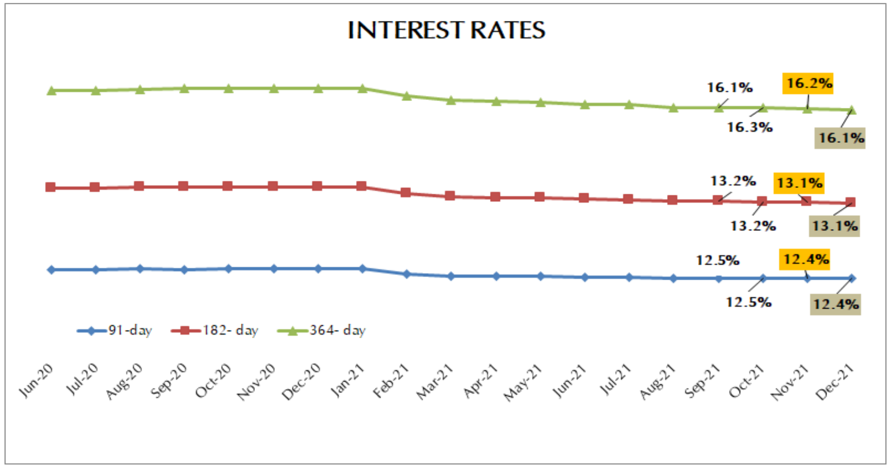
Conversely, the rate on the 364-day Government instrument went up marginally to 16.26 percent in October from 16.14

percent in September. It stood at 16.99 percent over the same comparative period in 2020.

The monetary policy rate was unchanged at 13.5% in the last MPC meeting in September 2021 with the committee sighting fairly balanced risks to inflation and growth in the outlook as the basis of maintaining the policy rate.

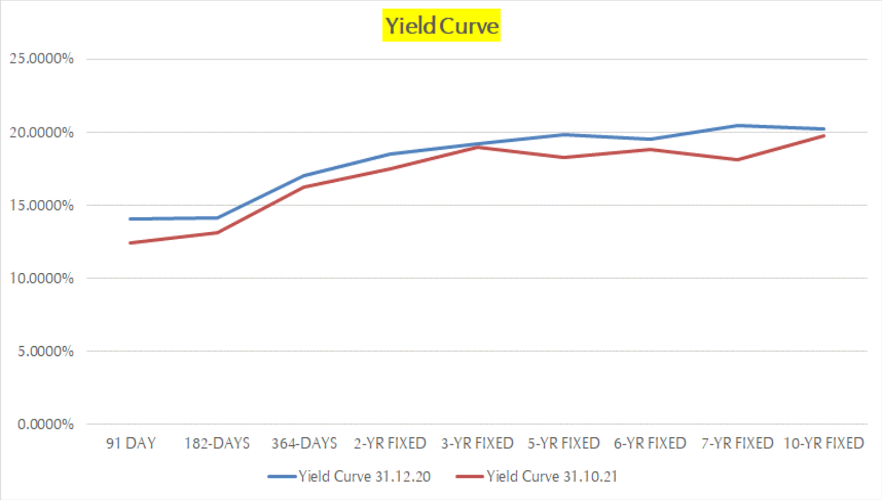
The interbank market rate inched up marginally to 12.67% in the month of October from 12.61% in September largely due to liquidity squeeze on the interbank market and the uptick in inflation.

Fig 8: Interest rates



Source: Bank of Ghana/ GCB Research

Fig 9: Yield Curve



Source: Bank of Ghana/ GCB Research

We expect the BoG to hold its Monetary Policy Rate (MPR) at 13.50% until end-2021, as risks to the growth and inflation outlooks remain finely balanced in the coming months. Economic growth will accelerate in 2021, but uncertainty over Ghana's vaccine rollout will continue to pose significant downside risks to growth. This will disincentivise the BoG from hiking, despite inflation remaining relatively elevated. We expect the BoG to hike the MPR by 100bps to 14.50% by end-2022 as risks to the growth outlook fade.

Furthermore, we forecast interest rates on the short end of the money market to be relatively stable for the rest of 2021 with the 91-day and 182-day bill projected at **12.4%** and **13.1%** respectively by the end of the year. The 364-day instrument is also forecast at **16.1%** for the same period.

