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Quarterly Economic Updates

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	Actual			Forecast	
In Percent (%)	**Dec-19**	**Jan-20**	**Feb-20**	**Mar-20**	**Dec-20**
GDP (%)	7.0%*	-	-	5.8%*	**6.8%**
Inflation (Consumer Price Index)	7.9%	7.8%	7.7%*	7.5%*	**8.5%**
MPR (Monetary Policy Rate)	16.0%	16.0%	16.0%	16.0%	**16.0%**
91-Day Treasury Bill	14.7%	14.7%	14.8%	14.7%	**14.8%**
182-Day Treasury Bill	15.2%	15.1%	15.2%	15.2%	**15.3%**
1-Year Bond Rate	17.9%	17.9%	17.8%	17.7%	**18.0%**
FX Rate (USD/GHS)	5.5337	5.4672	5.2949	5.2997	**5.8000**
FX Rate (GBP/GHS)	7.3164	7.1924	6.7881	6.7901	**7.6470**
FX Rate (EUR/GHS)	6.2114	6.0476	5.8048	5.8065	**6.6700**
Gold (US$/oz)	1,523.10	1,587.90	1,566.70	1,631.31	**1,620.28**
Cocoa (US$/ton)	2,457.47	2,699.56	2,584.87	2,630.38	**2,877.43**
WTI (US$/bbl)	61.06	51.56	44.76	45.79	**47.43**
Brent (US$/bbl)	66.00	56.62	49.67	50.56	**53.25**
***Forecast - GDP, Inflation**					

Executive Summary

Macro Indicators	Current Situation	Outlook
Economic growth	• On the domestic front, the BoG's updated Composite Index of Economic Activity (CIEA) recorded high growth, although at a slower pace than in 2018. The CIEA recorded 3.1 percent year-on-year growth in November 2019, compared with 4.8 percent in the same period of 2018. This was mainly supported by port activity, domestic VAT, and Deposit Money Banks' (DMBs) credit to the private sector. • Furthermore, results from the BoG's latest confidence surveys conducted in December 2019 showed significant improvement in consumer confidence reflecting optimism about current and future economic conditions.	• In 2020, extensive project pipeline – including government plans to develop manufacturing facilities in line with its One District One Factory policy and extensive development of new mining facilities and transport links – will boost growth. Our expectation is also for oil production to continue growing in 2020, further supporting real economic growth. • We therefore forecast that real GDP will fall from 7.0% in 2019 to 6.8% in 2020.
Fiscal Policy	• Provisional budget estimates from January to December 2019 indicated that total revenue and grants amounted to GH¢52.97 billion (15.3 percent of GDP) compared with the projected target of GH¢54.56 billion (15.8 percent of GDP). • Total expenditures, including arrears clearance was GH¢67.67 billion (19.6 percent of GDP), below the target of GH¢70.19 billion (20.3 percent of GDP). • These developments resulted in an overall fiscal deficit (on a cash basis) of 4.8 percent of GDP, slightly above the target of 4.7 percent of GDP but below the 5.0 percent fiscal rule.	• Our expectation is for Ghana's fiscal deficit to widen from an estimated 4.7% of GDP in 2019 to 4.7% in 2020 on the back of higher capital spending and higher debt servicing costs. • The government projects a 22.6% increase in total spending in 2020, largely driven by higher capital spending and interest payments. • Though we expect revenue to grow in 2020, it will likely fall far short of government targets. Revenues will likely fall short of the 21.2% projected by the government in the 2020 budget due to weaker oil revenues. • We also believe that Ghana's improved tax collection system and robust economic growth, will help boost tax income and support narrower fiscal deficits in the medium to long term.
Debt Sustainability	• Provisional estimates for the stock of public debt rose to 62.1 percent of GDP (GH¢214.9 billion), at the end of November 2019 compared with 57.9 percent of GDP (GH¢172.9 billion) at the end of November 2018. • Of the total debt stock, domestic debt was GH¢102.9 billion, while external debt was GH¢111.9 billion with a share of 52.1 percent in the total public debt.	• Ghana's debt position has high levels of exposure to foreign currency, but robust economic growth and fiscal consolidation will gradually reduce the attendant risks.
Inflation	• The national year-on-year inflation rate was 7.8% in January 2020, 0.1 percentage points lower than the 7.9% recorded in December 2019. The decline in inflation was driven by declining non-food prices due to the relative stability in the cedi. • The Food and Non-alcoholic beverages division recorded a year-on-year inflation rate of 7.8%. This was 0.5 percentage points higher than what was recorded in December 2019 (7.3%). • The non-food year-on-year inflation for January 2019 was 7.9%, down from 8.5% recorded in December 2019.	• We project a subdued rise in prices of goods and services in the coming month. Inflation has been on a downward spiral since December 2019 and this trend is expected to continue in the month of February barring any unanticipated shocks. • We believe that the current stability in the currency market will support inflationary expectation to be passive in the months ahead. • Also, limited global oil prices expectation in 2020 due to the Coronavirus will also limit prices. • However, in the short to medium term, our expectation is for a modest uptick in inflation due to demand-side pressure and rising import costs that may arise from currency depreciation. We therefore forecast inflation of **8.5±0.2%** for 2020.
Interest Rate	• Interest rates on the money market increased slightly across the various maturities of the yield curve in February. The government of Ghana 91-day Treasury bill inched up marginally to 14. 75% as at the end of February from 14.68% in January. • The 182-day Treasury bill also went up slight to 15.17% in February from 15.14% in January. • The Monetary Policy Rate remained unchanged at 16%. • The interbank market rates ranged between 15.51% and 16.12% as at the end of February 2020 averaging 15.83%.	• Our expectation is for the BoG to keep its key policy rate of 16.00% on hold in 2020 in response to more balanced macroeconomic risks. Incentives for monetary easing will be limited by robust economic growth, while the risk of further currency depreciation will act as a deterrent. • T-bills are expected to inch up marginally on the back of government borrowing.
Exchange Rate	• The cedi recorded an appreciation rate of 3.3%, 6.0% and 4.2% against the dollar, GBP and EUR respectively in February 2020. This compares favourably to an appreciation of 1.2%, 1.7% and 2.7% against the dollar, GBP and EUR respectively in the month of January. • Year to date, the cedi has seen a cumulative appreciation of 4.5%, 7.8% and 7.0% to the dollar, GBP and EUR respectively.	• We expect the cedi to trade within range in the short term, given strong global gold prices and inflows from the US$3 billion Eurobond supporting terms of trade in Q120. Also, minimal demand pressure for Fx for imports from China due to the Covid-19 is a contributory factor to the stability of the cedi. • As 2020 progresses however, we believe that depreciation will continue, driven by twin deficits and high demand for foreign currency to service the large government US dollar debt burden. • We therefore forecast the cedi to trade within the range of **GHS5.80-5.88: USD** by end of 2020.
Business Impact	• **Pricing of our Products-** Interest rates on the money market increased slightly across the various maturities of the yield curve. Our expectation is for the slight increase to reflect in our pricing especially on asset products relative to liability products. • **Revenue Generation**- We recommend the need to tap into the robust growth expected from the mining and services sector in 2020. This provides an opportunity for the Bank to generate income by focusing on these sectors on the back of stringent credit delivery.	

