BANK OF GHANA

Economic & Financial Review

November 2007

MONETARY POLICY COMMITTEE PAPERS

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The Economic & Financial Review is prepared by the
Monetary Policy Analysis and
Financial Stability Department, Bank of Ghana

Further information may be obtained from:
Monetary Policy Analysis and Financial Stability Department
P. O. Box GP 2674, Accra
Tel: +233-21-666174-6

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Chapter 1

INFLATION OUTLOOK AND ANALYSIS

1.1 Recent Economic Developments

Since the last meeting of the Monetary Policy Committee in August 2007, developments in the economy have been dominated by the following events which are likely to shape general pricing behaviour especially in the last quarter of the year:

- A cessation of the energy load shedding exercise which started in August 2006. The cessation was possible because of two main factors;

    (i) improved water levels in the Akosombo Dam and

    (ii) purchasing of additional power generating equipments to supplement the levels being generated in the country. With this, development cost of doing business is expected to be minimized in the subsequent months;

- The period also saw increased volatility in international crude oil market. Oil prices surged to new heights owing to stronger growth of demand than initially projected, lower production by OPEC and continuing geopolitical concern in the Middle East;

- On the domestic scene, prices of petroleum products moved in line with changes in the international crude oil prices. Domestic fuel prices rose by a cumulative 7 per cent since the second quarter of 2007;

- The month of October also saw utility tariff adjustment; the Public Utility and Regulatory Commission (PURC) approved an average increase of 35 per cent for the utility providers, effective November 1, 2007.

1.2 Headline Inflation

1.2.1 Price Developments for October 2007

Price indications for October 2007 showed that inflation eased marginally from 10.2 per cent recorded at the end of the second quarter to 10.1 per cent. The marginal decline in October was aided by food prices. The food price index declined in the month by 1.1 per cent while non-food prices increased by 0.5 per cent. The development in food and non-food prices resulted in a decline in the overall index by 0.2 per cent. A year ago in October 2006, the overall index recorded a decline of 0.1 per cent, stemming from a 0.7 per cent decline in the food price index and a 0.3 per cent increase in the non-food price index.

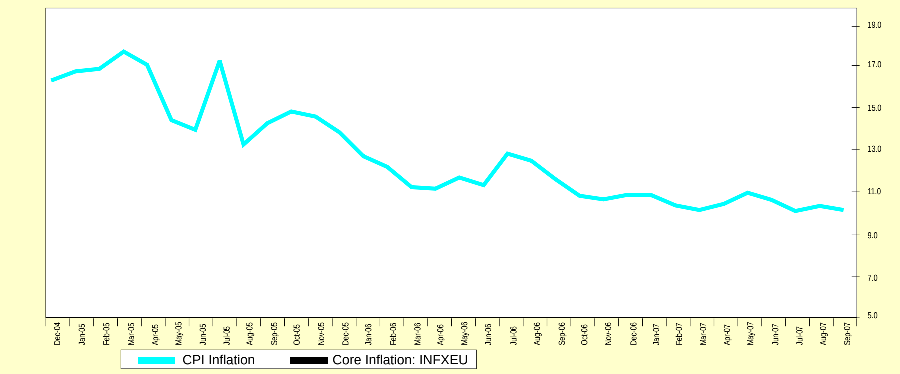
Food inflation as a result dropped from 9.3 per cent recorded at the end of September 2007 to 8.8 per cent. Non-Food inflation on the other hand moved to 11.1 per cent in October 2007 after recording a low of 10.1 per cent in July 2007. The impact of petroleum price adjustments since the beginning of the year has been responsible for the gradual increase in non-food inflation.

1.3 Developments in Headline Inflation, Q3-2007[1]

Inflation eased from 10.7 per cent in June 2007 to 10.2 per cent by end September 2007. Developments within the quarter generally saw price increases which were lower than trends observed for the same period in 2006. The average monthly change of the headline consumer price index (CPI) for the third quarter of 2007 was 0.38 per cent compared with an average of 0.53 per cent observed in the third quarter of 2006. The third quarter of the year saw food prices slow down in line with established seasonal patterns when the food supply situation normally improves. As a result, the average prices of food in the third quarter declined by 0.49 per cent compared with a decline of 0.31 per cent for the third quarter of 2006. Non-food prices rose but not as much as the rise observed in the previous year. The average increase was 1.03 per cent in Q3:2007 compared with an increase of 1.14 per cent in Q3:2006.

Year-to-end-September 2007, inflation has been driven more by non-food prices than by food prices. Non food inflation which stood at 13.5 per cent at the end of December 2006 dropped to 10.9 per cent by the end of September 2007. Food prices, on the other hand, have seen a surge since the beginning of the year. Food inflation was estimated at 7.5 per cent at the beginning of the year, but rose quickly and peaked at 10.2 per cent in year-on-year terms. It has since been falling, reaching 9.3 per cent by the end of September 2007. Food supply conditions tightened during the first six months and this has affected prices at most of the food selling centres in the country. Adding to the scarcity problem has been the issue of increased costs associated with distributing food to the major food centres across the country. With the onset of the major raining season, supply conditions for most food items have improved resulting in the easing of food

Chart 1: Headline Inflation and Core Measure of Inflation (INFXEU)



[1]Headline inflation for October 2007 has since been released and it continues on the downward trend, inching downward to 10.1 per cent

price inflation to 9.3 per cent by the end of September 2007.

On a year-on-year basis, headline inflation dropped from 11.7 per cent in September 2006 to 10.2 per cent by September 2007. Non food inflation dropped from 13.9 per cent to 10.9 per cent but food prices increased from 8.7 per cent to 9.3 per cent.

At the same time, the Central Banks measure of core inflation (defined to exclude price changes of energy and utility items from the consumer basket) continued to decline. Core inflation during the third quarter eased to 8.2 per cent by the end of September 2007, compared with 9.3 per cent in September 2006. This compares with the headline rate of inflation which has recorded a decline of 1.5 percentage points for the same period (see Chart 1).

1.4 Trends in the Core Measures of Inflation

The Bank of Ghana's measure of core inflation defined to exclude price changes of energy and utility items from the consumer basket continue to point towards an ease in inflationary pressures in the economy. Inflation, by this measure, declined by 40 basis points during the third quarter of the year and was estimated at 8.2 per cent at end September 2007 (Table 1). The decline follows the pattern exhibited by headline inflation which also declined by 50 basis points during the same period.

Since the beginning of the year, this core measure has declined faster than headline inflation, falling from 9.4 per cent in December 2006 to 8.2 per cent by the end of September 2007. The fact that underlying price pressures have been declining suggests the existence of temporary price movements affecting overall inflation. The 2 per cent gap between headline inflation and the main core measure of inflation is explained by adjustments in domestic petroleum prices, transportation costs and general pricing behaviour in the economy emanating from the energy crisis.

On the whole, the first nine months of the year has seen the Bank of Ghana measure of core inflation (defined to exclude price changes of energy and utility items) decline by 1.2 percentage points to 8.2 per cent, an indication that current inflationary pressures may be temporal. The core analysis suggests that headline inflation is being unduly influenced by factors that could be tagged as temporal and that underlying price pressures in the economy are somewhat muted. However in October, this core measure

Table 1: Measures of Core Inflation

Inflation Measure	Dec -05	Mar -06	Jun -06	Sep -06	Dec -06	Mar -07	Jun -07	Jul -07	Aug -07	Sep -07	Oct -07
CPI	13.9	11.3	11.4	11.7	10.9	10.2	10.7	10.1	10.4	10.2	10.1
CPI ex energy and utility	12.8	10.5	9.5	9.3	9.4	9.1	8.6	8.1	7.5	8.2	8.3

of inflation inched up by 0.1 percentage points to 8.3 per cent. This increase is the second successive increase since September 2007.

1.5 Developments in the Food and Non-Food Indices, Q3-2007

The decline in headline inflation observed during the third quarter of 2007 was in the opposite direction of what was observed for the same period in 2006. Headline inflation during the third quarter of 2006 increased by 30 basis points to 11.7 per cent contrasting the decline of 50 basis points to 10.2 per cent observed during the third quarter of 2007. Table 1 shows developments in the monthly increases of the CPI up to the third quarter of 2007.

Table 2: All Items Consumer Price Index
Monthly Price Movements (2005-2007)

Year	Jan	Feb	Mar	Q1 Avg	Apr	May	Jun	Q2 Avg.	Jul	Aug	Sep	Q3 Avg.	Oct	Nov	Dec	Oct-Dec Avg.
2005	2.17	2.11	2.38	2.22	1.33	0.84	1.37	1.18	0.30	0.26	0.76	0.44	0.60	0.60	0.40	0.53
2006	1.14	1.67	1.48	1.43	1.26	1.32	1.04	1.21	1.67	-0.05	-0.03	-0.53	-0.12	-0.45	0.60	0.31
2007	1.11	1.24	1.27	1.21	1.55	1.80	1.74	1.36	1.17	0.19	0.22	0.38	NA	NA	NA	NA

In general, we observed that the average monthly price growth of the all items price index during the third quarter of 2007 recorded an increase of 0.38 per cent compared with a rise of 0.53 for the same period in 2006.

With respect to food prices, the average path for the third quarter of the year turned in better than the path observed in the third quarter of 2006. The average path for Q3:2007

Table 3: Food Price Index
Monthly Price Movements (2005-2007)

Year	Jan	Feb	Mar	Jan-Mar Avg	Apr	May	Jun	Apr-Jun Avg.	Jul	Aug	Sep	Q3 Avg.	Oct	Nov	Dec
2005	3.61	1.86	2.38	2.31	1.70	1.01	1.59	1.44	-0.25	0.03	1.06	0.28	0.34	0.90	0.18
2006	0.90	0.99	1.48	1.21	1.60	1.82	0.90	1.44	0.80	-0.93	-0.80	-031	-0.70	0.40	0.60
2007	1.40	2.33	1.27	1.48	2.31	2.80	0.66	1.92	1.04	0.19	-1.46	-0.49	NA	NA	NA

recorded a decline of 0.49 per cent compared with a decline of 0.31 per cent for Q3:2006. The relative better food supply conditions observed in the months of August and September were responsible for the favourable price conditions.

The average path for the first three quarters has generally been below the established trend for 2006. Similar to what was observed in 2006, the average profile for non-food

Table 4: Non-Food Price Items															
Monthly Price Movements (2005-2007)															
Year	Jan	Feb	Mar	Q1 Avg	Apr	May	Jun	Q2 Avg.	Jul	Aug	Sep	Q3 Avg	Oct	Nov	Dec
2005	1.32	2.31	2.80	2.15	0.93	0.64	1.13	0.90	0.90	0.51	0.44	0.62	089	0.27	0.64
2006	1.33	2.19	1.30	1.61	0.90	0.79	1.20	0.96	2.33	0.60	0.53	1.14	0.50	0.50	0.60
2007	0.90	0.44	1.60	1.01	0.99	1.06	0.80	0.95	1.26	1.14	0.69	1.03	NA	NA	NA

prices increased from 0.95 per cent to 1.03 per cent (see Table 3). The third quarter for 2006 and 2007 were associated with increases in the domestic price of petroleum products. The numbers suggests that the reaction to these petroleum price changes in 2007 seem less volatile than they were in 2006.

1.6 Changes in the 12-month Variation of the All-Items Index

Details of the yearly inflation rates within the various sectors of the economy for the periods September 2006 and September 2007 are reported in Table 4. The table shows that most non-food components eased during the period. Food prices on the other hand increased during the review period, moving from 8.7 per cent to 9.3 per cent. Some key sectors within the non-food category that contributed to the ease were alcoholic beverages, household equipment and appliances, health care delivery costs, clothing and footwear, housing, and utilities, imported household furnishes and equipment, transportation costs and recreational costs.

Table 5: Sub-Grouping Analysis of the Consumer Price Index: Sept. 2005 & 2007													
			Grouping Under Non-Food Items										
	Food & Beverages	Non-Food Items	Alc. Beverage Tobacco & Narcotics	Clothing, Footwear	Housing, Water Elect., Gas and others	Furnishers Household Equip and RMW's	Health	Transport	Commu-nications	Recreation and Culture	Education	Hotels, Cafes and Restaurants	Miscellaneous Goods and Servcices
Weights	44.9	55.1	2.2	11.3	7.0	7.8	4.3	6.2	0.3	3.0	1.6	8.3	3.0
Sept 2008	8.7	13.9	11.7	8,7	11.4	5.5	23.4	11.1	21.9	35.3	10.2	19.6	7.9
Sept 2007	9.3	10.9	10.2	9.3	11.4	2.0	11.1	2.8	35.1	13.2	36.0	13.7	0.3

The increases in the various groupings were as follows for the year ending September 2007:

- General prices for food and non-alcoholic beverages increased relative to trends a year ago. Prices which were reported to be increasing at a rate of 8.7 per cent on a year-on-year basis as at September 2006 went up to 9.9 per cent by end of September 2007;

- Price changes for alcoholic beverages, tobacco and narcotics slowed down by 1.5

percentage points when compared with trends in September 2006. By September 2007 prices for these items were increasing at a rate of 10.2 per cent ;

- Prices for imported clothing and footwear went up in the year under review. Prices in this sector which were rising at a rate of 8.7 per cent a year in September 2006, but rose faster at 9.3 per cent by end September 2007;

- Rent paid for housing as well as energy prices stabilized in the review period at 11.4 per cent;

- Price increases for household equipments, furnishes and charges for home routine maintenance works declined by 3.5 percentage points in the year to September 2007 to 2.0 per cent;

- Growth in the price index for health care delivery was significantly down at 11.1 per cent as at September 2007; the comparative figure for September 2006 was 24.4 per cent.

- Price increases in the transportation sector which directly captures changes in petroleum energy prices were higher on a year-on-year basis by 2.8 per cent;

- The communications sector inflation was reported at 35.1 per cent as at September 2007. The figure for September 2006 was 21.9 per cent. The increased growth continues to reflect the one-off increase in postage and courier related charges announced during the last quarter of 2006 and the first quarter of 2007; after years of virtually no adjustment in such charges.

- The prices increase on a year-on-year basis in the recreational and cultural activities sector was 13.2 per cent as at September 2007, down from 35.3 per cent in September 2006;

- Prices charged by hotel, restaurant and café operators was also reported at 13.7 per cent as at September 2007, also down from 19.6 per cent in September 2006;

1.7 Inflation Outlook

Underlying inflation has not shifted significantly since the beginning of the year. Inflation which stood at 10.9 per cent at the beginning of the year was reported at 10.2 per cent by the end of September 2007. The Central Bank key policy rate has remained unchanged since the beginning of the year. The Ghana Cedi has seen some upward momentum relative to trends a year ago. Money supply has been within a range of 32-39 per cent in the second and third quarters of the year, above the trend for the preceding 2 quarters.