Currency- *Ghanaian Cedi to Weaken Slightly for the Rest of the Year*

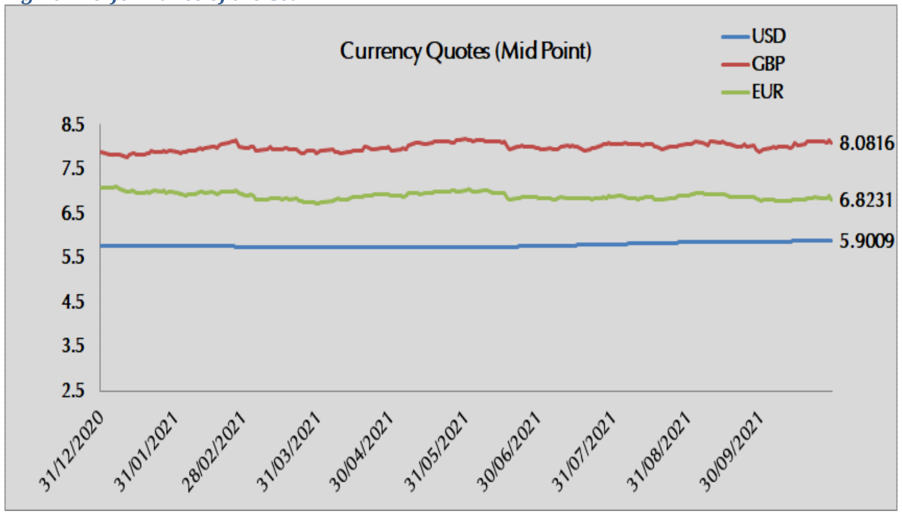
The cedi has been under some minimal pressure in the month of October due to demand pressures by traders importing goods for the festive season as well as capital flow reversals by portfolio investors on the bonds market.

The cedi depreciated against the dollar, GBP and EUR by 0.59%, 2.07% and 0.41% respectively in the month of October 2021. This compares unfavourably with a depreciation of 0.25% against the dollar and an appreciation of 1.70% and 1.64% against the GBP and the EUR separately in the month of September.

Year to date, the cedi has depreciated by 2.38% and 2.57% against the dollar and GBP respectively. It has however appreciated by 3.54% against the EUR.

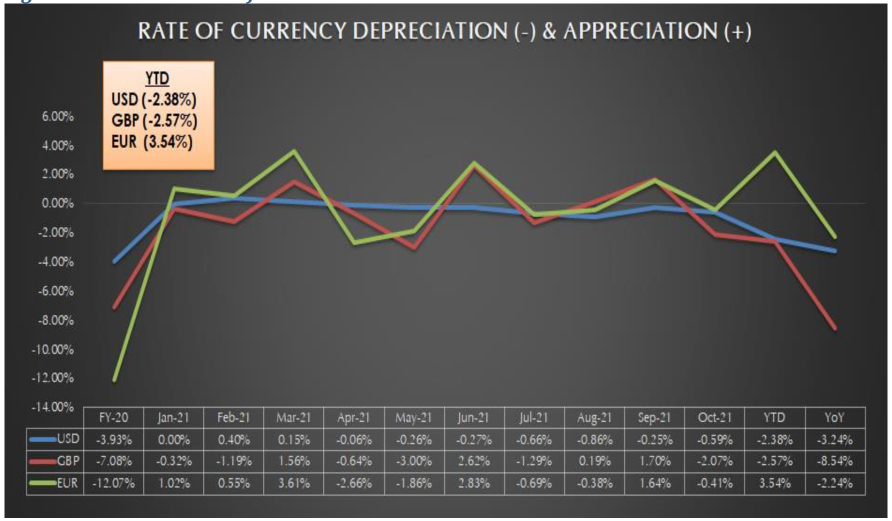
Year on Year, the cedi has seen a cumulative depreciation of 3.24%, 8.54 and 2.24% respectively to the dollar, GBP and the EUR.