02 Economic Developments

Global Overview - *Coronavirus threatens global growth*

Economic performance was weak across the G7 and BRICS countries (Brazil, Russia, India, China and South Africa) in the fourth quarter of 2019. This poor outturn reflects sluggish global growth throughout last year due to the combined effect of global trade tensions; a sharp deceleration in real GDP growth in the US, China and India; renewed volatility in emerging markets; and political uncertainty in a number of EU countries. In addition, since the start of 2020 new risks have emerged for global growth as a novel Coronavirus has hit China.

In **China**, the world's second-largest economy, quarterly growth picked up to 1.5% in the fourth quarter of 2019, from 1.4% in the third quarter, as the conclusion of a first-phase US-China trade deal at the end of 2019 helped to alleviate part of the uncertainty that businesses and consumers were facing. The Chinese economy will face severe strains in the coming months, and growth will slow much further. A novel Coronavirus originating in Wuhan, a city of 11.3m people in central Hubei province, has spread to all provinces in mainland China and overseas. The Chinese authorities are taking unprecedented quarantine measures to halt the spread of the pathogen, which is likely to have consequences on the global economy. The suggested case fatality rate had stabilised, at 2.2% as at February 1st; nevertheless, the risk of virus mutation and of heightened transmission during the post-Chinese New Year travel period, and strains on the Chinese healthcare system are grounds for concern.

On the assumption that the spread of the virus will be under control by end-March, Economic Intelligence Unit (EIU) have revised their real GDP forecast for China in 2020 to 5.4%, from 5.9% previously. The slowdown will be concentrated in the first quarter of 2020, when economic expansion will drop to about 4% year on year. If the Coronavirus is not under control by March, the effect on GDP growth will be greater. We expect strong government stimulus measures to prop up the economy, but it is unclear how much these measures will mitigate the negative effect of the Coronavirus on China's output. A drop in the growth of the world's second-largest economy will have an impact on the global economy as travel restrictions halt flows of Chinese tourists and declines in the country's demand for commodities.

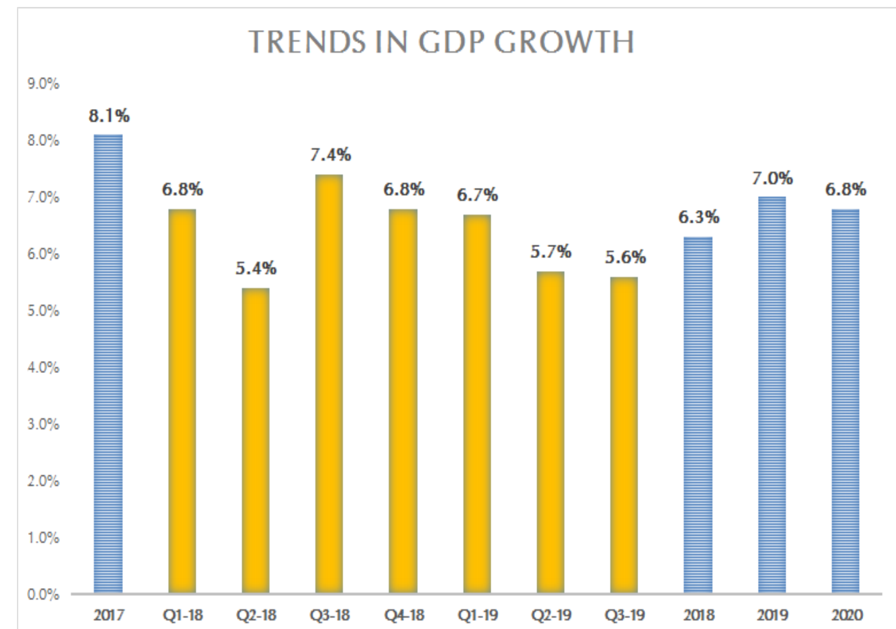
According to the World Economic Outlook (WEO) by IMF, global growth is projected to rise from an estimated 2.9% in 2019 to 3.3% in 2020 and 3.4% for 2021—a downward revision of 0.1 percentage point for 2019 and 2020 and 0.2 for 2021 compared to those in the October WEO. This is projected to change in the next release of the WEO in April factoring in the impact of Coronavirus on global growth. Meanwhile, EIU have revised their global growth forecast for 2020 downwards by 0.1 percentage points, to 2.2% (from 2.3% previously).

Ghana Economic Growth - *Growth to Remain Robust in Ghana in 2020*

On the domestic front, the BoG's updated Composite Index of Economic Activity (CIEA) recorded high growth, although at a slower pace than in 2018. The CIEA recorded 3.1 percent year-on-year growth in November 2019, compared with 4.8 percent in the same period of 2018. This was mainly supported by port activity, domestic VAT, and Deposit Money Banks' (DMBs) credit to the private sector.

Furthermore, results from BoG's latest confidence surveys conducted in December 2019 showed significant improvement in consumer confidence reflecting optimism about current and future economic conditions. Business confidence, on the other hand, softened marginally on account of the exchange rate depreciation in November 2019. However, businesses expressed positive sentiments about industry prospects and declining interest rates.

Fig 1: Trends in Real GDP Growth Rate



Source: Ghana Statistical Service (GSS)

We expect economic growth to be robust in 2020 on the back of rising output in most economic sectors. Though real growth is likely to have been more modest than we originally expected in 2019, with

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declining growth in Q319 data due to tightening growth in the mining and construction sectors and general sluggishness in the non-oil economy, we nonetheless expect growth to accelerate in 2020. The ongoing impact of the lifting of a ban on artisanal gold mining will see the multi-year expansion of the gold mining sector continue with goldmine production expected to rise by 4.0% in 2020. We also expect that an extensive project pipeline – including government plans to develop manufacturing facilities in line with its One District One Factory policy and extensive development of new mining facilities and transport links – will boost construction. Our expectation is also for oil production to continue growing in 2020, further supporting real economic growth.