Over the next year, inflation is expected to remain stable. What is not certain at this point is the behaviour of crude oil prices in the short term. Currently crude oil prices have breached the US$90 per barrel mark with downside inflation risks to be managed.

1.8 Assessment of Risks to the Inflation Outlook

The central bank's projection, which is driven by assumptions about the economic fundamentals over a horizon of two years (ie interest rates, energy prices and crude oil assumptions), shows that inflation is likely to remain close to 7- 5 per cent by the end of 2009. This is under the key assumption of a generally tight monetary policy stance.

As always, there are uncertainties surrounding these projections. The uncertainties are varied and include: the behaviour of crude oil prices and its impact on the domestic ex-pump price of petroleum products. Further increases beyond the current levels could trigger an unfavourable price conditions in the economy through its effects on inflation expectations. Additional uncertainty could also come from the following sources:

- unexpected variations in climatic conditions which could adversely affect the food supply situation and ultimately impact on prices;
- The execution of the budget for 2008 and the strength of its fiscal impulse and its impact on the economy and on price pressures;
- Increases in utility tariffs

Looking ahead, the downside risks to inflation stem principally from the surge in crude oil prices into a trading range significantly above historical levels and its potential pass through to domestic costs. The ongoing realignments of exchange rates of major currencies and the knock-on effect are a source of potential volatility on the exchange markets. Uncertainties in adjustment in utility tariffs also remain. All these together with the fiscal stimulus and demand pressures working through the system, means a potential for build-up of inflationary pressures. Core inflation rose by 0.7 percentage points in September to 8.2 per cent following several months of decline in the single digit range, a signal of the underlying pressures from the energy crisis, increases in fuel prices and generally rising food prices in the economy.

Chapter 2

FISCAL DEVELOPMENTS

2.1 Introduction

- This report contains the most recent data on fiscal developments following the Press Release of the Monetary Policy Committee and the reading of the 2008 annual budget statement of the government

- Preliminary banking sector data up to the end of October 2007 indicates that growth in government expenditure has been more vigorous than that of total receipts.

- In addition, a higher net foreign outflow as well as the incomplete execution of the government's divestiture programme resulted in a net domestic financing position of 4.91 per cent of GDP by the end of October 2007.

- This level of net domestic financing compares with 3.98 per cent of GDP by the end of September 2007 and 2.30 per cent of GDP for the end of October 2006 and is currently higher than the projected outturn for 2007 of a net borrowing of 0.54 per cent of GDP.

2.2 Total Revenue and Grants[2]

Total revenue and grants by the end of October 2007 amounted to GH¢3.38 billion. This constitutes 80.2 per cent of the annual budgeted target for 2007 and represents a growth of 27.0 per cent over the outturn for the same period in 2006.

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The *domestic revenue* component of the total revenue and grants amounted to GH¢2.86 billion. This constitutes a relatively lower proportion of 76.1 per cent of the annual budget target compared with 83.5 per cent achieved for the same period in 2006.

It would be observed from the table above that, when *total domestic revenue* is adjusted for retentions and import exemptions, the expected growth in the 2007 budget was 11.8 per cent. However, this performance represents a year-on-year growth of 29.7 per cent.

The performance of the revenue agencies for the period under review has been broadly encouraging.

Taxes on international trade and petroleum (CEPS) collected for the period amounted to GH¢1.17 billion. This represents some 75.1 per cent of the annual budget target for 2007, compared with a proportion of 69.8 per cent collected for the same period in 2006 and also, an increase of 24.2 per cent above the outturn for the same period in 2006.

[2] Total receipts here is made up of domestic revenue and grants

Table 6: Government Revenues						
CATEGORY (Millions of GH. CEDIS)	2006 JAN-OCT OUTTURN	2006 JAN-DEC OUTTURN	2007 JAN-OCT OUTTURN	2007 JAN-DEC Budget	Expected Growth 2007 Budget 2006 OUTTURN	Growth y-on-y
Tax Revenue	1,873.7	2,445.8	2,546.7	3,435.8	40.5	35.9
% of GDP	16.31	21.29	18.22	24.58		
Import Duty, Import VAT, Petroleum Tax	930.71	1,183.24	1,174.88	1,564.18	32.2	26.2
Import Exemption	-	-	-	339.52	-	-
Income and Property Taxes	543.84	718.33	748.77	887.70	23.6	37.7
Domestic VATand Excise Duty	251.19	316.42	346.27	398.60	26.0	37.9
Cocoa Duty	62.36	108.46	-	63.40		
National Health Insurance Levy	85.65	119.40	276.81	182.40	52.8	223.2
Non-Tax Revenue	56.15	92.30	104.55	326.90	254.2	86.2
Lodgement	56.15	92.30	104.55	103.5	12.1	86.2
Retention	-	-	-	223.4	-	-
Grants	452.3	499.1	515.3	449.8	(9.9)	13.9
Program Grants	114.49	133.21	150.79	153.50	15.2	31.7
HIPC Assistance	148.46	167.81	148.97	136.40	(18.7)	0.3
MDRI Assistance	189.36	198.04	215.49	159.90	(19.3)	13.8
Others	277.71	323.36	210.93		(100.0)	(24.0)
Other Revenue Measures						
Petroleum Recovery Levy						
National Reconstruction Levy						
Timber Licence						
TOTAL REVENUE excl. Retention & Imp. Exempt	2,207.6	2,861.5	2,862.2	3,199.8	11.8	29.7
TOTAL REVENUE	2,207.6	2,861.5	2,862.2	3,762.7	31.5	29.7
TOTAL REVENUE AND GRANTS	2,659.9	3,360.6	3,377.5	4,212.5	25.4	27.0
% of GDP	23.15	29.25	24.16	30.14		

Taxes on income and property (IRS) collected for the review period amounted to GH¢748.8 million reflecting a significant growth of 37.7 per cent over the outturn for the same period in 2006.

2.2.1 Grants Excluding Project Grants

The outturn for 2007 constitutes 84.4 per cent of the annual budgeted target compared with 74.8 per cent for 2006.

Also, domestic *VAT and excise duty* registered an amount of GH¢346.3 million, which was in excess of the previous year's level by 37.9 per cent. Thus far a relatively higher proportion of the annual budget target for domestic VAT and excise duty for 2007 has been collected.

National Health Insurance levy (NHIL) collected for the period ending October 2007 amounted to GH¢104.6 million. This exceeded the annual target for 2007 by 51.8 per cent and represented 223.2 per cent growth over the outturn for the same period in 2006.

Non-tax revenue (Lodgement) collected for the period amounted to GH¢104.6 million, representing some 104.0 per cent of the annual target and also higher than the outturn for the corresponding period in 2006 by 86.2 per cent.

For the period under review, *programme grants* received amounted to GH¢150.8 million, which constitutes 98.2 per cent of the annual budgeted target. Also, 109.2 per cent of the annual target for *HIPC assistance* has been realised by the end of October, 2007. The amount released in respect of the *MDRI assistance* was GH¢215.5 million compared with GH¢159.9 million budgeted for the whole year.

2.3 Total Expenditure

For the period January to October of 2007, *total expenditure*[3] amounted to GH¢4.05 billion. This performance represents a year-on-year growth of 42.0 per cent and constitutes some 80.8 per cent of the annual budgeted target. For the same period in 2006 about 90.9 per cent of the annual budgeted target of total expenditure has been executed.

Table 7: Government Expenditures

CATEGORY (Millions of GH. CEDIS)	2006 JAN-OCT OUTTURN	2006 JAN-DEC OUTTURN	2007 JAN-OCT OUTTURN	2007 JAN-DEC Budget	Expected Growth 2006 OUTTURN 2007 Budget	Growth y-on-y
Interest Expenditure	271.2	372.0	324.9	364.8	(1.9)	19.8
Interest domestic	207.2	281.7	224.7	250.5	(11.1)	8.5
Interest external	64.0	90.3	100.2	114.3	26.6	56.5
Non-Interest Expenditure	2,584.2	3,404.1	3,729.2	4,652.6	36.7	44.3
DACF	113.3	139.5	31.2	162.7	16.6	(72.4)
GET Fund	81.2	97.6	109.3	177.5	81.9	34.6
Wages & Salaries, Pensions	1,060.3	1,346.3	1,223.6	1,473.0	9.4	15.4
Social Security Payments	26.1	26.1	118.9	98.8	279.0	356.2
Road Fund	55.1	55.1	14.7	111.4	102.3	(73.3)
HIPC Financed Expenditure	158.5	198.5	150.4	177.0	(10.8)	(5.1)
MDRI Drawings	128.3	214.5	291.3	160.0	(25.4)	127.0
MDA Drawings	504.7	680.7	846.2	-	(100.0)	67.7
Petroleum Expenditure	312.0	411.1	298.5	3.0	(99.3)	(4.3)
Other Payment	144.8	234.8	644.9	2,289.2	874.8	345.5
o/w Retention of Internally-generated funds (IGFs)	-	-	-	223.4	-	-
o/w Tax Expenditure (Exemptions)	-	-	-	339.5	-	-
TOTAL EXPENDITURE excl. Retention & Exemptions	2,855.4	3,776.1	4,054.2	4,454.5	18.0	42.0
TOTAL EXPENDITURE	2,855.4	3,776.1	4,054.2	5,017.4	32.9	42.0
% of GDP	24.85	32.86	29.01	35.90		

Total Expenditure excluding retention and expenditure exemptions was expected to grow by 18.0 per cent.

For the period under review, *domestic interest payments* amounted to GH¢224.7 million representing a growth of 8.5 per cent over the outturn for the same period in 2006. *External interest payments* of GH¢100.2 exceeded the outturn for the corresponding period in 2006 by 56.5 per cent.

Outlays on the *wage bill* for 2007 represented 83.1 per cent of the budgeted amount and a year-on-year growth of 15.4 per cent as at the end of October of 2007.

HIPC financed expenditures for the period amounted to GH¢150.4 million compared with GH¢158.5 million executed in the same period in 2006. Also *MDRI drawings* amounted to GH¢291.3 million, significantly higher than the GH¢128.3 million expended under the MDRI drawings for the same period in 2006.

2.4 Budget Balance and Financing

The budget recorded an estimated narrow fiscal deficit[4] of GH¢715.6 million (5.1 % of

[3]Grants exclude project grants
[4]Excluding foreign financed capital expenditure

Table 8: Budget Balance - Finance				
CATEGORY Millions of GH. CEDIS)	2006 JAN-OCT OUTTURN	2006 JAN-DEC OUTTURN	2007 JAN-OCT OUTTURN	2007 JAN-DEC Budget
REVENUE AND GRANTS	2,659.9	3,360.6	3,377.5	4,212.5
EXPENDITURE	2,855.4	3,776.1	4,054.2	5,017.4
OVERALL BALANCE(Commitment)	(195.5)	(415.6)	(676.7)	(804.9)
% of GDP	(1.70)	(3.62)	(4.84)	(5.76)
Road Arrears	(9.59)	(9.59)	(17.87)	(16.50)
Non-Road Arrears	(15.41)	(15.41)	(21.02)	(39.70)
VAT Refund	(7.84)	(7.84)	0.00	(21.38)
OVERALL BALANCE(Cash)	(228.3)	(448.4)	(715.6)	(882.5)
% of GDP	(1.99)	(3.90)	(5.12)	(6.31)
Divestiture Receipts	0.6	0.6	0	534.8
OVERALL BALANCE(Cash Incl. Divestiture)	(227.7)	(447.8)	(715.6)	(347.7)
% of GDP	(1.98)	(3.90)	(5.12)	(2.49)
FINANCING	227.7	447.8	715.6	347.7
DOMESTIC NET	267.7	476.6	685.6	-42.4
% of GDP	2.3	4.1	4.9	(0.3)
Banking	(30.6)	52.0	244.5	
Bank of Ghana	(92.4)	(19.9)	215.3	
Deposit Money Banks	61.8	71.8	29.2	
Non-Bank	298.4	424.6	441.1	
o/w Non-Residents	0.0	0.0	328.4	
FOREIGN NET	(32.9)	(64.6)	(164.0)	39.8
Loan Disbursement	160.73	160.73	101.87	147.00
Exceptional Financing	0.0	0.0	0.0	117.7
Loan Repayment	(193.6)	(225.3)	(265.9)	(224.9)
Savings(+)/Dissavings(-) From GGILBs	(7.1)	(7.1)	0.0	(0.3)
Other Financing (Capital Market)	0.0	42.9	193.9	350.6

GDP) for January-October, 2007, compared with a deficit of GH¢227.7 million (2.0 % of GDP) for the same period in 2006.

By the end of October 2007, the *domestic primary balance* was also in a deficit of 6.2 per cent of GDP compared with a deficit of 3.3 per cent of GDP for the same period in 2006 *and a deficit of 4.4 per cent of GDP at the end of September 2007.*

The resource gap of GH¢715.6 million coupled with a net foreign loan repayment of GH¢164.0 million were financed from the domestic economy.

Thus the net domestic financing at the end of the October of 2007 stood at GH¢685.6 million (4.9 % of GDP).

2.5 Conclusions

- Revenue performance up to the end of October has been broadly satisfactorily, however, the revenue agencies will have to step up their revenue mobilisation effort for the last two months of the year to meet their annual targets.

- So far, expected resources from divestiture proceeds have not yet materialised. Also nothing has been received in respect of Cocoa duties for the period under review.

- The pace of execution of expenditures for the third quarter of 2007 was subdued relative to the preceding quarters.

- The supplementary budget envisaged an amount of GH¢350.6 million from the capital market funds to be used to support activities in the 2007 budget. Government is projecting to utilize GH¢193.9 million of this amount in 2007, then it is expected that some expenditures to the tune of GH¢156.7 million would not be executed in 2007.

Chapter 3

MONETARY AND FINANCIAL DEVELOPMENTS

3.1 Summary of Recent Developments in 2007 through October[1]

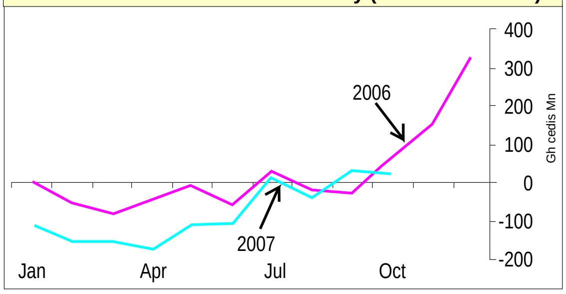
Latest provisional data available for Q3 2007 on the key monetary aggregates show:

- A continued strong monetary expansion in Q3, underpinned by rapid domestic credit expansion by the banking system.
- The strong broad money growth reflects in rapid domestic deposit mobilization by the banks. The currency ratio continued on a downward path.
- Annual growth of real credit to the private sector was at 42.4 per cent at the end of Q3.
- Interest rates on the auction market in the year through September generally declined, especially rates on the long-dated instruments and there was evident shift in preference for the long-dated securities on the auction market in the quarter.