Fig 10: Performance of the Cedi



Source: Bank of Ghana/ GCB Research

Fig 11: Trends in Cedi Performance



Source: Bank of Ghana/ GCB Research

As at the end of October, the cedi was trading at GHS5.8979/5.9039, GHS8.0772/8.0859 and GHS6.8197/6.8264 per the dollar, GBP and EUR respectively on the interbank market.

Table 3: Depreciation/Appreciation (%)

	FY-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	YTD	YoY
USD	-3.93%	0.00%	0.40%	0.15%	-0.06%	-0.26%	-0.27%	-0.66%	-0.86%	-0.25%	-0.59%	-2.38%	-3.24%
GBP	-7.08%	-0.32%	-1.19%	1.56%	-0.64%	-3.00%	2.62%	-1.29%	0.19%	1.70%	-2.07%	-2.57%	-8.54%
EUR	-12.07%	1.02%	0.55%	3.61%	-2.66%	-1.86%	2.83%	-0.69%	-0.38%	1.64%	-0.41%	3.54%	-2.24%

Source: Bank of Ghana/ GCB Research

We expect the Ghanaian cedi to continue on a slight depreciatory trend in the coming months. The currency appreciated by 0.5% during Q121 – partly as a result of improving investor sentiment towards emerging markets (EM)s amid the first phase of the global vaccine rollout – before resuming a weakening trend in Q221. As a result – despite the initial strengthening earlier in the year – the cedi has lost around 2.4% of its value year to date.

We believe that the cedi will continue to weaken over our short-term forecast period, and fall from a spot rate of 5.90GHS:USD currently to **GHS6.02:USD** by end-2021. Recent data indicate that, after a steady improvement in Q420 and Q121, risk appetite towards EM assets levelled off in late Q221, and we expect investors to become fairly cautious in the coming months given low vaccination rates in EMs and risks to the growth outlook resulting from further waves of Covid-19 infections. Subdued sentiment, amid a stable short-term outlook for the US dollar and demand pressures for dollar to import goods for the festive season, will exert some mild downward pressure on the cedi during the rest of the year. Also, we believe that the inflow from the $1.5 billion Cocoa Syndication loan to boost an already strong reserve position (in excess of five months of import cover) should provide enough buffer to see the cedi through the rest of this year. We are therefore of the view that a larger-scale depreciation is unlikely, given that Ghana's growing stock of foreign reserves will increase the central bank's capacity to intervene in the currency market.

Over the longer term forecast period, we expect the cedi to continue to weaken, but at a slower pace than in recent years. The widening of the current deficit, amid a further recovery in imports and rising US dollar demand, will be the main driver exerting downward pressure on the currency next year.

We therefore project the cedi to be trading at **GHS5.95:US$1**, **GHS8.09:£1** and **GHS6.83:€1** respectively by the end of November of 2021.

Public Borrowing- ***Government borrowed about GHS4.8 billion in October-2021.***

In the month of October 2021, the Government accepted total bids of GHS4.8 billion of bills and notes as against a total budget of GHS7.8 billion. Majority of the borrowings were for rollover of maturing debts and the rest to meet Government's financing requirements. Also, these borrowings are mostly based on Government's liability management programme, market developments (both domestic and international) and the Treasury & Debt Management objective of lengthening the maturity profile of the public debt.

Table 3: Bids Accepted for GoG Bills, October-2021 (GHS M)

Date	91-days	182-days	364-days	2-years	3-years	5-yers	6-yers	10-yers	20-yers	Total
04/10/2021	592	119	97							808
11/10/2021	827	166								993
18/10/2021	868	64	72		963					1,966
25/10/2021	791	203								994
										-
Actual	3,078	552	169	-	963	-	-	-	-	4,762
Budget	3,600	600	500		1,300		1,800			7,800
Diff	522	48	331	-	337	-	1,800	-	-	3,038

Source: BoG/GCB Research

External Sector Outlook – ***Ghana's Current Account Deficit to narrow slightly to 2.0% of GDP in 2021.***

Commodity price developments on the international market, together with production changes, impacted the trade account over the first eight months of the year.