Output from the services sector will also remain in an uptrend given the successful overhaul of the banking sector by the government and central bank. The raising of the minimum capital reserves held by commercial banks, the amalgamation of others and government efforts to pay down some of the bad debt held by commercial banks have reduced non-performing loans and expanded the capacity of banks to lend. Indeed, we have seen client loan growth averaging 17.7% y-o-y Jan-Oct 2019, compared to 5.2% over the same period in 2018. Improved access to credit will help the services sector continue its robust expansion into 2020, supporting headline real GDP growth.

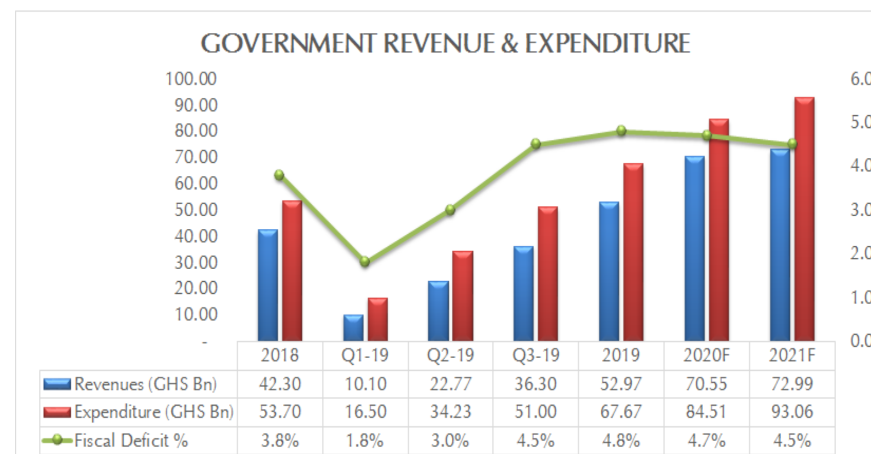
In the medium to long term, our expectation is for real GDP growth to remain robust, averaging 6.3%. Alongside ongoing expansion in output from the gold mining and consumer services sectors, the start-up of bauxite mines and autos manufacturing
facilities will offer major tailwinds to economic growth. Foreign autos firms Sinotruck, Nissan and Volkswagen are all due to start production in Ghana in the coming quarters, which will significantly boost the manufacturing sector and see more value-added economic activity in the resource-dominated economy. Though some economic sectors may be exposed to economic volatility in other global markets, autos manufacturers' focus on the robust West African market should ensure that the sector remains a major driver of growth. Meanwhile, the completion of Sinohydro's bauxite mines should add further tailwinds to the mining sector over the long term.

There remains a downside risk to our growth forecasts if a global economic slowdown weakens demand for Ghanaian goods exports and thereby negatively affects production in the country. Many of Ghana's key economic sectors are orientated towards exports and if there were to be a major economic slowdown in China, one of Ghana's largest export markets, or in Europe, this could have a negative effect on much of the Ghanaian economy, likely driving a downward revision of our currently positive outlook. We therefore forecast that real GDP will fall from 7.0% in 2019 to 6.8% in 2020.

Fiscal Policy - *Ghana's Budget Deficit to Widen On Higher Spending*

Provisional budget estimates from January to December 2019 indicated that total revenue and grants amounted to GH¢52.97 billion (15.3 percent of GDP) compared with the projected target of GH¢54.56 billion (15.8 percent of GDP). Total expenditures, including arrears clearance was GH¢67.67 billion (19.6 percent of GDP), below the target of GH¢70.19 billion (20.3 percent of GDP). These developments resulted in an overall fiscal deficit (on a cash basis) of 4.8 percent of GDP, slightly above the target of 4.7 percent of GDP but below the 5.0 percent fiscal rule.

Fig 2: Trends in Budget Deficit



	2018	Q1-19	Q2-19	Q3-19	2019	2020F	2021F
Revenues (GHS Bn)	42.30	10.10	22.77	36.30	52.97	70.55	72.99
Expenditure (GHS Bn)	53.70	16.50	34.23	51.00	67.67	84.51	93.06
Fiscal Deficit %	3.8%	1.8%	3.0%	4.5%	4.8%	4.7%	4.5%

Source: MoFEP/Budget Statement

In the outlook, Ghana's budget deficit will widen in the coming quarters, as the 2020 budget signalled elevated spending plans. The

government projects a 22.6% increase in total spending in 2020, largely driven by higher capital spending and interest payments. In the 2020 budget projections, the government expects a 53.5% increase in capital spending, which will make up 10.8% of planned expenditure in 2020. The government is the main or joint sponsor on 14 major infrastructure projects. Moreover, the government's industrialisation policy, "One District One Factory" (1D1F), involves supporting the development of over 180 industrial facilities, which will add further capital spending requirements in 2020.

Recurrent expenditure will also rise sharply, driven chiefly by high debt servicing costs. Government debt to GDP rose to 62.1% in November 2019 from 57.9% a year prior. The government itself projects high debt servicing costs in 2020, with 25.2% of expenditure being allocated to interest payments in this year's budget. Moreover, almost half of Ghana's government debt is denominated in US dollars (USD), meaning that should cedi face sharp fall, the cost of servicing this debt will rise. We also expect that spending on personnel – the highest share of expenditure at 30.9% of total spending in the 2020 budget – is likely to rise given that 2020 is an election year. Indeed, there is an upside risk to our expenditure forecasts if the government were to repeat the actions of its predecessor before the 2016 election and hire large numbers of new public sector employees in the months before the general election (due in December 2020).

Though we expect revenue to grow in 2020, it will likely fall far short of government targets. Revenues will likely fall short of the 21.2% projected by the government in the 2020 budget due to weaker oil revenues. In 2019, 15.9% of government revenues came directly or indirectly from oil and the hydrocarbons sector and we expect that falling global oil prices due to Coronavirus will eat into oil sector revenues. Underperforming oil revenues led the government to revise up the size of its budget deficit in its 2019 mid-year budget review.