3.2 Review of Developments in Monetary Aggregates

3.2.1 Reserve Money (RM)

Chart 2: Trends in Reserve Money (Cumulative Flow)



After peaking in December 2006 with a seasonal quarterly surge of 36.3 per cent due mainly to the stronger than forecast cocoa crop output, RM growth in Q3 stood at 11.4 per cent compared with 4.1 per cent at end Q2 and rr per cent at end Q3 2006. At the end of October 2007, RM had risen by 1.4 per cent compared with 6.2 per cent in the same period in 2006.

On year-on-year basis, RM growth was 26.4 per cent at end-October 2007 compared with 21.0 per cent at end-October 2006. It grew by 32.3 per cent at the end of December 2006 (Table 1).

Net domestic assets of the Bank of Ghana (NDA) fell by 36.8 per cent, after declining significantly over the same period in 2006. Net foreign assets (NFA) of the Bank of

[1]Provisional RM data is rather available through October.
[2]RM numbers in Q3 2007 were adjusted for outstanding imprest to banks at end-Q3 following the re-denomination exercise in July 2007.

Ghana recorded an increase of 29.7 per cent over the 12-month period to October 2007, compared with 54.0 per cent a year earlier.

The growth in RM in 2007 was reflected in all the components viz. currency outside banks, DMBs reserves and non-bank deposits. (See Table 9).

Chart 3: Evolution of Reserve Money Growth (y-on-y)

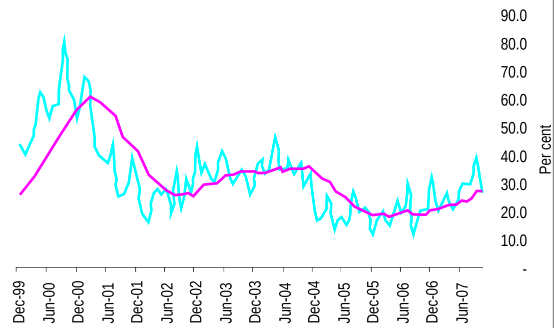


Table 9: Sources of Growth in Reserve Money (RM): BoG
September 2004 to September 2007

	Gh Cedis (million) unless otherwise stated				Percentage Change Y-on-Y		
	Oct-04	Oct-05	Oct-06	Oct-07	Oct-05	Oct-06	Oct-07
Net Foreign Asset	906	1,035	1,594	2,068	14.3	54.0	29.7
NFA ($ equiv.) $Million	1,001	1,139	1,728	2,187	13.8	51.7	26.6
Net Domestic Asset	-173	-145	-518	-708	15.8	-255.9	-36.8
of which:							
*Claims on government (net)**	519	753	412	149	45.0	-45.3	-64.0
*Claims on DMB's (net)**	-245	-131	-178	-207	46.0	-35.6	-16.3
Reserve Money (RM)	733	889	1,076	1,360	21.4	21.0	26.4
of which:							
Currency	603	686	796	990	13.9	16.0	24.4
DMB's reserves	123	180	265	345	45.8	47.0	30.4
Non-bank deposits	7	23	16	25	249.6	-31.0	54.6

Actual RM generally continued to move below the seasonally adjusted levels since March, 2007 recorded an annual growth of 26.4 per cent and 31.0 per cent at end-October 2007 respectively. On month-on-month basis, actual RM fell by 93 basis points in October 2007 as the seasonally adjusted RM grew at 14 basis points.

3.3 Money Supply

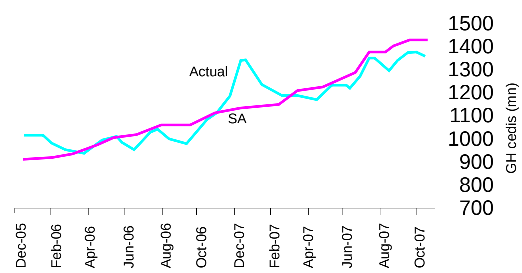
3.3.1 Quarterly Developments

Broad money (M2+) rose by 18.6 per cent in Q3. This compares with the 5.7 per cent growth at the end of Q2 2007 and 5.8 per cent at end-Q3 2006.

3.3.2 Annual Developments

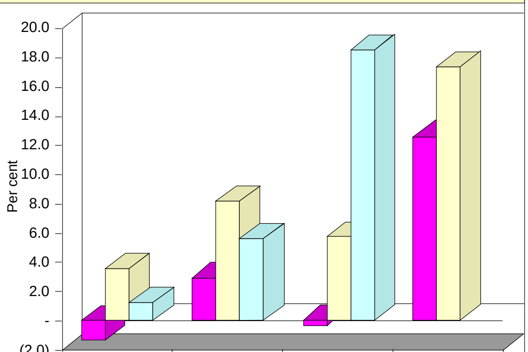
Annual M2+ growth at end-Q3 2007 was 33.8 per cent, marginally up from 33.6 per cent recorded for the same period in 2006. The growth in M2+ over the period was underpinned by strong credit to the private sector (including P.Es) by the banking system moderated by a decline in NFA. NFA of the banking system over the 12-month period to September 2007 fell by 13.0 per cent compared with an increase of 39.1 per cent over the same period in 2006 (Table 2). The increase in total liquidity is reflected mainly in increased deposit growth.

Chart 4: Trends in RM: Actual and SA



Quasi-money rose by 41.8 per cent over the 12-month period to September 2007 compared with 46.0 per cent over the same period in 2006. Currency outside banks similarly increased by 30.9 per cent at end-Q3 2007, up from 28.3 per cent recorded over the same period in 2006. However, the currency ratio eased downward to 0.26 in October 2007 from 0.27 at end-October 2006 (Table 2).

Chart 5: Comparative Q-on-Q trends in Broad Money (M2+) (2005 - 2007)



	Q1	Q2	Q3	Q4
2005	(1.3)	2.9	(0.4)	12.6
2006	3.6	8.2	5.8	17.4
2007	1.2	5.7	18.6	

3.3.3 Foreign Currency Deposits (Measures of dollarisation)

The shares of foreign currency deposits (FCD) in the money supply, M2+, (i.e. FCD/M2+) and the share of FCDs in total deposits (TD), i.e. FCD/TD, are two of the most common indicators of dollarisation. Steady increases in these ratios are an indication of stepped-up dollarisation of the economy[1].

FCDs have shown significant and sustained increases since 2001, reaching the equivalent of $1,039.9 million in October 2007 from 977.16 at end-2006 and $776.14 million at the end-Q2 2007.

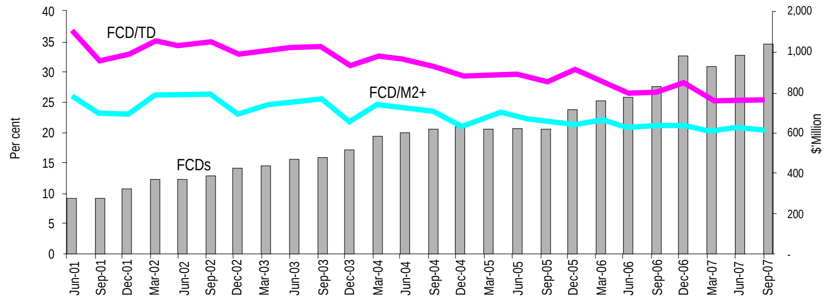
With increased exchange rate stability since 2001 however, trends in the measures of dollarisation reveal continued slowdown generally. The FCD/M2+ ratio eased further to 20.3 per cent at end-Q3 2007 from 20.5 per cent at end-Q2 2007 and 21.3 per cent at end-2006.

[1]For a more precise measure of the degree of dollarisation, these indicators should include foreign currency deposits held abroad by local residents. Also, the accurate measurement of the degree of dollarisation depends on the limitations that monetary authorities impose on the circulation of foreign currency, its use in domestic transactions, alternative financial instruments in foreign currency and capital flows.

Table 10: Sources of Growth in Total Liquidity (M2+)

	Sep-04	Sep-05	Sep-06	Sep-07	Per cent (y-on-y) Sep-05	Sep-06	Sep-07
Net Foreign Asset	**1,046.1**	**1,239.4**	**1,723.5**	**1,499.0**	**18.5**	**39.1**	**-13.0**
Bank of Ghana	*821.3*	*1,042.0*	*1,411.0*	*1,491.5*	*26.9*	*35.4*	*5.7*
Commercial Bank	*224.8*	*197.4*	*312.5*	*7.5*	*-12.2*	*58.3*	*-97.6*
Net Domestic Asset	**1,282.4**	**1,461.1**	**1,884.8**	**3,327.2**	**13.9**	**29.0**	**76.5**
ow. Claims on government (net)	*1,081.3*	*1,474.2*	*2,341.5*	*2,904.0*	*36.3*	*58.8*	*24.0*
ow. Claims on Private sector (incl. Pe's)	*1,377.6*	*1,735.0*	*2,266.3*	*3,632.7*	*25.9*	*30.6*	*60.3*
Total Liquidity (M2+)	**2,328.5**	**2,700.6**	**3,608.3**	**826.2**	**16.0**	**33.6**	**33.8**
Broad Money Supply (M2)	*1,775.5*	*2,114.2*	*2,846.0*	*3,845.8*	*19.1*	*34.6*	*35.1*
Narrow Money Supply (M1)	*1,191.8*	*1,361.6*	*1,747.1*	*2,287.1*	*14.2*	*28.3*	*30.9*
Currency with non-bank public	*559.3*	*651.4*	*769.8*	*985.3*	*16.5*	*18.2*	*28.0*
Demand Deposits	*632.5*	*710.2*	*977.2*	*1,301.7*	*12.3*	*37.6*	*33.2*
Quasi-Money	*583.6*	*752.6*	*1,098.9*	*1,558.8*	*28.9*	*46.0*	*41.8*
Foreign Currency Deposits	*553.1*	*586.4*	*762.3*	*980.4*	*6.0*	*30.0*	*28.6*
Foreign Currency Deposits ($ million)	**611.4**	**645.4**	**827.7**	**1,039.9**	**5.6**	**28.3**	**25.6**
Memorandum items							
NFA ($ million)	***1156.5***	***1364.0***	***1871.4***	***1590.0***			
Currency ration		***0.32***	***0.27***	***0.26***			
RM multiplier		***2.51***	***2.89***	***2.58***			
Per cent contribution to money supply growth							
NFA		***8.3***	***17.9***	***-6.2***			
NDA		***7.7***	***15.7***	***40.0***			
M2+		***16.0***	***33.6***	***33.8***			

Chart 6: Developments in Foreign Currency Deposits and Dollarisation Indicators (Jun 01 - Sep 07)



	Jun-01	Sep-01	Dec-01	Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03	Sep-03	Dec-03	Mar-04	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07
FCD ($'m, R-axis)	277	275	32	365	36	39	417	435	46	470	517	582	599	610	627	653	678	645	715	753	776	827	977	93	979	10
FCD /M2+ (%)	26.0	23.0	23.0	26.1	26.1	26.0	23.1	24.7	25.0	25.5	21.9	24.7	24.1	23.0	21.3	22.5	22.7	21.7	21.5	21.9	20.0	21.2	21.3	20.1	20.5	20.0
FCD/TD (%)	37.1	32/0	33.0	35.1	34.7	34.0	33.0	33.5	34.0	34.1	31.0	32.0	32.0	31.3	29.5	29.0	29.0	28.0	30.5	28.0	27.0	26.0	28.1	25.3	25.5	25.5

3.4 Developments in Deposit Money Banks' Credit

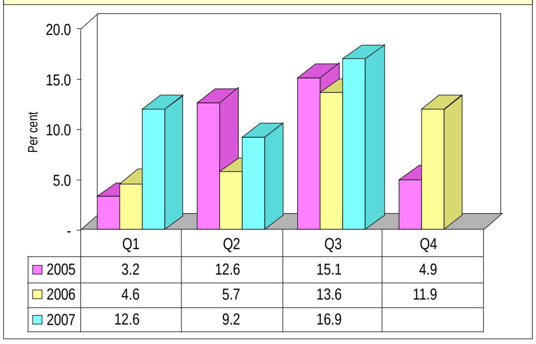
3.4.1 Quarterly Credit Developments

Latest provisional data show that domestic credit to the private sector and public institutions by the deposit money banks (DMBs) in Q3, recorded an increase of Gh¢520.1 million (or growth rate of 16.9 %) compared with Gh¢258.4 million (or 9.2 %) in Q2 and GH ¢269.7 million (or 13.6%) in Q3 of 2006.

3.4.2 Annual Credit Developments

DMBs total credit to the private sector and public institutions over the twelve-month period to September 2007 increased by GH¢1,347.1 million (59.8 %) compared with GH¢542.1 million (31.7 %) recorded for the same period in 2006. The private sector accounted for GH¢1,044.0 million (77.5 %) of the credit flow in the period.

Chart 7: Comparative Q-onQ Trends in DMB's Credit (2005 - 2007)



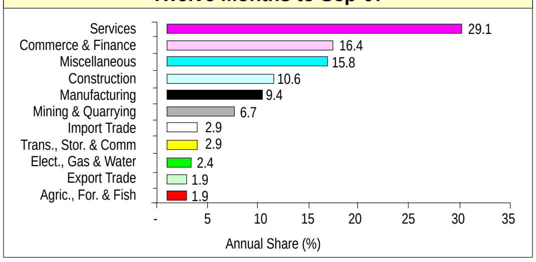
3.4.3 Credit to the Private Sector

Credit to the private sector over the twelve months to September 2007 rose by GH¢1,044 million (56.8%) following with GH¢514.8 million (38.9%) during the same period in 2006. Distribution of the annual credit flow continues to be broad-based, as there were significant increases in credit to the services (29.1 %), commerce and finance (16.4 per cent), miscellaneous (15.8 per cent), construction (10.6%), manufacturing (9.4%), mining and quarrying (6.7%). The remaining sectors recorded increases of between 2.0 per cent and 3.0 per cent.