Total export receipts increased by 2.4 percent on a year-on-year basis to US$9.9 billion supported by higher prices realised from gold (up by 6.2 percent), cocoa (up by 4.2 percent), and crude oil prices (up by 58.1 percent). However, the impacts were moderated by a sharp decline in the volume of gold and crude oil exports by 20.9 and 20.1 percent on a year-on-year basis respectively, despite the 23.9 percent growth in volumes of cocoa beans exports.

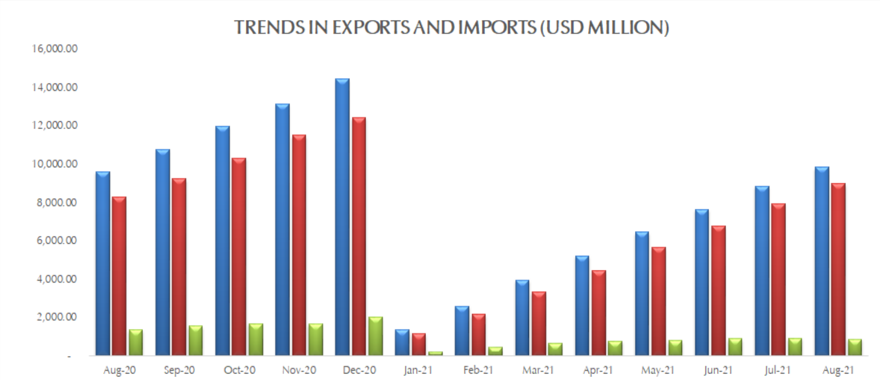
Total imports, on the other hand, increased by 8.6 percent to US$8.98 billion. This was driven mainly by a 58.5 percent increase in the value of refined petroleum products imports arising from increased demand as the economy returned to normalcy from last year's lockdown period. The higher import bill relative to export receipts resulted in a lower trade surplus of US$874.8 million in the year to August 2021, compared with a surplus of US$1.4 billion recorded in the same period of 2020.

Gross International Reserves stood at US$11.4 billion (equivalent to 5.2 months of import cover), at the end of August 2021. The strong reserves build-up over the review period provided some buffer to the local currency, which came under some demand pressures from commerce, manufacturing, and energy sectors as economic activity picked up in the third quarter.

Gold exports as at the end of August 2021 stood at US$3,427.3 million (US$4,332.5 million in August, 2020) whilst Crude Oil exports amounted to US$2,435.7 million (US$1,928.6 million in August, 2020). That for Cocoa beans and products came in at US$2,103.4 million (US$1,720.7 million in August 2020).

On the imports side, oil imports were US$1,647.6 million in August 2021 (US$1,204.0 million in August, 2020) and non-Oil imports totalled US$7,334.8 million (US$7,067.6 million in August, 2020).

Fig 12: Trends in Exports and Imports



	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
Export	9,620.60	10,789.60	12,001.30	13,162.80	14,452.80	1,355.40	2,594.60	3,961.60	5,209.90	6,451.20	7,649.70	8,865.00	9,857.20
Import	8,271.60	9,244.00	10,332.30	11,518.10	12,437.40	1,135.40	2,161.90	3,329.20	4,431.20	5,650.80	6,760.00	7,936.90	8,982.40
Trade Balance	1,349.00	1,545.60	1,669.00	1,644.70	2,015.40	220.00	432.70	632.40	778.70	800.40	889.70	928.10	874.80

Source: Bank of Ghana/ GCB Research

We expect the trade surplus to narrow marginally in 2021 affected by higher imports as the economy recovers from Covid-19 against declines in volumes of exports especially from gold and oil in spite of higher average prices for both commodities on the international commodities market. The trade surplus will continue its steady decline in the medium term, reflecting sluggish export growth relative to imports as oil production volumes remain flat and as oil prices decline.