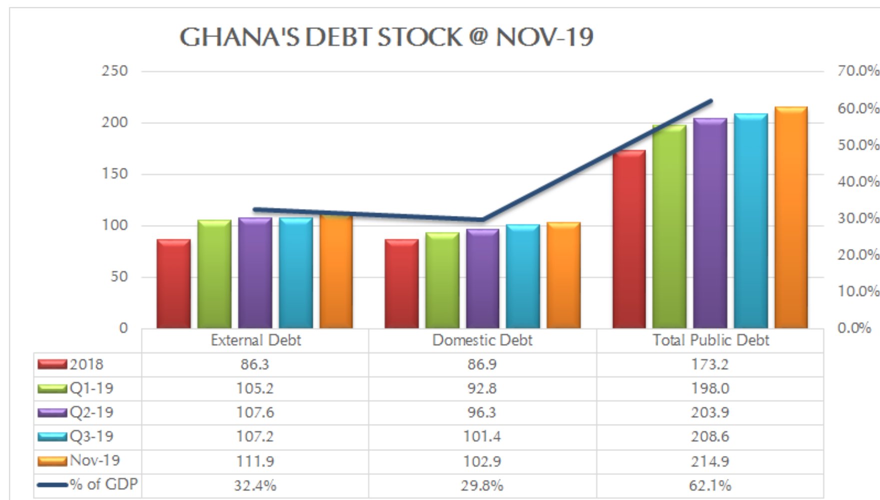
We also believe that Ghana's improved tax collection system and broadened tax base, combined with robust economic growth, will help boost tax income and support narrower fiscal deficits. Ghana has structurally overhauled much of its tax base under the aegis of

an IMF programme that concluded in 2019. This has so far involved digitising tax collection methods, increasing inter-departmental cooperation and assigning all tax payers an individual number linked to a fixed address – a major improvement on the previous system. This has significantly boosted the proportion of tax revenues coming from taxes on income and property, a more stable source of revenue than trade taxes, VAT or taxes on natural resources. Indeed, the share of total government revenues coming from taxes on income and property rose from 27.0% in 2016 to 42.7% in 2019 - having risen by 59.8% in nominal terms, well above average inflation, over the same period. Furthermore, although taxes on goods and services and trade taxes have underperformed relative to the mid-year budget projections by 9.4% and 15.9% respectively in 2019, taxes on income and property came in less than 1.0% below projections. This suggests that Ghana's tax base is becoming broader and less unstable, and is much better positioned to generate revenues from strong economic growth over the coming years. We nonetheless expect a slight widening of the fiscal deficit from an estimated 4.7% of GDP in 2019 to 4.7% in 2020.

Debt Sustainability - *Ghana's debt sustainability will remain a cause for concern in the years ahead.*

In line with the fiscal developments, provisional estimates for the stock of public debt rose to 62.1 percent of GDP (GH¢214.9 billion), at the end of November 2019 compared with 57.9 percent of GDP (GH¢172.9 billion) at the end of November 2018. Of the total debt stock, domestic debt was GH¢102.9 billion, while external debt was GH¢111.9 billion with a share of 52.1 percent in total public debt.

Fig 3: Public Debt Development



	External Debt	Domestic Debt	Total Public Debt
2018	86.3	86.9	173.2
Q1-19	105.2	92.8	198.0
Q2-19	107.6	96.3	203.9
Q3-19	107.2	101.4	208.6
Nov-19	111.9	102.9	214.9
% of GDP	32.4%	29.8%	62.1%

Source: Bank of Ghana

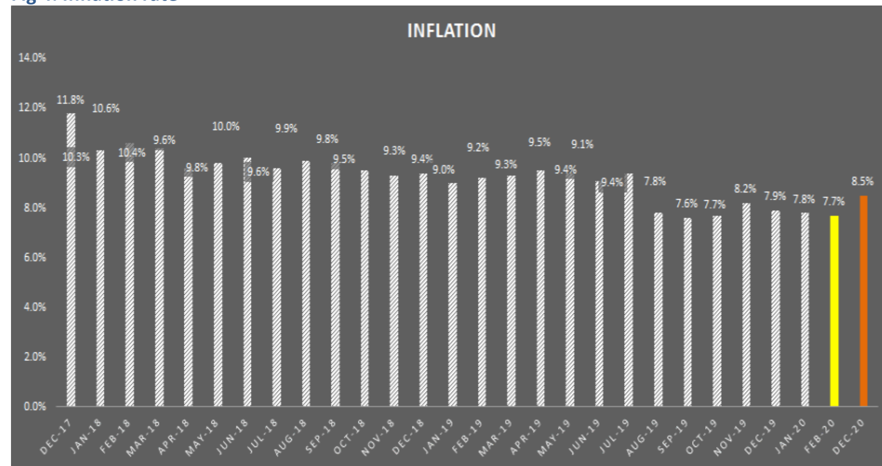
Ghana's debt sustainability will remain a cause for concern in the years ahead, although we do expect that it will improve from current levels. A sustained fiscal deficit, albeit a diminishing one, will see Ghana's nominal debt stock continue to rise over the coming years, but as a proportion of GDP the outlook is brightening as the country recovers from its recent macroeconomic troubles, the fiscal deficit comes in and real GDP growth picks up. We note, however, that government support of newly-amalgamated banks and its push for large Eurobond issuances will likely see the debt-to-GDP ratio, external debt and foreign currency-denominated debt rise in the short term. In nominal terms, total external debt stood at USD20.1bn at the end of September 2019, equivalent to 31.1% of GDP. While a large debt load in itself is not a direct threat to financial stability, we do not rule out the debt load causing some problems over the long term due to the high interest payments the debt entails.

Inflation - *We expect modest inflation in 2020 due to demand-side pressure and rising import costs due to currency depreciation.*

The national year-on-year inflation rate was 7.8% in January 2020, 0.1 percentage points lower than the 7.9% recorded in December 2019. The decline in inflation was driven by declining non-food prices due to the relative stability in the cedi.

The Food and Non-alcoholic beverages division recorded a year-on-year inflation rate of 7.8%. This was 0.5 percentage points higher than what was recorded in December 2019 (7.3%). The non-food year-on-year inflation for January 2020 was 7.9%, down from 8.5% recorded in December 2019. Between December 2019 and January 2020 the price level of Food and Non-alcoholic beverages increased by 2.3%. This rise was predominantly driven by an increase in price levels of Vegetables and Fish.