Table 11: DMDs Credit to Private & Other Public Sectors (Gh¢mn)

	2006 Sep		2007 Sep		Annual Change		Share in Annual Change (%)
	GH¢ mn	Share (%)	GH¢ mn	Share (%)	GH¢ mn	(%)	
1. Public Institutions	413.8	18.4	716.9	19.9	303.1	73.2	22.5
2. Private Sector	1,839.4	81.6	2,883.4	80.1	1,044.0	56.8	77.5
Agric., For. & Fish	120.9	6.6	140.3	4.9	8.4	16.1	1.9
Export Trade	40.4	2.2	60.4	2.1	20.0	49.5	1.9
Manufacturing	389.2	21.2	487.0	6.9	97.8	25.1	9.4
Trans., Stor. & Comm	63.8	3.5	94.1	3.3	30.3	47.4	2.9
Mining & Quarrying	63.7	3.5	133.6	4.6	69.9	109.8	6.7
Import Trade	153.5	8.3	183.8	6.4	30.3	19.7	2.9
Construction	160.9	8.7	271.9	9.4	111.0	69.0	10.6
Commerce & Finance	300.1	16.3	471.1	6.3	171.0	57.0	16.4
Elect., Gas & Water	35.6	1.9	60.8	2.1	252	70.8	2.4
Services	359.1	19.5	663.0	23.0	303.9	84.6	29.1
Miscellaneous	152.1	8.3	317.4	11.0	165.3	108.7	15.8
3. Total (1+2)	2,253.2	100.0	3,600.3	100.0	1,347.1	59.8	100.0

Chart 8: Share in Credit flow to the Private Sector in the Twelve Months to Sep-07



3.4.4 Credit to the Private Sector in per cent of GDP and Real Private Sector Credit

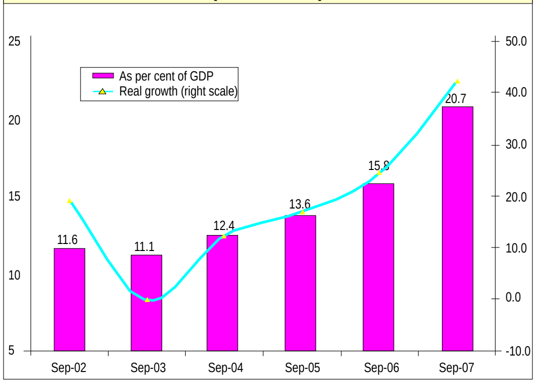
As per cent of GDP and in real terms, DMBs' credit to the private sector has remained robust. PSC rose to 20.7 per cent of GDP in September 2007 up from 15.8 per cent in September 2006. Annual growth of inflation-adjusted credit was 42.4 per cent in September 2007 up from 24.4 per cent in September 2006.

3.5 Money Market Developments

3.5.1 Government Securities Market

Stable inflation expectations continued to underpin developments in the auction market with preference for long-dated instruments. Like the auctions for the 5-year Government of Ghana (GOG) bond, the auction of the 3-year fixed bond remains open to foreign investors.

Chart 9: PSC as Per cent of GDP and Real Annual Growth (2002 - 2007)



3.5.2 Maturity Structure of Outstanding Government Securities

At end-October 2007, the share of the medium term fixed government securities (2 & 3 fixed and the 5-year bond) rose to 54 per cent from 42 per cent at end-March 2007 and 34 per cent at end-December 2006. The 91-day Treasury bill continues to shed most of its market share, losing some 8 percentage points in 2007 through October. The other securities (including the floating rate bonds with features similar to the short-dated instruments) have similarly seen some shrinkage in market shares.

Table 12: Maturity Profile of Outstanding Government Securities

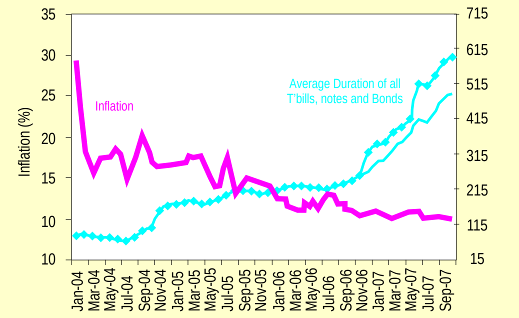
	2005		2006		2007					
Security	Dec Gh¢mn	Share (%)	Dec Gh¢mn	Share (%)	Mar Gh¢mn	Share (%)	Sep Gh¢mn	Share (%)	Oct Gh¢mn	Share (%)
91 days*	757	43	451	22	423	18	390	14	396	14
182 Days	233	13	248	12	250	10	184	6	183	7
1-Year	225	13	515	25	623	26	664	23	654	23
GGILBs	23	1	1	0	1	0	-	0	-	0
2-Year Floating	265	15	139	7	92	4	43	2	42	1
2-Year Fixed	221	13	478	23	599	25	705	25	689	25
3-Year Floating	13	1	13	1	13	1	6	0	2	0
3-Year Fixed	27	2	152	7	324	13	622	22	622	22
5-Year Bond	-	0	76	4	76	3	218	8	218	8
Total	1,764	100	2,073	100	2,401	100	2,832	100	2,806	100

Table 13: Maturity Profile of Outstanding Government Securities										
	2005		2006		2007					
Holder	Dec Gh¢mn	Share (%)	Dec Gh¢mn	Share (%)	Mar Gh¢mn	Share (%)	Sep Gh¢mn	Share (%)	Oct Gh¢mn	Share (%)
Banking System	1054	60	1172	57	1368	57	1423	50	1471	52
BOG	57	3	100	5	94	4	174	6	248	9
DMBs	997	57	1072	52	1274	53	1249	44	1223	44
Insur. Cos	67	3	181	9	258	11	255	9	247	9
Firms & Institutions	208	12	258	12	358	15	692	24	678	24
Individuals	444	25	462	22	416	17	462	16	410	15
Total	1,764	100	2,073	100	2,401	100	2,832	100	2,806	100

3.5.3 Average Maturity of the Stock of Government Securities

With the movements in the outstanding stock of government securities the average maturity of the stock of government securities at end-October 2007 was 576 days, up from the 322 days at the end of 2006 and 238 days in October 2006. The implied rates of turnover are respectively 0.62 times, 1.14 times and 1.53 times per year.

Chart 10: Average Duration of Treasury Bills and Notes and Inflation



3.5.4 Holding Structure of Outstanding Government Securities

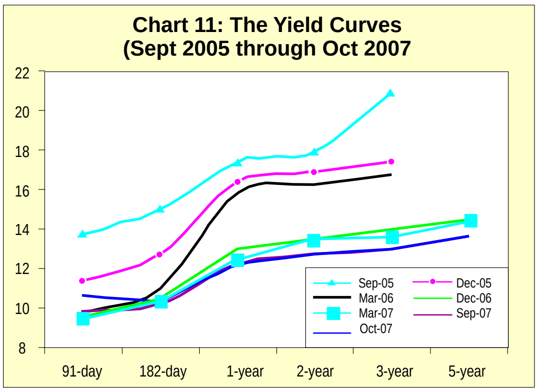
DMBs holding share of government securities continued on a broadly declining path, perhaps in response to the easing and subsequent abolition of the secondary reserve requirements. At end-October 2007, DMBs holding of share of government securities (including the 91-day treasury bills held for BOG's OMO) was 44 per cent of the total outstanding stock of Gh¢2,806 million from a share of 52 per cent at end-2006.

3.6 Interest Rates

LASTEST MPC POLICY DECISION

After assessing the balance of risks in the outlook, the MPC on November 6, 2007 announced its decision to raise the Bank of Ghana Prime Rate by 100 basis points to 13.5 per cent.

3.6.1 The Yield Curves:



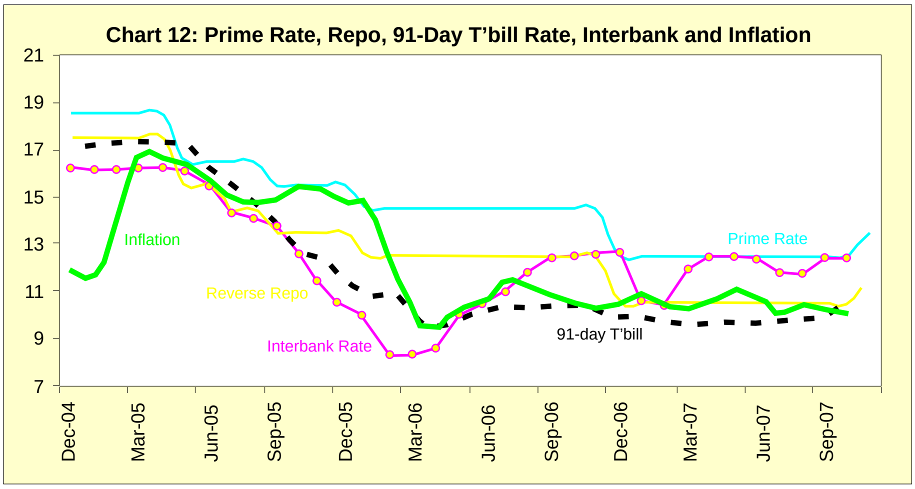
Interest rates on the auction market broadly declined in the year through October with continued investor preference for long-dated instruments. The 182-day treasury bill and 1-yr note shed 22 basis points and 70 basis points respectively to 10.31 and 12.30 per cent respectively in October 2007. The 3-year fixed instrument, the most preferred over the period moved to 13.0 per cent in October 2007 from 14.0 per cent in December 2006. The benchmark 91-day Treasury bill rate however gained some 20 basis points to 9.83 per cent over the same period. The 91-day treasury bill rate however firmed by 101 basis points to 10.65 per cent.

3.6.2 The BOG Prime Rate, Repo, Interbank, 91-day T'bill Rate and the Inflation Rate

A fairly balanced liquidity condition on the overnight market resulted in rates on the market remaining aligned within the interest rate corridor. This followed a brief period of rates moving above the prime rate in April with tight liquidity conditions on the market and banks' inability to use the overnight repo facilities at the Bank of Ghana.

3.6.3 DMBs Interest Rates:

Average base rate quotations of the banks remained generally unchanged in Q3 after being revised downwards by 141 basis points in Q1 within the range of 18.00 and 21.45

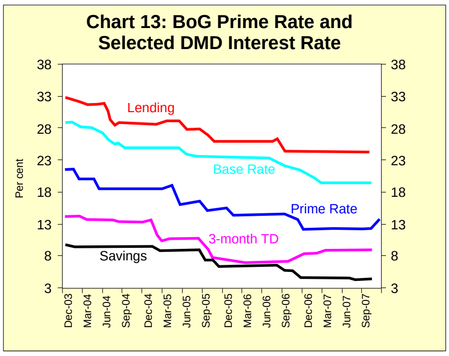


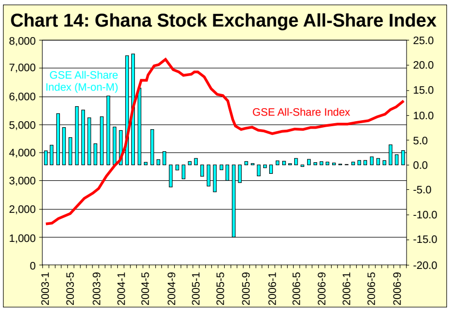
in March 2007 from a range of 18.5 and 22.50 per cent in January 2007. However, average lending rates remained unchanged within the range of 15.0 per cent and 33.5 per cent in the year through October 2007.

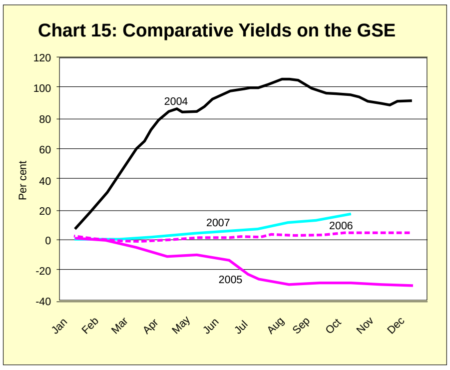
3.7 Stock Market Developments

3.7.1 Global Markets:

After a very volatile summer, the financial markets rebounded strongly in September, supported by an easing of monetary policy by the Fed. At their lowest point, the major equity market indexes had declined approximately 10 per cent from their July highs, only to quickly recover once the Central Bank began to inject liquidity into the financial system. The September rally was sufficient to bring most equity indexes into positive territories for the quarter, with only the Russell 2000 Index of small cap stocks experiencing losses for the three month period. The Dow Jones Industrial Average, the S&P 500 Index, and the Nasdaq Composite all registered gains within the range of 4 per cent for the quarter, adding to their year-to-date (Y-T-D) performance.







Market interest rates also rallied during the quarter, led by the benchmark 10-year Treasury, whose yield dropped by more than 40 basis points in a massive flight to quality.

Emerging market stocks and international bonds also surged, as strong global growth boosted the prices for oil, gold and many commodities.

3.7.2 The Ghana Stock Exchange All-share Index

The Ghana stock exchange closed the first three quarters of the year through October with a return of 16.65 per cent (11.66 % in dollar terms), compared with a gain of 4.28 per cent (2.32% in dollar terms) over the same period in 2006. The performance of the index in the review period was strongly supported by advances made by stocks in the manufacturing, banking and finance and the food and beverage sub-groups.

3.8 Conclusions

The broad conclusions on the monetary and financial developments are as follows:

- Latest provisional data available on the key monetary aggregates in the year through October show:

- A strong monetary expansion in Q3, as well as rapid increase in domestic credit by the banking system.

- The trends reflect in rapid growth of domestic bank deposits.

- The currency ratio continued on a downward path, supporting a higher multiplier and thus the increased intermediation.

- Interest rates on the auction market in the year through October, generally declined, especially rates on the long-dated instrument in line with continued stable inflation expectations.

- Continued preference was evident for the long-dated securities on the auction market in the quarter.

Chapter 4

GLOBAL ECONOMY OUTLOOK AND MONETARY POLICY STANCE IN KEY ECONOMIES

4.1 The Global Economy

The global economy, according to the International Monetary Fund (IMF), has been experiencing its strongest sustained period of growth since the early 1970s notwithstanding recent financial market turbulence.

Global growth remained above 5 per cent in the first half of 2007; with growth in China, India and Russia alone accounting for one-half of global growth over the past year. Rapid growth in these and other emerging markets and developing countries counterbalanced continued moderate growth in the United States which grew at about 2.25 per cent in the first half of the year.