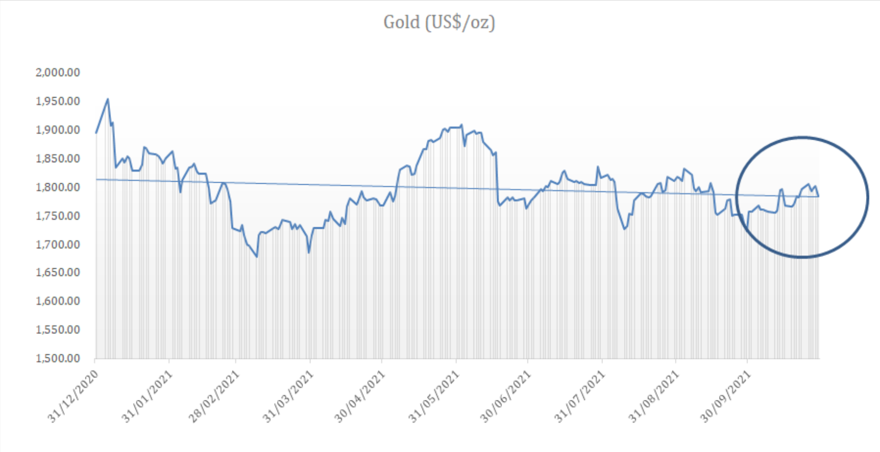
The services account will remain in deficit in 2021 and into the medium term, owing to expenditure on technical services for hydrocarbons projects, but the deficit will decline as a share of GDP as demand for tourism increases. The primary income deficit will also narrow, reflecting reduced interest payments on external debt. The secondary income account will continue to post large surpluses, underpinned by inflows of workers' remittances, but as coronavirus-related support eases in diaspora economies, the surplus will moderate. Overall, we forecast that the current-account deficit will narrow to 2% of GDP in 2021 (from 3.2% of GDP in 2020), before widening steadily, to 3.1% of GDP in the medium term. The deficits will be financed through external borrowing and rising FDI flows.

03 International Commodities Market

Gold- ***Rising inflation and a slower economy will continue to be strong factors supporting gold pricing in the near future.***

International prices of the three major export commodities reflected mixed trends in the year to October 2021. Gold prices declined by 5.9% percent to average US$1,798.94 per fine ounce year to October 2021, due to pressure from the strong US dollar and rising US Treasury yields. Gold started the month of October trading at US$1,758.40/Oz and as at the end of the month it was trading at US$1,783.90/Oz up by 1.5% compared to the month of September. The maximum price for the month stood at US$1,806.80/Oz and the minimum price was US$1,755.70/Oz, averaging US$1,777.43/Oz.