Fig 4: Inflation rate



Source: GSS/ GCB Research Forecast

We project a subdued rise in prices of goods and services in the coming month. Inflation has been on a downward spiral since December 2019 and this trend is expected to continue in the month of February barring any unanticipated shocks. We believe that the current stability in the currency market will support inflationary expectation to be passive in the months ahead. However, in the short to medium term, our expectation is for a modest uptick in inflation due to demand-side pressure and rising import costs that may arise from currency depreciation. On the other hand, limited global oil prices expectation in 2020 due to the Coronavirus will also limit prices. We anticipate that Ghana's inflation will remain limited, averaging 7.4% in the short to medium term, thanks to a more stable currency and lower fiscal deficits. We therefore forecast inflation of **7.7±0.2% for** the month of February and **8.5±0.2%** for year-end 2020.

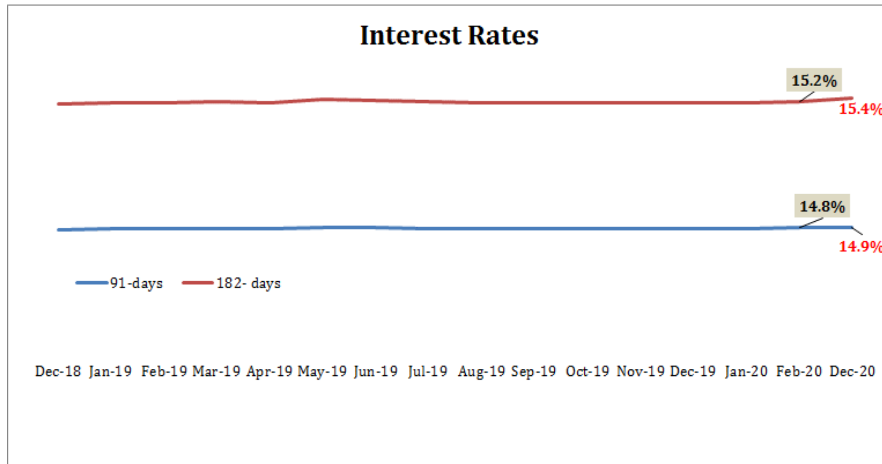
Interest Rates - *Bank of Ghana to Keep Policy Rate On Hold On Balanced Risks*

Interest rates on the money market increased slightly across the various maturities of the yield curve in February. The government of Ghana 91-day Treasury bill inched up marginally to 14. 75% as at the end of February from 14.68% in January. The 182-day Treasury bill also went up slight to 15.17% in February from 15.14% in January.

The Monetary Policy Rate remained unchanged at 16% at the last MPC meeting in January with the committee sighting broadly balanced risk to the inflation outlook.

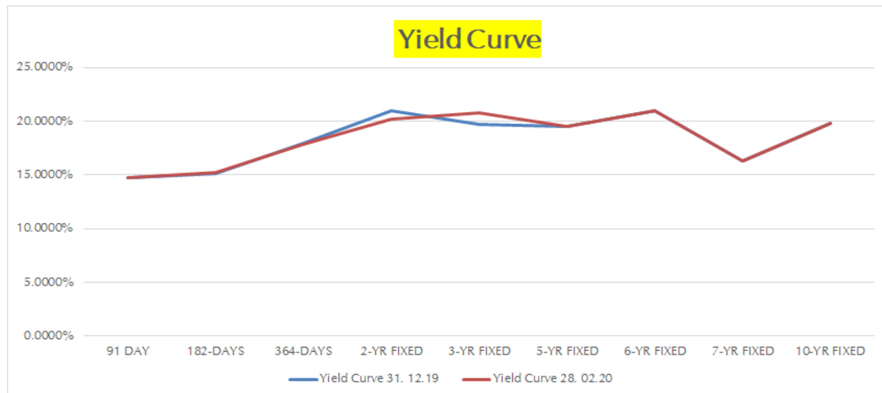
The interbank market rates ranged between 15.51% and 16.10% as at the end of February 2020 averaging 15.86%.

Fig 5: Interest rates



Source: Bank of Ghana/ GCB Research

Fig 6: Yield Curve



Source: Bank of Ghana/ GCB Research

Our expectation is for the BoG to keep its key policy rate of 16.00% on hold in 2020 in response to more balanced macroeconomic risks. Incentives for monetary easing will be limited by robust economic growth, while the risk of further currency depreciation will act as a deterrent. Meanwhile, limited – if rising - inflation will also reduce the desire for monetary tightening. However, should inflation and growth underperform per our current expectations, we would expect the BoG to make a modest 100 basis point (bps) cut to support growth.

For T-bill rates, our expectation is for the short end of the market to be fairly stable rising gradually on the back of expected increases in domestic borrowing. We expect the yield curve to continue to steepen over the near term with long term rates rising faster than short term rates supported by tight monetary policy and the re-profiling of government debt amid growing fiscal consolidation efforts.

Currency - *Cedi's Deprecation to Resume on Twin Deficits*

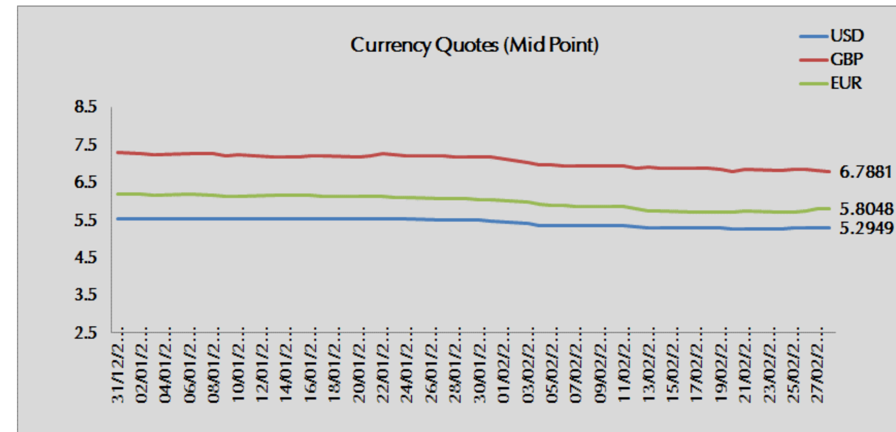
The cedi has been resilient since the start of the year pairing back some losses in 2019. This has resulted in the cedi being described as the current best performing currency globally according to

Bloomberg. The sterling performance of the cedi has been on the back of increased liquidity on the forex market due to the Fx forward auctions by BoG, the successful issuance of the US$3 billion Eurobond by the government and less demand pressures for Fx to import goods from China due to Covid-19.