Chart 16: World Real GDP Growth

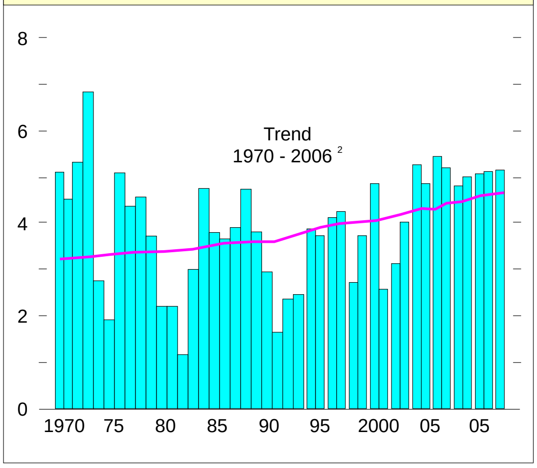
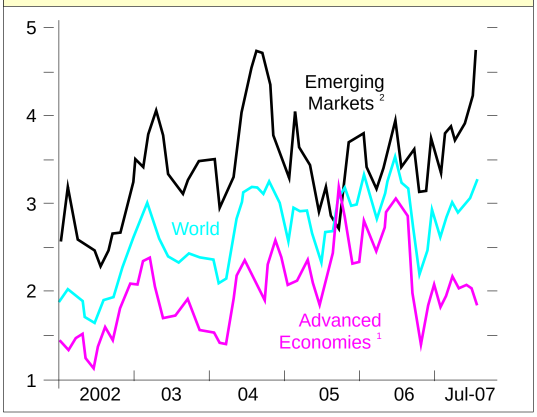


Chart 17: Global Aggregates - Headline Inflation



Outlook:

The expansion is projected to remain above the long-term trend with emerging market and developing countries leading the way, but all regions are expected to share in the strong performance.

However, risks to the outlook lie firmly on the downside, centering on the concern that financial market strains could continue and trigger a more pronounced global slowdown. Thus, the immediate task for policymakers is to restore more normal financial market conditions and safeguard the continued expansion of economic activity.

4.2 Global Inflation

Inflation has been contained in the advanced economies, but it has moved up in emerging markets as oil prices have rebounded and food prices have accelerated.

The pick-up in inflation in a number of emerging market and developing countries reflects strong growth of domestic demand and the greater weight of rising food prices in the consumer price index. The acceleration in food prices has reflected pressure from increasing use of corn and other food items for biofuel production as well as poor weather conditions and supply disruptions in a number of countries.

4.3 Survey of Monetary Policy Stance

Table 14: Monetary Policy Stance

	G7 AVG	FED	BOJ	ECB	BOE	BOC	SARB	CBT	BOG
End-2004	2.30	2.25	0.00	2.00	4.75	2.50	7.50	18.00	18.50
End-2005	2.85	4.25	0.00	2.25	4.50	3.25	7.00	13.50	15.50
End-2006	3.65	5.25	0.25	3.50	5.00	4.25	9.00	17.50	12.50
Jan-07	3.70	5.25	0.25	3.50	5.25	4.25	9.00	17.50	12.50
Feb-07	3.75	5.25	0.50	3.50	5.25	4.25	9.00	17.50	12.50
Mar-07	3.80	5.25	0.50	3.75	5.25	4.25	9.00	17.50	12.50
Apr-07	3.80	5.25	0.50	3.75	5.25	4.25	9.00	17.50	12.50
May-07	3.85	5.25	0.50	3.75	5.50	4.25	9.00	17.50	12.50
Jun-07	3.90	5.25	0.50	4.00	5.50	4.25	9.50	17.50	12.50
Jul-07	4.00	5.25	0.50	4.00	5.75	4.50	9.50	17.50	12.50
Aug-07	4.00	5.25	0.50	4.00	5.75	4.50	10.00	17.50	12.50
Sep-07	4.00	4.75	0.50	4.00	5.75	4.50	10.00	17.25	12.50
Oct-07	3.85	4.50	0.50	4.00	5.75	4.50	10.50	16.75	13.50

FED - US Federal Reserve; BOJ - Bank of Japan; ECB - European Central Bank BOE - Bank of England; BOC - Bank of Canada; CBT - Central Bank of Turkey; BOG - Bank of Ghana SARB - South African Reserve Bank

Eager to restore more normal financial market conditions and to guard against economic slowdown, major central banks around the world are either staying put or easing on monetary policy.

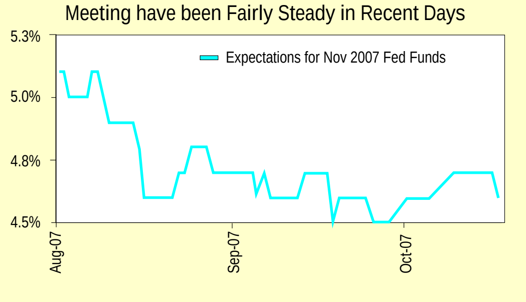
The average rate of the five central banks that set policy rates for the G7 countries has declined by 10 basis points since the last meeting, i.e. between August and October, from 4.00 to 3.85 per cent.

4.3.1 United States

The Fed's Federal Open Market Committee (FOMC) delivered a surprisingly strong jolt of stimulus to a struggling economy on 18 September 2007 by cutting key rates by 50 bps "as insurance against a downturn", analysts said.

The cut in the federal funds rate to 4.75 per cent ignited a powerful rally on Wall Street, with stock indexes surging by more than 2.5 per cent. But bond market reaction was lukewarm with long-term yields showing a surprise increase.

Chart 18: US~Market Expectations of Rate Cuts for Oct FOMC Meeting have been Fairly Steady in Recent Days



In a statement, the FOMC indicated that the action was intended to help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and to promote moderate growth over time.

While some analysts hailed the move as welcome relief for the ailing US housing and credit markets, others said it was effectively a bailout for speculators and others who took on too much risk. Still others view it as an aggressive move by the Fed to avert an economic recession.

The Fed may have to take the fed funds rate lower than 4.50 per cent. This will depend on the speed with which the money market returns to normal and the degree of confidence policy makers have that growth reaccelerates in 2008:Q1.

4.3.2 Euro zone

At its last meeting the ECB left the policy refinance rate unchanged at 4.00 per cent. The Committee retained their bias to tighten, but seem in no rush to raise rates, signaling steady rates for the time being while awaiting further developments and data.

Economic confidence indicators have been coming in worse than expected recently and the euro has appreciated. We expect these developments to continue and to exert downward pressure on economic growth.

Outlook:

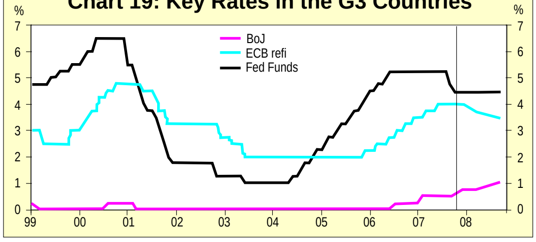
The liquidity crunch stopped the ECB out of its tightening cycle. Against the likely backdrop of faltering growth, we expect the ECB to cut the refi rate 25bp in both Q1 and in Q2 of 2008 to offset the tightening of financial conditions. A cumulative 50bp of cuts should stabilize growth and inflation expectations.

Table 15: ECB's Re-finance Rate

Month	Current (Oct-07)	Dec-07	Mar-08	Sep-08
Refi Rate(%)	4.00	4.00	3.75	3.50

4.3.3 Japan

Chart 19: Key Rates in the G3 Countries



Source: DB Global Markets Research

The Bank of Japan BOJ decision at the 11 October policy meeting was characterised as "encouraging developments but rates on hold".

The Bank kept its Overnight Call Rate at 0.5 per cent even though the Q3 Tankan pointed to continued expansionary activity, reinforcing the cautiously optimistic outlook for the Japanese economy.

The headline large manufacturers' index held at a 2-year high at 23, while capital expenditure was better than expected at 8.7 per cent year-on-year, up from the second quarter 7.7 per cent. But these numbers were not enough to warrant a near-term rate hike from the BOJ, especially given the continued market volatility. Furthermore, domestic prices were still falling - headline CPI inflation was -0.2 per cent year-on-year and core CPI was -0.1 per cent year-on-year in August.

Outlook:

The scope for a rate hike this year is thus very limited, as BOJ will likely need more data to confirm the positive trend.

4.3.4 United Kingdom

In its quarterly inflation report published in August, BOE hinted that borrowing costs may have to be raised to 6.0 per cent to keep CPI on target in the medium term.

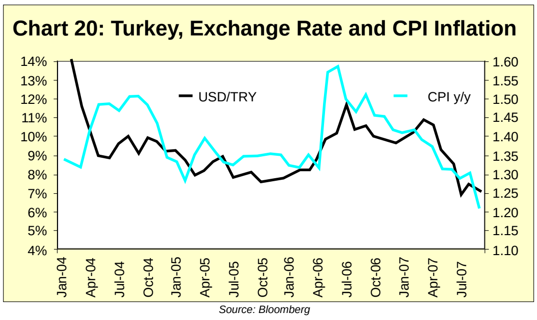
But as evidence slowly begins to filter through that previous official rate hikes and the tightening in credit conditions in the financial markets are having a negative effect on the real economy, we expect that the Bank will end up trimming official policy rates next year.

The CPI rose 0.1 per cent in September, keeping the annual rate at 1.8 per cent, which is below the Bank's 2.0 per cent for the third consecutive month. The figure means inflation in 2007:Q3 overall was also 1.8 per cent 0.3 per cent below the Bank's projection in its August inflation report.

Despite the reassuring monthly readings, the Bank's MPC would want more evidence that inflationary pressures are easing before contemplating a cut in interest rates from the current 5.75 per cent.

4.4.4 Turkey

The MPC of the CBT decided on 16 October to lower the Overnight policy rate by 50 basis points from 17.25 to 16.75 per cent.



Also, considering the downward trend in interest rates, the Committee decided to narrow the gap between borrowing and lending rates in order to limit the extent of potential fluctuations in overnight interest rates. In this regard, lending rates were cut by 75 basis points.

Outlook:

Given the dangers of currency weakness due to speculation over whether the country will invade Northern Iraq, the risk of a sharply negative reaction in the Turkish lira (TRY) due to a fall in risk appetite will rise every time the CBT cuts rates from here.

4.3.6 Chile

At its monthly policy meeting in Sep, the Board of the Central Bank of Chile raised the policy rate by 25 bps to 5.75 per cent. The statement said the decision was necessary for projected inflation two years ahead to drop to 3.0 per cent.

At its October meeting, the Board stayed put, citing moderation in the liquidity problems in international financial markets while the US dollar has depreciated against the majority of global currencies.

Domestically, annual CPI inflation has risen above 5.0 per cent and is foreseen over the coming months to surpass the projections of the last Monetary Policy Report. The unusual increases in some food prices, both perishable and non-perishable, have not only persisted, but have intensified.

Consequently, we expect the Board to lift the policy rate to 6.0 per cent at its 8th November policy meeting.

4.3.7 South Africa

At its August meeting, SARB's MPC tightened by 50 basis points to 10.0 per cent saying that, “an adjustment in the monetary policy stance is required in order to ensure that CPIX inflation returns to within the target range.”

Having considered the risks to the inflation outlook, “which are on the upside”, the MPC decided at its Oct meeting to further adjust the repo rate by 50 bps to 10.5 per cent.

Governor Tito Mboweni said that the Bank's latest forecasts showed that components other than food and oil contributing to price increases were picking up, which “is clear evidence that second-round effects are now picking up”.

It is expected that the Committee will stay put in December as it observes the effects of the recent increases.

B. Commodity and Foreign Exchange Markets

4.4 Commodities Outlook

Table 16:Overview of the Commodities Market

		Mkt Close	Change (%)			Period Average					
						2005	2006	2007:Q1	2007:Q2	2007:Q3	2007:Q4
		(30 Oct)	m/m	y/y	ytd	a	a	a	a	a	f
Crude Oil											
Brent (nr future)	*USD/bbl*	83.53	11.9	45.3	40.1	55.30	66.10	59.00	68.70	73.00	92.00
Precious metals											
Gold (spot)	*USD/oz*	775.19	5.3	29.5	24.7	445	605	650	668	681	755
Softs											
Cocoa (ICCO)	*USD/tonne*	1,926	-5.0	13.4	5.5	1,539	1,581	1,806	1,998	2,042	2,050

Overall, strong GDP growth and a weak USD have underpinned the current boom in commodity prices. The oil market has been a key beneficiary of investor flows into commodity markets, attracted by perceived positive fundamentals and portfolio diversification benefits.

4.4.1 Oil

There has been a flood of investment funds into commodity markets generally, and into crude oil and petroleum product futures markets in particular.

While it is argued that prices have been pushed too high and a correction is likely at some point, ample global liquidity, strong global growth and a weak USD will continue to support investment.
Average weekly price of Brent closed 2007:Q3 at $78.33. In September, the price rose by 7.6 per cent and by 11.9 per cent in the month of October alone to $83.53.

The end-October price represented a firming of 40.1 per cent from the end-2006 level and an increase of 45.3 per cent in year-on-year terms.

4.4.2 Cocoa

Rainfall in key producer Côte d'Ivoire has improved prospects for the upcoming 2007/08 main crop. Improved bean supplies from this season (which has just opened) should allow prices to ease.

In Asia, Indonesia is considering measures to limit exports and improve domestic supplies to help develop the domestic grinding industry.

Year-to-end-October, the average weekly LIFFE price is £992.48, compared with the average of £878.34 over the same period in 2006.

End-October price was £942.00 and represented a firming of 5.5 per cent from end-2006 and 13.4 per cent increase in year-on-year terms.

Chart 21: Developments in the price of Brent crude: (Jan-Oct 2006 & 2007)

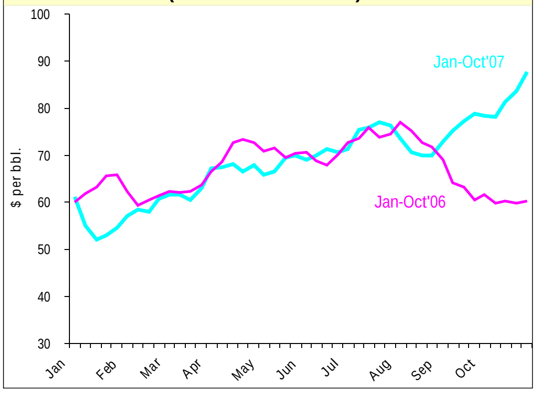
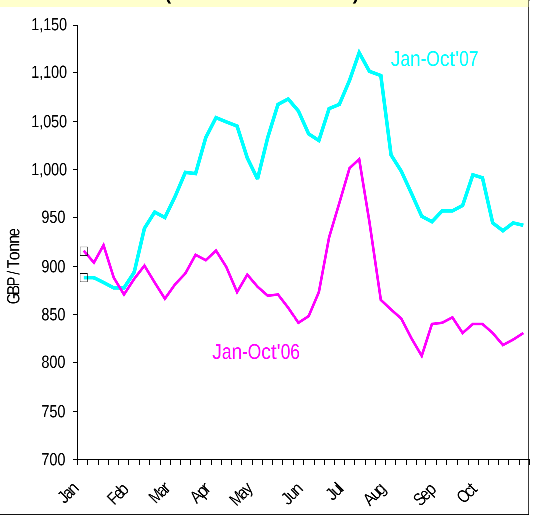


Chart 22: Developments in LIFFE Cocoa Prices: (Jan-Oct 2006 & 2007)



4.4.3 Gold

So far in 2007, gold has outperformed most major stock markets, broad base metal price indices, currencies and bonds.