Fig.13: Gold



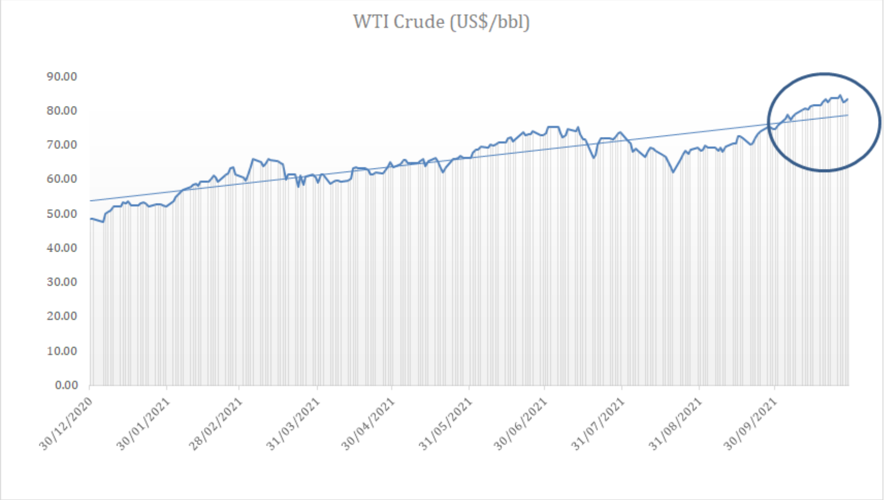
Source: Bloomberg Commodities

In the outlook, with rising inflation reaching its highest level since 2009 coupled with the lowest economic growth rate since the onset of the recession, the Federal Reserve will face the worst possible economic scenario when it meets for its November FOMC meeting. This will force the hand of the Fed as it pertains to the current extremely accommodating monetary policy with the Fed's funds rate between 0% and ¼%. A GDP of 2% for the third quarter is a 4.7% contraction of the economic recovery when compared to the second quarter. The report showed that the United States had the slowest economic growth since the onset of the 2020 recession. The original forecast by the Fed during the onset of the recession in 2020 projected no interest rate hikes (lift-off) for 2020, 2021, and 2022. The Federal Reserve recently updated its interest rate projections pencilling in the possibility for one or two rate hikes in 2022. A combination of high inflation and a slowing economy will make it extremely difficult for the Fed to raise interest rates next year. If the Federal Reserve's decisions are truly data-dependent, it would not be surprising to see them backpedal on their recent decision to accelerate their timeline for interest rate normalization. It could also slow down the tapering of their monthly asset purchases. Gold futures on 28/10/2021 closed above $1,800 per ounce, which was the first-time gold breached this psychological level since September 14. More importantly, the combination of rising inflation and a contracting economy will make it difficult, if not impossible for the Federal Reserve to become more hawkish in regards to lift-off and even tapering. It is for this reason that we currently believe that Gold could find some support in the months ahead. Therefore, the direction for gold will largely depend on inflation and interest rates dynamics. Consequently, our forecast is for gold to end the year 2021 at US**$1,815.01.**

Crude Oil- ***Oil prices to steady on sharp rise in US crude stock piles, possible oil exports by Iran and easing concern over high coal and natural gas prices.***

Crude oil prices have remained bullish on account of OPEC+ production cuts which has led to steady draws on global oil inventories. The price of crude oil went up by 72.2 percent on a year-to-date basis to US$83.57 per barrel as at October 2021. WTI crude oil started the month of October at US$75.88/bbl and as at the end of the month it was trading at US$83.57/bbl indicating an increase of 11.7% compared to September. The maximum price for the month of October was US$84.65/bbl and the minimum price was US$75.88/bbl bringing the average price to US$81.11/bbl.