The cedi recorded an appreciation rate of 3.3%, 6.0% and 4.2% against the dollar, GBP and EUR respectively in February 2020. This compares favourably to an appreciation of 1.2%, 1.7% and 2.7% against the dollar, GBP and EUR respectively in the month of January.

Year to date, the cedi has seen a cumulative appreciation of 4.5%, 7.8% and 7.0% to the dollar, GBP and EUR respectively. YoY, the cedi has appreciated by 1.2% and 1.3% respectively to the GBP and EUR. It has however depreciated by 2.3% against the dollar.

Fig 7: Performance of the Cedi



Source: Bank of Ghana/ GCB Research

As at the end of February, the cedi was trading at GHS5.2923/5.2975, GHS6.7836/6.7925 and GHS5.8024/5.8071 per the USD, GBP and EUR respectively on the interbank market.

Table 1: Depreciation/Appreciation (%)

	FY-19	Jan-20	Feb-20	YTD	YoY
USD	-12.9%	1.2%	3.3%	4.5%	-2.3%
GBP	-15.7%	1.7%	6.0%	7.8%	1.2%
EUR	-11.2%	2.7%	4.2%	7.0%	1.3%

Source: Bank of Ghana/ GCB Research

We expect the cedi to trade within range in the short term, given strong global gold prices and inflows from the US$3 billion Eurobond

supporting terms of trade in Q120. Also, minimal demand pressure for Fx for imports from China due to the Covid-19 is a contributory factor to the stability of the cedi. As 2020 progresses however, we believe that depreciation will continue, driven by twin deficits and high demand for foreign currency to service the large government US dollar debt burden. The pace of depreciation on the other hand will be tempered by robust economic growth and attractive real interest rates.

The key risk to our view is if the Bank of Ghana decide to undertake an unexpected policy rate cut. If this materialise, we believe that the pace of depreciation would be much faster. We therefore forecast the cedi to trade within the range of **GHS5.80-5.88**: USD by end of 2020.

Public Borrowing - *Government borrowed about GHS 3.6 billion in Feb-20*

In the month of February, the government accepted a total bid of GHS3.63 billion of bills and notes as against a targeted borrowing of GHS6.90 billion resulting in a surplus of GHS3.27 billion. In the same period last year, the government accepted bids of GHS 3.15 billion against a targeted borrowing of GHS3.10 billion. Majority of the bids accepted were for the payment of maturing debts and the rest for government financing requirements.

Table 2: Bids Accepted for GoG Bills, Feb-2020 (GHS M)

Date	91-days	182-days	364-days	2-years	3-years	5-yers	7-yers	10-yers	15-yers	Total
03/02/2020	466	112	383							960
10/02/2020	787	74								861
17/02/2020	477	94	11	485						1,066
24/02/2020	676	68								744
										-
Actual	2,405	348	393	485	-	-	-	-	-	3,631
Budget	2,400	800	1,000	1,800			900			6,900
Diff	(5)	452	607	1,315	-	-	900	-	-	3,269

Source: BoG/GCB Research Database

External Sector Outlook – *Ghana's Current Account Deficit to Widen slightly in the Short Term*

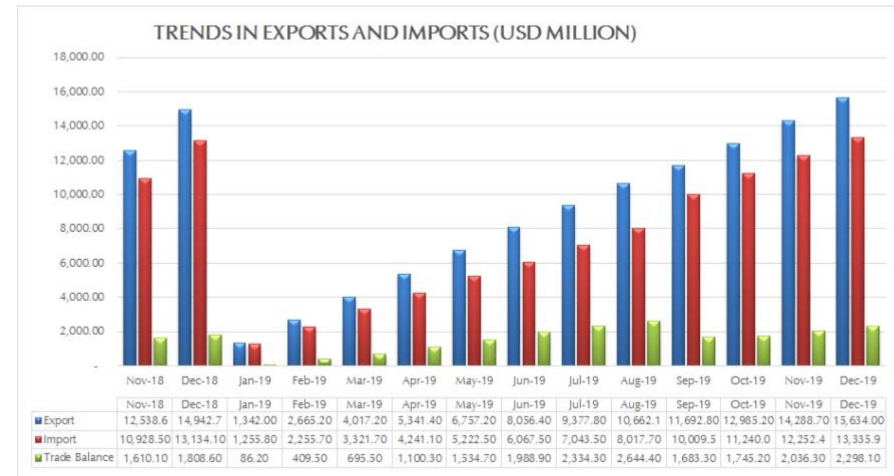
In 2019, total exports increased by 4.6 percent year-on-year to US$15.6 billion, driven mainly by 14.6 percent growth in gold exports and 8.6 percent growth in cocoa beans and products. Imports, on the other hand, grew at a slower pace of 1.5 percent to US$13.3 billion on account of a 4.2 percent growth in non-oil imports, while oil and gas imports contracted by 9.2 percent. These developments resulted in a trade surplus of US$2.3 billion (3.4 percent of GDP) in 2019,

compared with US$1.8 billion (2.8 percent of GDP) in the same period of 2018.

The trade surplus, together with improvements in net current transfers, especially remittances, resulted in further narrowing of the current account deficit to US$1.7 billion (2.5 percent of GDP) in 2019, compared to a deficit of US$2.0 billion (3.1 percent of GDP) a year ago. The current account deficit was financed by significant inflows into the financial account, driven in large part by foreign direct investments and portfolio investments. Consequently, the overall balance of payments recorded a surplus of US$1.3 billion (2.0 percent of GDP) over the review period, compared with a deficit of US$671.5 million in 2018.

Gross International Reserves at the end of December 2019 was US$8.4 billion, providing cover for 4.0 months of imports of goods and services. The reserve level compares with a position of US$7.0 billion, equivalent to 3.6 months of import cover recorded at the end of December 2018.