Factors noted in the performance of gold includes a weakening dollar, concerns over inflation and investors turning away from areas of high risk. In addition, gold is likely to continue to be a popular hedge against increasing oil and food prices and investors' potential capital losses in bond portfolios.

It is also expected that gold sales in China, India and the rest of the developing world will increase with rising middle-class incomes.

According to analysts, the future price of gold would also be affected by production costs, which are rising substantially as a result of increased energy costs and a shortage of labour and machinery.

Year-to-date (end-October), gold has rallied 24.7 per cent to $775.19 per ounce, which represents a y-o-y increase of 29.5 per cent.

4.3.4 Core Terms of Trade (ToT) Index Benchmark Prices

A core weekly terms of trade index (2002: wk1=100) is constructed for Ghana based on the developments in the prices of the three core items that represent Ghana's merchandise trade. Imports are represented by crude oil, while gold and cocoa represent exports. But gold and cocoa are weighted to reflect the proportions of foreign exchange inflows attributable to the two commodities.

Chart 23 tracks and compares the developments in the index for the first ten months of 2006 and 2007. The fitted trend lines show that on the average the terms of trade deteriorated less in trend in January-October 2006.

Further, comparison of the standard deviations (2.2 and 3.7 for 2006 and 2007 respectively) indicates that the index shows greater volatility in the first ten months of 2007 than over the same period in 2006.

Chart 23: Developments in the price of Gold: (Jan - Oct 2006 & 2007)

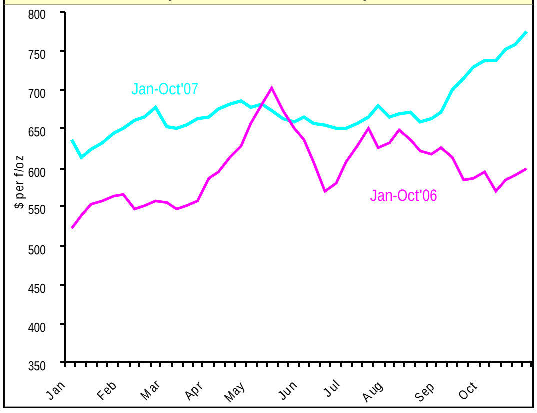
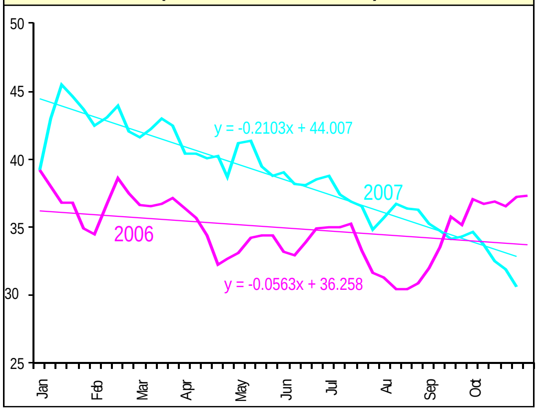


Chart 24: Core Terms of Trade Index: (Jan - Oct 2006 vrs 2007)



In Chart 24, the index is plotted from January 2006 to October 2007 against its 12-week (or quarterly) moving average. From October 2006, the index rose above its quarterly trend to reflect improvement in the terms of trade that resulted from the pullback in crude oil prices.

Over the period January-October 2007, the terms of trade deteriorated, on the average, by 7.5 points on the index. The value of the index at the end of October was 3.60, which represents a deterioration of 6.6 points in year-on-year terms.

Table 17: Ghana: Balance of Payments (In $'million, unless otherwise stated)						
					Q1Q2Q3	
	2006:Q2	2006:Q3	2007:Q2	2007:Q3	2006	2007
Merchandise Exports (f.o.b.)	911.84	873.39	1,112.03	1,027.52	2,658.96	3,155.69
Merchandise Imports (f.o.b.)	-1,591.23	-1,814.70	-1,946.06	-2,106.78	-4,979.33	-5,724.40
Trade Balance	-679.39	-941.32	-834.04	-1,079.26	-2,320.37	-2,568.71
Current Account (incl. official transfers)	-166.61	-510.24	-219.54	-359.91	-523.19	-1,551.42
OVERALL BALANCE	5.02	-318.97	210.81	-197.73	-46.76	-322.04
Memorandum						
Trade Deficit / GDP (%)	*-22.2*	*-30.1*	*-22.2*	*-28.7*	*-18.5*	*-17.1*
Overall Balance / GDP (%)	*4.9*	*-10.2*	*5.6*	*-5.3*	*-0.4*	*-2.1*
Current A/c (incl. official trfs) / GDP(%)	*8.5*	*-16.3*	*-5.8*	*-9.6*	*-4.2*	*-10.4*
Exports (fob) / GDP (%)	*27.7*	*28.0*	*29.6*	*27.4*	*21.2*	*21.1*
Imports (cif) / GDP (%)	*-53.7*	*-62.3*	*-55.5*	*-60.9*	*-39.8*	*-38.2*
Non-Oil (cif)	*-41.3*	*-46.5*	*-38.2*	*-47.1*	*-29.3*	*-28.3*
Oil (cif)	*-12.4*	*-15.8*	*-17.2*	*-13.2*	*-10.5*	*-9.9*

Table 18: Core Trade	2006:Q1	2006:Q2	2006:Q3	2006:Q4	2007:Q1	2007:Q2	2007:Q3
Cocoa: Beans and Products							
Value($'M)	348.54	281.20	317.46	240.24	380.07	371.70	210.19
Volume (tonnes)	218,924	174,516	199,039	143,402	214,374	204,072	120,667
Average Unit Price ($/tonne)	1,592.08	1,611.32	1,594.96	1,675.26	1,772.93	1,821.41	1,741.90
Gold							
Value($'M)	293.91	320.48	329.42	333.44	371.85	425.16	426.35
Volume (fine ounces)	532,937	510,932	531,550	544,811	583,526	654,098	651,409
Average Unit Price ($/fine ounce)	551.49	627.25	619.73	612.03	637.25	649.99	654.51
Total Crude oil							
Value, f.o.b. ($'M)	189.44	326.21	321.99	169.84	202.24	374.10	301.51
Volume (in barrels)	2,998,606	4,716,505	4,562,041	2,744,523	3,266,511	5,347,286	3,894,072
Average Unit Price ($/barrel)	63.18	69.16	70.58	61.88	61.91	69.96	77.43

4.5 Balance of Payments

4.5.1 Currency Markets

Against the US dollar, sterling remains relatively strong, above USD2.00, helped by the Fed's decision to cut rates aggressively at its September meeting as well as expectations that the Bank of England will be slow to cut interest rates. But against EUR, the sterling has fallen sharply in recent weeks, sending the trade-weighted index down to a 14-month low. Whether

Chart 25: **Trend in the Core Terms of Trade Index (Jan. 2006 - Oct. 2007)**

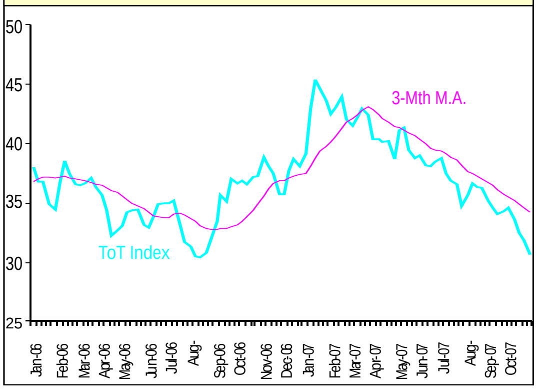


Table 19: Movements in Selected International Currencies (%)						
	EUR/USD	GBP/USD	YEN/USD	ZAR/USD	CLP/USD	GHS/USD
2001	0.9	1.5	13.2	51.6	15.5	3.7
2002	-15.8	-9.4	-4.0	-22.9	5.7	14.5
2003	-15.4	-9.6	-12.1	-27.1	-15.3	4.8
2004	-8.3	-9.3	-3.4	-11.8	-4.0	2.2
2005	12.3	10.1	13.4	10.6	-11.0	0.9
2006	-10.6	-11.4	-0.9	11.4	2.8	1.1
Monthly Changes						
2006						
Jan	-2.2	-1.2	-2.6	-4.4	2.4	-0.0
Feb	1.6	1.2	2.1	0.6	-0.1	0.0
Mar	-0.7	0.2	-0.5	2.2	0.8	0.2
Apr	-2.1	-1.4	-0.3	-2.6	-2.4	0.0
May	-3.8	-5.3	-4.4	3.7	0.8	0.0
Jun	0.8	1.3	2.5	10.6	4.3	0.5
Jul	-0.2	-0.1	1.0	1.4	-0.4	-0.1
Aug	-1.0	-2.6	0.2	-1.6	-0.4	0.3
Sep	0.7	0.5	1.1	7.0	-0.1	0.0
Oct	0.8	0.4	1.2	2.5	-1.5	0.3
Cum. Chg (%)	-6.0	-7.0	0.3	19.4	3.3	1.1
2007						
Jan	1.7	0.2	2.8	2.2	2.6	0.1
Feb	-0.7	0.0	0.0	-0.2	0.2	0.1
Mar	-1.2	0.6	-2.7	2.4	-0.7	0.2
Apr	-2.0	-2.1	1.4	-3.4	-1.3	0.0
May	0.0	0.2	1.6	-1.2	-1.8	-0.0
Jun	0.7	-0.1	1.6	1.9	0.9	0.1
Jul	-2.2	-2.4	-1.0	-2.5	-1.4	0.2
Aug	0.8	1.3	-3.9	3.6	0.7	0.3
Sep	-2.2	-0.4	-1.4	-1.7	-1.4	1.0
Oct	-2.2	-1.3	0.7	-4.8	-2.9	0.5
Cum. Chg (%)	-7.4	-4.0	-1.0	-3.7	-5.2	2.6

this is sustained will depend in part on the different central bank responses to changes in the growth and inflation outlook for the UK and the euro area.

Cumulatively, in the first ten months of 2007, the dollar lost ground to all the selected currencies except the rand and the Ghana cedi.

This compares with the developments over the same period in 2006 when USD cumulatively weakened against the EUR and GBP. It however strengthened against the YEN, ZAR, CLP and GHS.

4.6 Local Foreign Exchange Market

4.6.1 Nominal Performance of the Ghana cedi: Bilateral and Effective

Bilateral Movements

Developments in the nominal bilateral exchange rates of the Ghana cedi against the three core currencies the US dollar, the pound sterling and the euro show that between January - October 2007, the Ghana cedi depreciated, cumulatively, against all three core currencies by 2.6, 7.9 and 13.7 per cent respectively. This compares with a respective cumulative depreciation of 1.1, 10.9 and 8.6 per cent against the core currencies over the same period in 2006.

Chart 26: Cumulative Change (%) of the Ghana Cedi against USD, GBP and EUR (Jan-Oct 2006 and 2007)

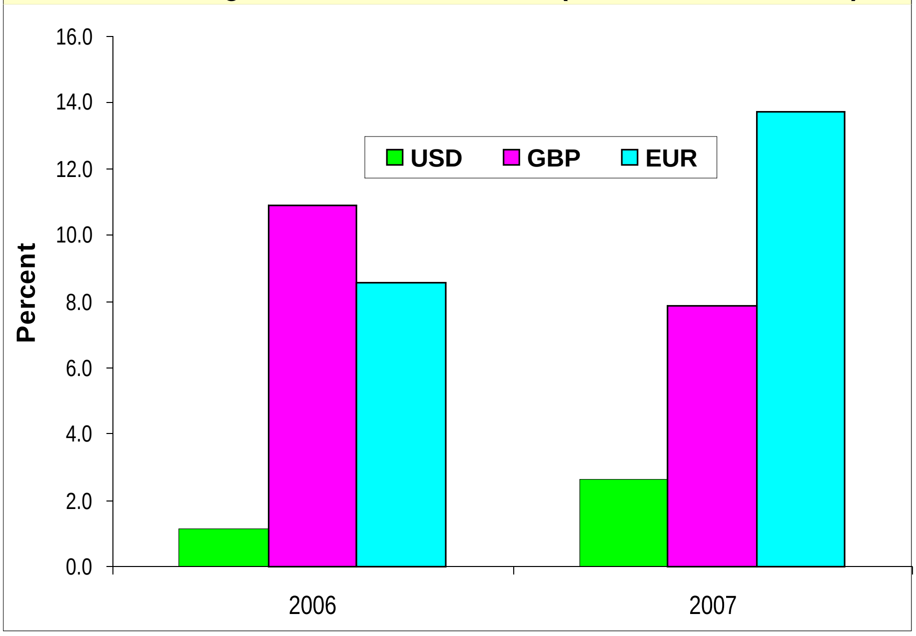


Table 20: Bilateral Movements of the Ghana Cedi against Core Currencies									
	EXCHANGE RATE			MONTHLY CHANGE (%)			CUMULATIVE (%)		
Month	USD	GBP	EUR	USD	GBP	EUR	USD	GBP	EUR
2006									
Dec-05	0.9133	1.5672	1.0792						
Jan-06	0.9132	1.6120	1.1037	-0.0	2.9	2.3			
Feb-06	0.9133	1.5805	1.0867	0.0	-2.0	-1.5			
Mar-06	0.9148	1.5810	1.1046	0.2	0.0	1.6	0.2	0.9	2.4
Apr-06	0.9149	1.6316	1.1641	0.0	3.2	5.4			
May-06	0.9151	1.7056	1.1754	0.0	4.5	1.0			
Jun-06	0.9195	1.6837	1.1666	0.5	-1.3	-0.7	0.7	7.4	8.0
Jul-06	0.9185	1.7041	1.1651	-0.1	1.2	-0.1			
Aug-06	0.9208	1.7414	1.1807	0.3	2.2	1.3			
Sep-06	0.9211	1.7280	1.1720	0.0	-0.8	-0.7	0.8	10.0	8.5
Oct-06	0.9238	1.7428	1.1734	0.3	0.9	0.1	1.1	10.9	8.6
2007									
Dec-06	0.9233	1.8069	1.2132						
Jan-07	0.9244	1.8127	1.2029	0.1	0.3	-0.8			
Feb-07	0.9256	1.8151	1.2202	0.1	0.1	1.4			
Mar-07	0.9277	1.8176	1.2357	0.2	0.1	1.3	0.5	0.6	1.9
Apr-07	0.9281	1.8747	1.2626	0.0	3.1	2.2			
May-07	0.9280	1.8335	1.2481	-0.0	-2.2	-1.1			
Jun-07	0.9291	1.8547	1.2473	0.1	1.2	-0.1	0.6	2.7	2.8
Jul-07	0.9311	1.8886	1.2763	0.2	1.8	2.3			
Aug-07	0.9337	1.8901	1.2841	0.3	0.1	0.6			
Sep-07	0.9433	1.9162	1.3407	1.0	1.4	4.4	2.1	6.0	10.2
Oct-07	0.9479	1.9524	1.3882	0.5	1.9	3.5	2.6	7.9	13.7

Nominal Effective Exchange Rate (NEER)

Trade Weighted Index (TWI)

The major (or core) Trade Weighted Index (TWI) is an index measure of the value (January 2002=100) of the Ghana cedi relative to the currencies of Ghana's top three trading currencies the euro, the pound and the dollar. It is thus an effective index.