Fig 14: Crude Oil



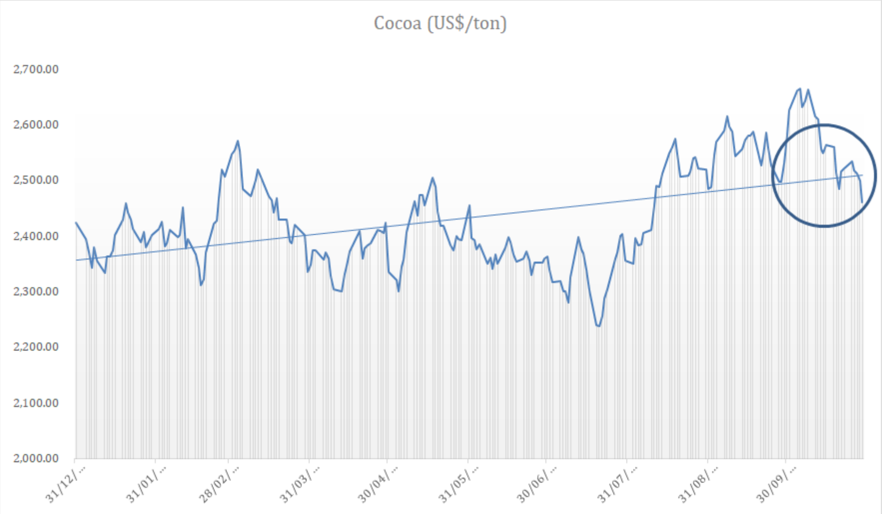
Source: Bloomberg Commodities

In the outlook, Oil rose further above $84 a barrel on the last day of trading in October, within sight of a multi-year high hit in the month of October, as expectations that OPEC and its allies will keep supply tight to counter rising U.S. inventories and the prospect of more Iranian exports. The expectation of most analysts is that crude output increase by OPEC and its allies in December would not exceed 400,000 barrels per day (bpd) because of market uncertainties and risks. The alliance, which is gradually unwinding last year's record output cuts, meets on Nov. 4. Supply will therefore continue to play catch-up with demand in the immediate term as OPEC+ intends to continuing to act as a key pillar of price support. Crude has surged in 2021 as economies recover from the COVID-19 pandemic. U.S. inventory figures showed crude stocks rose by a more than expected 4.3 million barrels. Iran, meanwhile, has said that talks on reviving the international deal on its nuclear programme will resume by the end of November, bringing it a step closer to boosting oil exports. The sharp rise in U.S. crude oil stocks and the expectation of nuclear talks being resumed with Iran have temporarily eased concerns about supply to some extent. Additionally, oil prices have been on the high due to concerns over high coal and natural gas prices that have spurred fuel-switching in power generation. However, in recent weeks, British and European gas prices have continued to fall after Russian President Vladimir Putin said Russia could start pumping gas into European storage. On the basis of the above demand and supply factors we forecast the price of WTI Crude Oil to end the year at **US$82.24/bbl** and Brent Crude at **US$83.25/bbl.**

Cocoa- ***Cocoa Prices projected to trade sideways on demand Concerns and abundant global cocoa supply.***

The price of cocoa also decreased marginally by 4.7 percent to trade at US$2,461.66/ton compared US$2,583.06/ton in the month of September due to ample supply from major cocoa producers. Cocoa began the month of October trading at U$2,627.59/ton and by the end of the month it was trading at US$2,461.66/ton. The highest price for cocoa recorded for the month was US$2,665.53/ton whilst the lowest price recorded was US$2,461.66/ton. The average price for the month stood at US$2,567.57/ton.

Fig 15: Cocoa



Source: ICCO

In the outlook, Cocoa prices are coming under pressure due to weaker-than-expected demand. On Oct 15, Q3 Asian cocoa grindings were reported up +4.1% y/y to 210,970 MT, below expectations of +5.5% y/y. On Oct 14, the North American Confectioners Association reported Q3 North American cocoa grindings rose +4.3% y/y to 123,399 MT, below expectations of +6.6% y/y. Conversely, the European Cocoa Association reported Oct 13 that European Q3 cocoa processing rose +8.7% y/y to 375,811 MT, above the consensus of +5.8% y/y. Furthermore, on Aug 31, the International Cocoa Organization (ICCO) raised its global 2020/21 cocoa production estimate to a record 5.14 MMT from a previous estimate of 5.02 MMT and raised its global 2020/21 cocoa surplus estimate to 230,000 MT from a previous estimate of 165,000 MT. Additionally, cocoa supplies are robust from Ghana, the world's second-largest cocoa producer, after the Ghana Cocoa Board reported that it purchased a record 1.05 MMT of cocoa from farmers in the season of Oct 1 to Sep 30. In addition, data on Sep 27 from Nigeria, the world's fifth-largest cocoa producer, has been bearish for prices after Nigeria Aug cocoa exports surged more than +700% y/y to 20,873 MT. However, the outlook for a smaller cocoa crop in Ghana for the 2021/22 crop season could be supportive for prices. The Ghana Cocoa Board on Oct 6 projected a Ghana 2021/22 cocoa harvest of 950,000 MT, down -5.6% y/y from 1.06 MMT projected for the 2020/21 crop. We believe that the demand and supply factors in the cocoa sector will continue to be the key elements in the direction of the price of cocoa for the rest of the year. We therefore forecast the price of cocoa to close 2021 at **US$2,562.17/ton**.

04 **Business Impact-** ***Key Sectors for Targeting, Credit Risk on the high and Opportunity to invest in long term attractive Govt. Securities.***

Trade Transactions

The last quarter of the year always see an increased resurgence in import trade activities. This has constantly been on the back of traders/importers and manufacturing companies restocking for sale and production for the Christmas festivities and the new year. We therefore recommend the need for the Bank to strategically position itself to finance the trade needs of our corporate/commercial banking customers as well as prospective customers through Letters of Credit (LCs) to generate deposits as well as off-balance sheet revenues for the Bank. To be the Bank of choice, the availability of Fx becomes a critical commodity during this time of the year. This is therefore the time for Corporate banking and Treasury sales to intensify their efforts for Fx pipelines for such transactions. It will also provide opportunity for Fx trading by the Bank. This we believe will go a long way in enhancing the financial performance of the Bank in 2021.