Fig 8: Trends in Export and Imports



	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Export	12,538.6	14,942.7	1,342.00	2,665.20	4,017.20	5,341.40	6,757.20	8,056.40	9,377.80	10,662.1	11,692.80	12,985.20	14,288.70	15,634.00
Import	10,928.50	13,134.10	1,255.80	2,255.70	3,321.70	4,241.10	5,222.50	6,067.50	7,043.50	8,017.70	10,009.5	11,240.0	12,252.4	13,335.9
Trade Balance	1,610.10	1,808.60	86.20	409.50	695.50	1,100.30	1,534.70	1,988.90	2,334.30	2,644.40	1,683.30	1,745.20	2,036.30	2,298.10

Source: BoG/GCB Research Database

Our expectation is for Ghana's current account deficit to narrow slightly in 2020 on the back of rising revenues from gold and cocoa exports. The pace of narrowing will be slowed by elevated demand for capital goods imports, weaker oil export revenues and high primary income outflows to service external debt. The financial account balance will not be over reliant on hot money flows, despite a large volume of portfolio investment. Ghana has secured large portfolio investment inflows with the issuing of Eurobonds in early 2020 – A USD3bn Eurobond was oversubscribed to the tune of USD14bn – which will mean that the country has some exposure to hot money inflows that could be reversed if investor sentiment turns

negative. Despite this, Ghana's financial account relies chiefly on direct investment flows, with around USD2.9bn of direct investment inflows keeping the financial account in surplus. Given the large number of foreign-backed infrastructure and manufacturing projects underway in Ghana, we believe that direct investment flows will remain sufficient to prevent too much dependence on portfolio investment, despite the latter's significant growth.

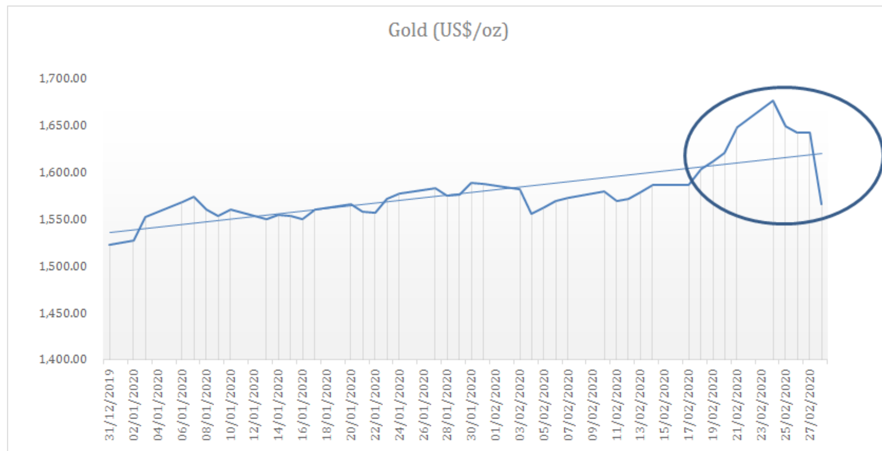
There is a risk to our view if Chinese investors were to withhold or withdraw investment as a consequence of financial pressures incurred at home, likely as a result of the Coronavirus outbreak causing financial and economic disruption. Therefore, we forecast Ghana's current account deficit to narrow slightly from 2.5% of GDP in 2019 to 2.3% in 2020, on the back of rising export revenues from gold and cocoa.

03 International Commodities Market

Gold - *Gold Prices to remain strong due to Safe Heaven Conditions.*

Gold prices traded sideways in the month of February decreasing marginally by 1.3%. This was largely driven by its safe haven appeal due to the uncertainty in global growth from Coronavirus.
Gold started the year at US$ 1,528.10/oz and as at the end of the February it was trading at US$ 1,566.70/oz. At the beginning of the month of February gold was trading at US$ 1,582.40/oz. The maximum price for the month stood at US$1,676.60/oz and the minimum price was US$1,555.50/oz averaging US$1,599.03/oz.

Fig.9: Gold



Source: Bloomberg Commodities

In the outlook, Gold futures for April delivery on New York's COMEX settled down $55.35, or 3.3%, at $1,587 per ounce, falling off the key $1,600 berth. The last time benchmark gold futures lost more in a day was in February 2018, when it slumped 4.6%. For the last week of February, the contract lost 3.7%. But for the month, it managed to stay flat. Gold has been a safe-haven most investors piled into over the past month as tremors over the Coronavirus crisis slowly built. During the month, the yellow metal hit seven-year highs just short of US$1,700 — raising hopes that it might have a shot later in the year at cracking the US$1,900 record high. Yet, over the past four sessions, both gold futures and bullion descended into the red, before finally tumbling at the end of February. Two reasons were cited by analysts: higher margin calls imposed on gold traders and selling by hedge funds to cover losses elsewhere. Gold should start showing signs of life regardless of what stocks do over the next couple months. If panic selling with stocks continues in the month of March, gold will likely reassert its safe-haven status or if markets show signs of stabilizing, we could see the broad-based commodity plunge ease. Therefore, we project gold to end 2020 at **US$ 1620.28/oz.**

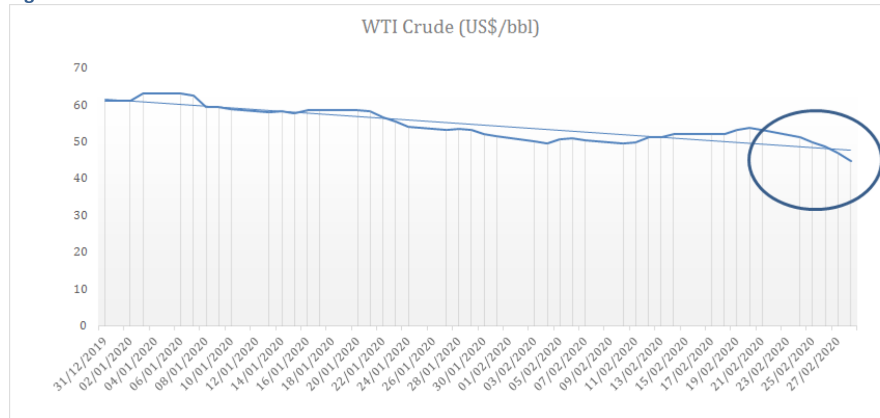
Crude Oil - *Oil to come under pressure due to Coronavirus Epidemic and uncertainty surrounding production cuts.*

Oil prices have been tumbling in the month of February decreasing by 13.2% compared to the month of January 2020. This has been on the back of weak demand from China the largest market for the consumption of crude oil due to Coronavirus epidemic.