Over the January - October 2007 period, the Ghana cedi depreciated by 5.2 per centage points in trade-weighted terms. This compares with a depreciation of 4.0 per centage points over the same period in 2006. The October 2007 value of the index was 52.97 and was 124 basis points below its quarterly trend represented by the 3-month moving average.

Table 21: Nominal TWI and FXTWI (Jan-Oct, 2006 and 2007)							
	Dec-06	Oct-07	Change (%)		Dec-05	Oct-06	Change (%)
TWI	58.18	52.97	-5.2		63.74	59.74	-4.0
FXTWI	74.60	71.75	-2.8		77.40	75.09	-2.3

Foreign Exchange Transactions Weighted Index (FXTWI)

Like the TWI, the FXTWI is effective, the difference being that while the TWI uses total merchandise trade as weights, the FXTWI uses the value of total foreign exchange transactions in the three core currencies as weights.

The FXTWI also shows that over the January- October 2007 period, the Ghana cedi depreciated in nominal effective terms by 2.8 percentage points as compared with a depreciation of 2.3 percentage points over the same period in 2006. The October 2007 value of the index of 71.75 was 62 basis points below the quarterly trend value.

4.6.2 Real Exchange Rate Developments

The Real Trade Weighted Index (RTWI), which is a total trade (i.e. import plus export) weighted, and the Real Foreign Exchange Transactions Weighted Index (FXTWI), which is a total foreign exchange transactions (i.e. purchases plus sales) weighted, are both real effective exchange rate indices, (January 2002=100) and monitor the real exchange rate developments of the Ghana cedi. They track the (geometric) average of the exchange rate changes (in real terms) of the Ghana cedi against the three major trading currencies: the USD, GBP and EUR.

In trade-weighted terms, the real exchange rate of the Ghana cedi depreciated cumulatively by 1.6 percentage points in January-October 2007; as compared with a cumulative appreciation of 1.1 points over the same period in 2006. However, in fx transactions

Chart 27: Major TWI for the cedi (Jan. 2005 - Sep. 2007)

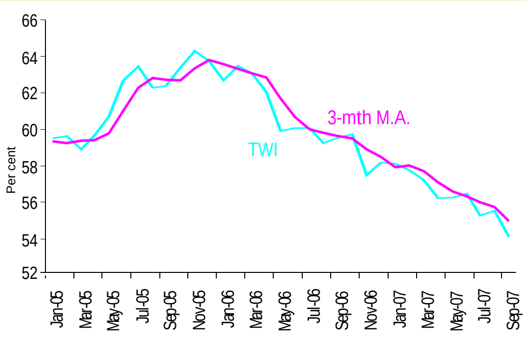
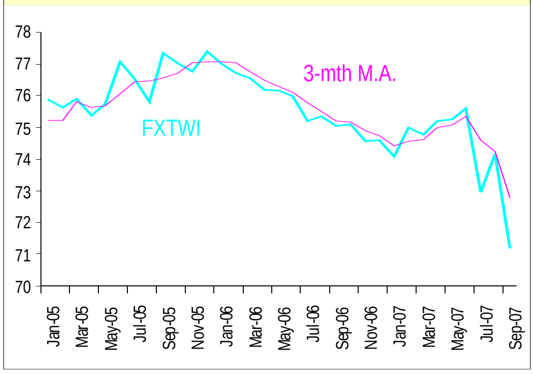


Chart 28: Major FXTWI of the cedi (Jan.05 - Sep.07)



weighted terms, the real exchange rate of the Ghana cedi appreciated by 0.7 percentage point in January October 2007 as compared with appreciation of 5.3 per cent in January-October 2006.

4.6.3 Inward Remittances

Private inward transfers received by Non-Governmental Organisations (NGO's), embassies, service providers, individuals etc. - through the banks and finance companies for January September 2007 amounted to $4.78 billion, which represents 13.4 per cent increase

Chart 29: Real Effective Exchange Rates of the Ghana cediFX Transactions- & Trade-Weighted Indices (Jan.00 - Oct.07)

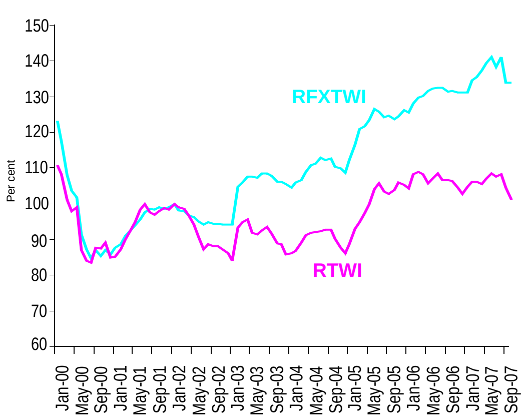


Table 22: Inward Transfers, Jan - Sep 2006 & 2007 ($'million)

	2006			TOTAL
	Q1	Q2	Q3	
Banks	1,274.28	1,412.28	1,448.23	4,134.79
Finance Companies	21.38	29.88	26.51	77.77
Total	**1,295.66**	**1,442.16**	**1,474.75**	**4,212.56**
		2007		
Banks	1,483.62	1,624.44	1,576.66	4,684.72
Finance Companies	33.20	27.34	31.55	92.09
Total	**1,516.82**	**1,651.78**	**1,608.21**	**4,776.81**
		Memorandum		
Change ($'million)	*221.16*	*209.62*	*133.46*	*564.24*
Change (%)	*17.1*	*14.5*	*9.0*	*13.4*
Share of Banks (2007)	*97.8*	*98.3*	*98.0*	*98.1*
Share of Banks (2006)	*98.3*	*97.9*	*98.2*	*98.2*

over those for the corresponding period in 2006, which were in turn 32.5 per cent increase over the transfers through banks and finance companies in the first three quarters of 2005.

Of the total transfers in the January-September 2007 period, $1.20 billion (25.1%) accrued to individuals, compared with 26.3 per cent over the same period in 2006.

Of the transfers through banks over the period, the share of service providers was highest at 31.8 per cent compared with 37.4 per cent in 2006.

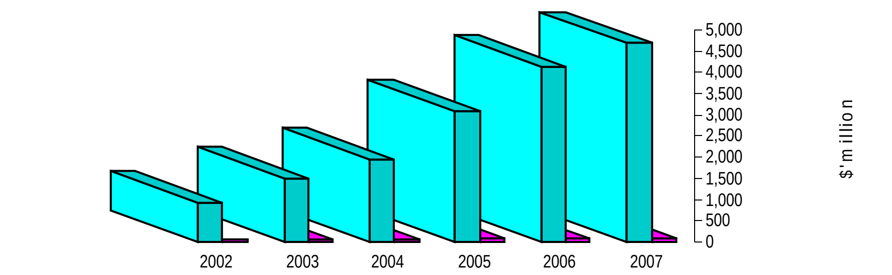
The top five recipient banks accounted for 40.7 per cent of total transfers through banks in January-September 2007, compared with 47.1 per cent over 2006:Q1-Q3. The shares of the top five for the January-September period from 2002 to 2007 show a trend decline.

4.6.4 Foreign Exchange Purchases and Sales

Foreign exchange transactions (i.e. purchases plus sales) by banks and forex bureaux between January - October 2007 amounted to $6.93 billion, which was 28.2 per cent increase over purchases and sales over the same period in 2006.

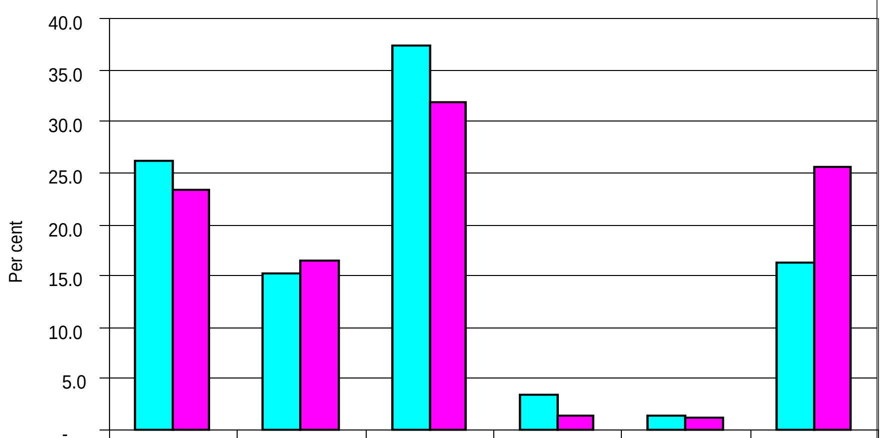
Using the share of forex bureaux and banks' transactions to represent their relative shares of the foreign exchange market, the forex bureaux' market share declined from 9.2 per cent in January October 2006 to 7.7 in 2007.

Chart 30: Private Inward Transfers (Jan.-Sep. 2002 - 2007)



	2002	2003	2004	2005	2006	2007
Banks ($'m)	937.73	1,496.93	1,948.36	3,084.50	4,134.79	4,684.72
Fin. Co.($'m)	48.74	61.72	73.13	95.91	77.77	92.09

Chart 31 : Recipients of Inward Transfers (%) (Jan-Sep 2006 & 2007)



	INDIV	EXP	S/PROV	NGOs	EMB	OTHER
2006	26.2	15.3	37.4	3.4	1.5	16.2
2007	23.4	16.5	31.8	1.4	1.3	25.6

Table 23: FX Purchases and Sales ($'million)					
	Q1	Q2	Q3	Oct	TOTAL
2006					
DMBs	1,499.87	1,483.50	1,393.95	528.64	4,905.96
F/Bureaux	141.64	145.22	158.94	49.40	495.20
Total	1,641.51	1,628.72	1,552.89	578.04	5,401.16
2007					
DMBs	1,765.18	2,314.70	1,666.47	648.09	6,394.43
F/Bureaux*	156.49	156.71	163.68	55.26	532.14
Total	1,921.67	2,471.41	1,830.15	703.35	6,926.57
Memorandum					
Change in Total ($'m)	280.16	842.69	277.26	125.31	1,525.42
Change in Total (%)	17.1	51.7	17.9	21.7	28.2
Banks' share (%) - 2006	91.4	91.1	89.8	91.5	90.8
Banks' share (%) - 2007	91.9	93.7	91.1	92.1	92.3

*F/Bureaux number for Oct-2007 is provisional

4.7 Gross International Reserves (GIR)

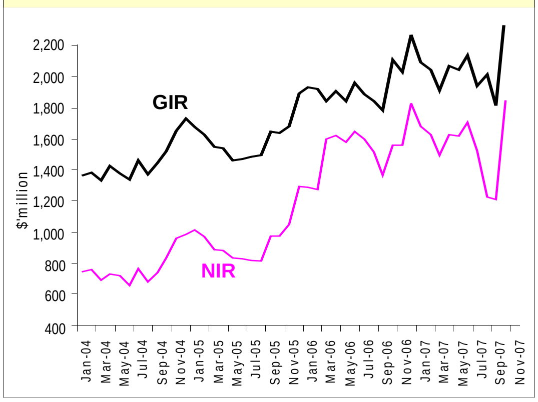
The GIR position of the Central Bank declined steadily throughout 2007:Q1, but corrected and increased steadily throughout Q2. The monthly developments in Q3 were mixed, but on the average declined by 7.7 per cent from the second quarter average.

In October alone, the GIR registered an increase of 34.7 per cent to $2.44 billion, mainly as a result of inflows from the sovereign bond issue. The GIR positions at October 2007 represented a 7.6 per cent decline from the December 2006 level but a 15.9 per cent increase in year-on-year terms

Developments in the NIR followed a similar pattern with the exception that it declined throughout Q3. In October, it also increased by 52.9 per cent to the level of $1.85 billion.

In terms of the 2007 estimates, the October 2007 GIR position translates, on the average, into goods and services import cover of 2.9 months.

Chart 32: Gross & Net International Reserves



Chapter 5

FINANCIAL STABILITY REPORT

5.1 Introduction

Developments in the banking system through September 2007 show strong asset growth, improved profitability and asset quality, adequate liquidity and a strong capital position of banks to absorb adverse shocks.

Commercial Banks continue to expand credit instead of investing in government instruments on account of the relatively low returns on those instruments. However, credit is concentrated in a few sectors which include the Commerce and Finance, Services and the Manufacturing sectors which together account for over two-thirds of total credit extended by the commercial banks.

The quality of the banking industry's loan portfolio remained strong. Non-Performing Loans (NPL) which stood at 7.0 per cent at the end of June 2007 declined to 7.0 per cent at the end of September 2007, compared with 11.0 per cent recorded a year ago. Similarly, banks' loan loss provisions to gross loans ratio declined to 5.3 per cent in September 2007 from 9.8 per cent in September 2006. The ratio of NPL net of provisions to capital similarly declined from 4.8 per cent in September 2006 to 4.2 per cent in September 2007.

The solvency of the banking industry, measured by the Capital Adequacy Ratio (CAR), remained well-above the statutory threshold of 10.0 per cent reaching 14.8 per cent as of September 2007, registering a decline from 15.2 per cent in June 2007, and 16.9 per cent recorded in September 2006.

A. Banking Sector Developments

5.2 Developments in Banks' Balance Sheet

Total assets of the banking industry grew by 56.2 per cent to GH¢7,114.1 million (51.7% of GDP) at the end of September 2007, compared with 28.4 per cent same period in 2006 (39.6% of GDP). The significant growth of total assets was driven principally by the significant growth in credit, fixed assets, and other assets. Growth in investments in securities and bills was much slower than same period in 2006.

As of September 2007 net loans and advances had reached GH¢3,411.1 million, recording an annual growth of 68.6 per cent compared with growth of 34.0 per cent a year earlier.

Banks' investments reached GH¢1,447.6 in September 2007 recording an annual growth of 15.8 per cent compared with 33.5 per cent in the 12-month period to September 2006. Other assets grew by 92.1 per cent compared with 20.2 per cent while banks' fixed assets registered an annual growth of 54.2 per cent compared with 35.8 per cent, over the same period. The growth in banks' foreign assets of 22 per cent was slower in September 2007 than the 23.7 per cent recorded during the same period in 2006.