Key Sectors for Targeting

The second quarter GDP figures released by the Ghana Statistical Service indicates that developments continue to point to sustained recovery in economic growth with a GDP of 3.9% in June compared to 3.1% in Q1-21. Non-oil GDP, for the same period, grew by 5.2%. This reflects sharp rebound experienced in the cocoa sub-sector which grew by 27.6 percent; supported by equally stronger growth of 18.7 percent in Hotels & Restaurants, 13.8 percent in Real Estate, and 10.7 percent in trade. The CIEA also indicated broad-based growth in economic activities from port activity, imports, domestic VAT, and air-passenger arrivals. These growth sectors and their value chain creates enormous opportunities for deposit mobilisation and asset creation by the business units of the Bank. That notwithstanding, advise business managers as well as Relationship Managers to be weary of inherent risk in certain sectors of the economy due to the pandemic.

Credit Risk on the High

The BoG's business confidence survey has revealed the inability of businesses to meet their short-term company targets driven by high input costs, unavailability of raw materials, weak consumer demand, and rising labour costs. This could affect loan repayment & recoveries and exacerbate the Bank's NPLs. That notwithstanding, the MPC report has persistently reiterated unpleasant credit environment with a marginal uptick in Non-Performing Loans (NPL) ratio to 17.3% as at August 2021 from 17.0 percent in June 2021 and compared to 15.5% same period last year reflecting in part the general pandemic-induced repayment challenges as well as some bank-specific loan recovery challenges. This is a clear indication of an elevated credit risk environment and that we are not out of the clutches of the pandemic. Therefore, constant monitoring of loan portfolios by Relationship Managers (RMs) is required to detect early warning signs of loan deterioration for possible restructuring, provisioning and recovery.

Opportunity to Invest in Long Term Attractive Govt. Securities

With a huge fiscal gap and the appetite for government to borrow domestically to fund the gap, coupled with its debt management strategy of prolonging its debt life cycle, the long end of the money market has continued to remain attractive with high yields. According to the issuance calendar for last quarter of 2021, Government intends to issue securities of 3-year (GHS 1,000.00 million), 7-year (GHS 750 million) and 10-year (GHS 1,200.00 million) respectively. Looking at the current liquidity squeeze on the market, these securities could come in with attractive yields. This provides an opportunity for the Treasury Department to lock in some investible funds to generate the necessary returns for the Bank.

05 Conclusions- The need for Fiscal Consolidation Efforts and Superior Efficiency in Debt Management.

On the global scale, the recovery in global economic activity has continued, although unevenly spread across regions and countries. However, uncertainties regarding the continued spread of the Delta variant of the COVID-19 virus, variations in policy stimulus programmes, and low access to vaccines in emerging market and frontier economies may weaken near-term growth prospects.

On the domestic front, growth continue to recover from the impact of the pandemic. Latest data by the Ghana Statistical Service point to continued recovery in economic activity.

However, the BoG's latest confidence survey, conducted in August 2021 indicated some softening of business sentiments stemming from supply disruptions, is adversely impacting input costs, driving down short-term company prospects. Moreover, the latest data suggests that fiscal consolidation efforts appear to be on track, but with some inherent risks associated with wage settlements and energy sector payments, amid low revenue mobilization. In addition, debt sustainability concerns remain, which warrants additional fiscal consolidation efforts, carefully balanced with sustainable growth strategies and efficient debt management strategies. Our expectation is for fiscal policy implementation in the remaining months of the year to be shaped by revenue collection efforts and strict alignment of expenditures with revenue inflows to minimise our estimated fiscal gap of 9.8%. The Ghana Cedi has performed strongly with a year-to-date depreciation of 2.4 percent on the back of the strong reserve position of the country. In the outlook, widening current account situation as well as rising interest rates in advanced economies on account of tapering may pose some risks. However, the strong reserve build-up and foreign exchange inflows from the cocoa syndicated loan proceeds should help to cushion currency pressures in the near-term. Inflation has risen sharply over the last two readings, driven mainly by sustained food price increases. Although food inflation has pushed overall inflation above the upper limit of the BoG 6-10% band, core inflation remains relatively subdued. The increase in inflation is mainly due to food inflation which is expected to abate with the onset of the harvest season.