WTI crude oil started the year at US$61.18/bbl and as at the end of February it was trading at US$44.76/bbl. At the end of January, it was trading at US$51.56/bbl. The maximum price for the month

stood at US$53.78/bbl and the minimum price was US$44.76/bbl bringing the average price to US$50.62/bbl.

Fig 10: Crude Oil



Source: Bloomberg Commodities

In the outlook, with the first death of an American from the Coronavirus expected to weigh further on U.S. markets in the weeks ahead- amid reports of Russia still being undecided on the production cuts required by OPEC+ - it's hard to imagine the selloff in oil is over. However, crude prices could see some support in the months ahead from the oil blockade in Iraq and potentially another positive dataset from the U.S. Energy Information Administration. There could be OPEC jawboning too. The cartel will be having its much-awaited meeting next week, it would be remiss for Saudi Arabia and other OPEC members not to talk up the market — regardless how much of a cut they ultimately agree with top ally Russia. Therefore, failure to reach an accord could put the entire OPEC+ pact at risk. Potentially positive data and soundbites from the upcoming weekly EIA supply-demand reports, the outcome of OPEC members-only meeting and talks with Russia and other allies could support oil prices next month. Another major development that could provide a fillip to oil prices is the announcement by Federal Reserve Chair Jay Powell that the central bank was monitoring risks to the United States from the Coronavirus, and will use "appropriate tools" to support the economy — the clearest sign yet that rate cuts were coming.

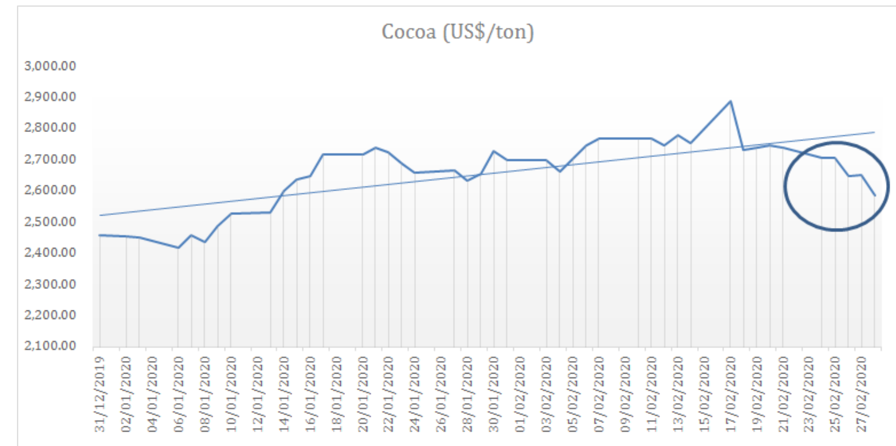
Despite such positives, there's still a possibility that Coronavirus fears could prove to be the greater factor in the months ahead, especially if there's a spike in U.S. infections or fatalities. Then Wall Street could plumb to further depths seen during the financial crisis. At that point, the valid question to ask is how much more could oil lose? On the basis of the above developments we have review our forecast for the price of crude from **US$63.19/bbl** to **US$53.25/bbl** for 2020.

Cocoa - *Cocoa Prices to be under pressure with Concerns that Coronavirus Will Undercut Global Cocoa Demand*

After a steady start in 2020, prices of cocoa on the international commodities market has seen some marginal dip decreasing by 4.3% as at the end of February 2020. This has been largely due to oversupply concerns for the 2019/20 crop season.

Cocoa started the month of February at the price of US$2,699.56/ton and as at the end of the month it was trading at US$2,584.87/ton down by US$115. The highest price for cocoa recorded for the month was US$2,886.00/ton whilst the lowest price recorded was US$2,584.87/ton. The average price for the month stood at US$2,725.35/ton.

Fig 11: Cocoa



Source: ICCO

In the outlook, May ICE NY cocoa (CCK20) on 28/02/20 closed down -73 (-2.66%), and May ICE London cocoa (CAK20) closed down -32 (-1.61%). Cocoa prices are under pressure on concern the spread of the China Coronavirus will derail the global economy and demand for commodities, including cocoa. Cocoa prices were already on the defensive on the outlook for a smaller global cocoa deficit. Marex Spectron a leading commodity broker has its global 2019/20 cocoa deficit estimate to 25,000-50,000 MT from a Jan estimate of 100,000 MT, citing timely rains that may boost West African cocoa yields. Cocoa prices are also under pressure from ample cocoa supplies from the Ivory Coast, the world's biggest producer. The Ivory Coast

government on 24/02/20 reported that Ivory Coast farmers sent 37,128 MT of cocoa to ports from Feb 17-23, up +40% from the same time last year. On a cumulative basis, Ivory Coast farmers sent 1.61 million MT of cocoa to ports during Oct 1-Feb 23, up +8.8% y/y. Another negative for cocoa prices is the forecast for rain in West Africa. A meteorologist at Marex Spectron said that average rainfall is forecast across West Africa through the middle of March. Cocoa prices in the previous month saw support on warm temperatures in Ghana and a lack of rainfall in the Ivory Coast and Ghana. Also adding to the bearish outlook is the sharp recovery of cocoa inventories. ICE-monitored cocoa inventories recovered to a 4-3/4 month high of 3.718 million bags on 27/02/20 from December's 3-year low of 2.688 million bags. We believe that these factors will weigh on the price of cocoa in the months ahead and therefore we forecast the price of cocoa to close 2020 at **US$ 2,877.43/ton.**

04 Conclusions- *Economic Growth in Ghana Expected to be Robust in the Months Ahead.*

On the global scale, economic performance is projected to be sluggish due to the risk posed by the novel Coronavirus that hit China at the start of the year and now spreading to other parts of the world.

On the domestic economy, the latest data from the BoG's Composite Index of Economic Activity shows that economic growth continues to remain robust and broad-based, although at a moderated pace. Consumer confidence has rebounded and businesses are fairly optimistic about industry prospects even though we are yet to estimate the impact of Coronavirus on growth with regards to disruption in trade between Ghana and China which may affect port activities and impact on growth.

The external sector performance continued to remain strong, with an improved trade surplus. This has contributed to the further narrowing of the current account deficit and supported additional reserve build-up of US$1.3 billion. This should provide strong buffers to withstand shocks and ensure stability in the foreign exchange market.

Overall, the economy presents fairly resilient and robust performance with regards to output growth and a strong trade and payments position. The economy is positioned firmly on the path of stability with inflation forecasted to be relatively stable this year barring any unanticipated shocks.

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