The significant growth in the banking industry asset size was funded mainly by deposits, which amounted to GH¢4,360.7 million, an annual growth of 42.3 per cent in September 2007 compared with 38.9 per cent annual growth same period in 2006 (GH¢3,064 million). Total borrowings at GH¢1,076 million registered annual growth of 153.7 per cent compared with an annual growth of 22.2 per cent in the 12-months to September 2006 (GH¢424.1 million). This development resulted from the significant increase in banks' foreign borrowings and domestic short-term borrowings.

Shareholders' funds at GH¢749.4 million recorded an annual growth of 32.8 per cent in September 2007 compared with 27.2 per cent during the corresponding period in 2006. Other liabilities at GH¢700.2 million registered significant growth of 96.1 per cent in September 2007 compared with a deceleration of 13.7 per cent in September 2006.

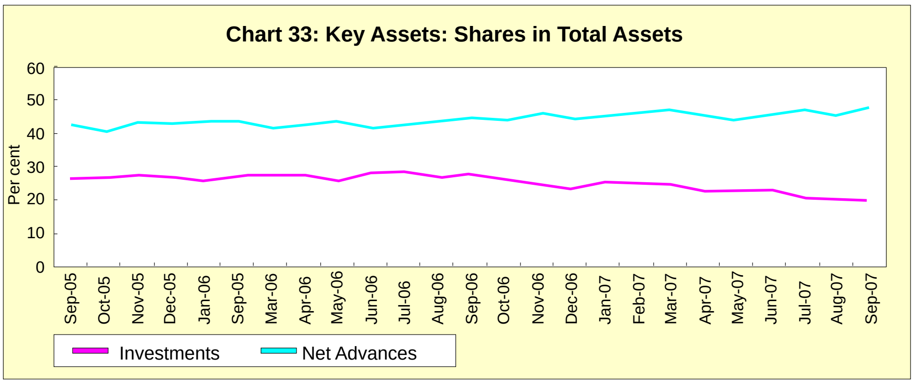
5.2.1 Development in Key Assets

The rapid expansion in credit pushed up the ratio of Gross advances to GDP to 26.2 per cent as of September 2007, compared with 19.5 per cent in September 2006.

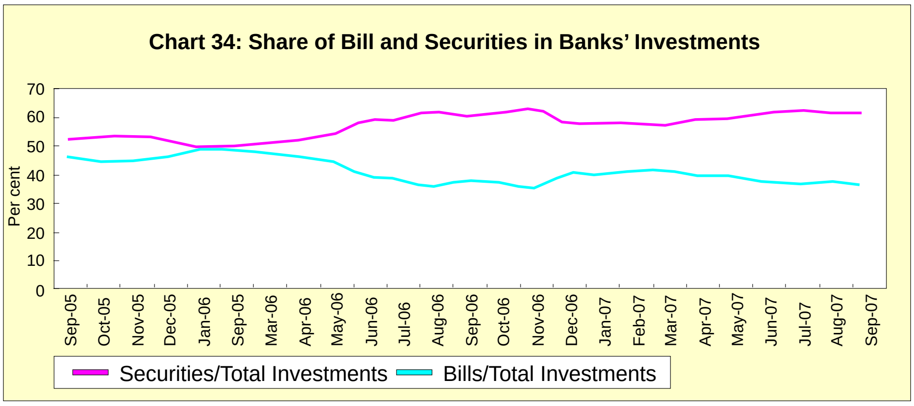
The share of loans and advances (net) in total assets reached 47.9 per cent in September 2007 compared with 44.4 per cent same period in 2006. The share of investments in total assets declined to 20.3 per cent and may be compared with 27.5 per cent over the same period. (See Chart 33).

Share of Bills and Securities in Banks' Investments

The apparent shift in banks' investment from shorter-dated instruments to longer-dated instruments has continued through September 2007. The gap continues to widen.



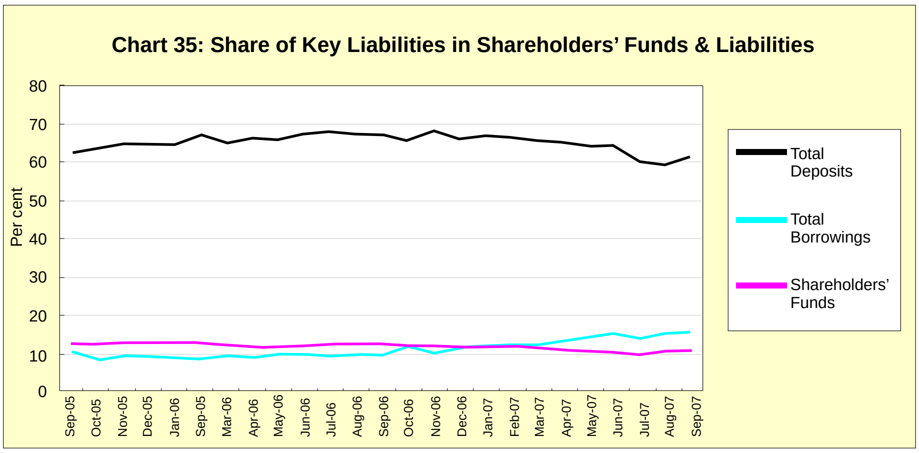
As of September 2007, the share of short-term investments declined to 35.8 per cent compared to 37 per cent in September 2006. The share of longer-dated instruments in total investments increased to 63 per cent in September 2007 compared with 61.4 per cent in September 2006. (See Chart 34).



5.2.2 Developments in Key Liabilities

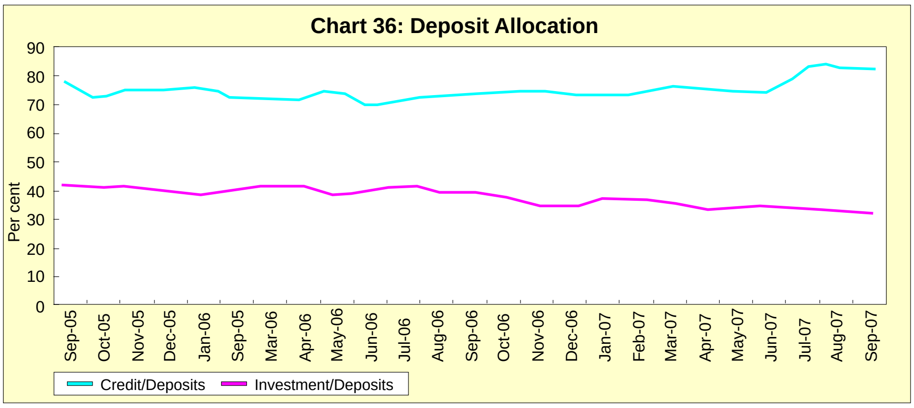
Growth in deposit in absolute terms was significantly high. Deposits increased by GH¢1,297 million to GH¢4,234.7 million as of September 2007. This represents a ratio of 31.7 per cent to GDP compared with 26.7 per cent recorded in September 2006.

As of September 2007 the share of total deposits in Shareholders' fund and liabilities, however, declined to 61.3 per cent as of September 2007 from the 67.3 per cent during the same period in 2006. The share of banks' borrowings, however, increased from 9.3 per cent in September 2006 to 15.1 per cent in September 2007, while the share of shareholders' funds dipped to 10.5 per cent from 12.4 per cent during the same period in 2006. (See Chart 35).



Deposits Allocation

The role of deposit as a source of bank funding continues to remain significantly high. Chart 36 illustrates the banks' deployment of mobilised resources. Credit-deposit ratio increased to 82.6 per cent as of September 2007 from 73.2 per cent in the same period in 2006. Investments-deposit ratio, however, declined to 33.2 per cent compared with 40.8 per cent over the same period. (See Chart 36).



Net Foreign Assets

There was a relatively stronger growth in banks' foreign liabilities than its domestic liabilities. Banks' foreign liabilities at GH¢672.7 million registered an annual growth of 223.7 per cent in September 2007 compared with a deceleration of 8.9 per cent during the same period in 2006. This compares with foreign assets which amounted to GH¢552.2 million. Consequently, the sector recorded a negative net foreign asset of GH¢120.2 million at the end of September 2007 compared with a net foreign asset of GH¢245.1 million during the corresponding period in 2006.

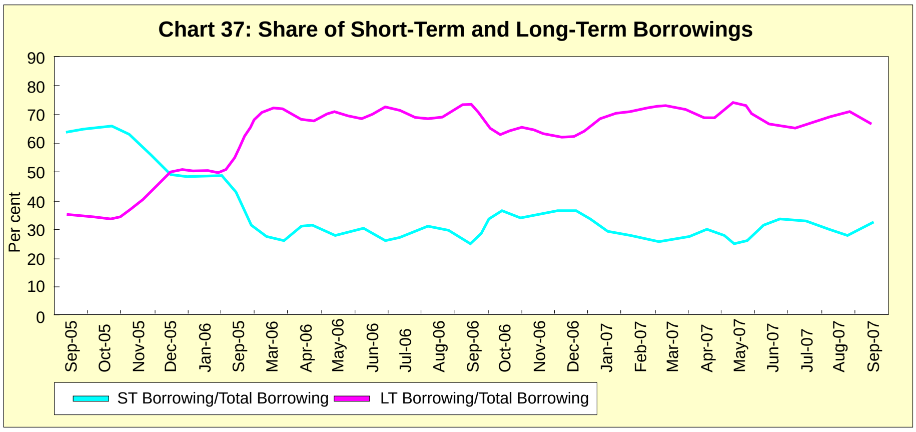
Share of ST and LT Borrowings in Total Borrowings

The share of short-term debts in total borrowings continues to decline relative to that of long-term debts underpinned by the stable macroeconomic environment. As of September 2007, the share of short-term debts in total borrowings was 31.4 per cent down from the 35.2 per cent recorded during the same period in 2006. This may be compared with a share of 68.6 per cent in long-term debts up from the 64.8 per cent recorded in September 2006. (See Chart 37).

5.3 Credit Developments

Private sector credit remains the largest component of banks' loan portfolio. As of September 2007 private sector credit amounted to GH¢2,583.2 million, registering an annual growth of 70.3 per cent in September 2007 up from 32.2 per cent growth recorded in September 2006. Its share of total credit increased to 71.7 per cent from the 67.6 per cent recorded in September 2006.

Similarly, credit to households amounted to GH¢486.9 million, registering an annual growth of 52.1 per cent growth compared with 25.6 per cent recorded in September 2006. Its share in total credit, however, dipped to 13.5 per cent from 14.3 per cent over the same period.



Growth in contingent liabilities slowed, registering a year-on-year growth of 17.5 per cent in September 2007 compared with an annual growth of 30.3 per cent in the 12-month period to September 2006.

5.3.1 Credit Allocation

Trends in Credit to Key Sectors

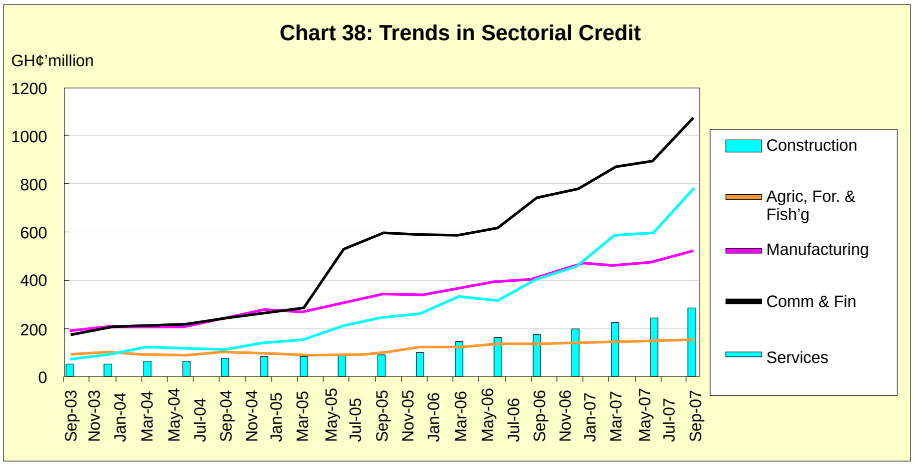
Credit is concentrated in three (3) main sectors; Commerce & Finance, Services and Manufacturing sectors which together account for over two-third of total credit.

Sectors receiving the highest allocation of credit include Commerce & Finance, Services and Manufacturing sectors. Credit to the Commerce & Finance sector increased to GH¢1,078.5 million as of September 2007 recording a year on year growth of 45.2 per cent and representing a share of 30 per cent of total credit. Similarly, credit to the Services sector recorded an annual growth of 93.1 per cent to reach GH¢781.2 million, over the same period. This represents 21.7 per cent share of total credit. Credit to the Manufacturing sector, however, registered a relatively slower growth. It reached GH¢520.5 million in September 2007, registering an annual growth of 25.7 per cent and 14.5 per cent share of total credit.

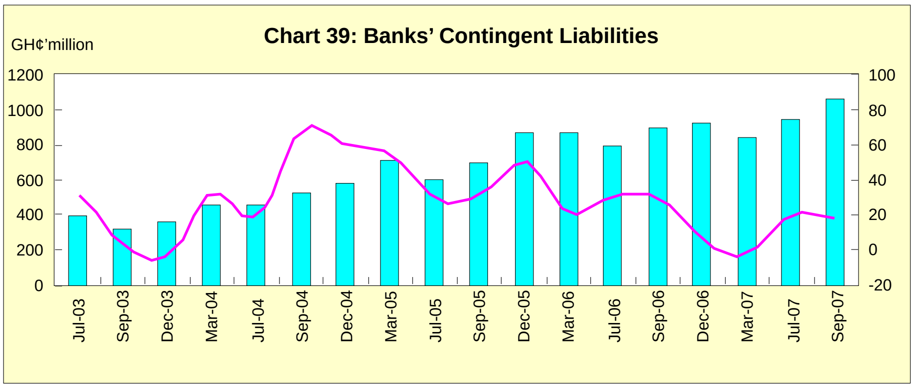
The allocation of credit to the Construction sector has been on a steady rise since December 2005 as shown on Chart 38. Its allocation of credit increased to GH¢280.1 million in September 2007, registering 65.2 per cent annual growth. Credit to the Agricultural, Forestry & Fishing sector increased marginally to GH¢156.8 million, an annual growth of 16.7 per cent. This represents 4.4 per cent of total credit.

5.3.3 Contingent Liabilities

The volume of aggregate off-balance sheet items (contingent liabilities) increased from GH¢933.5 million in June 2007 to GH¢1,065.8 million in September 2007.



Year-on-year, it registered an annual growth of 17.5 per cent. This growth may be compared with an annual growth of 30.3 per cent in the 12-month period to September 2006. (See Chart 39).

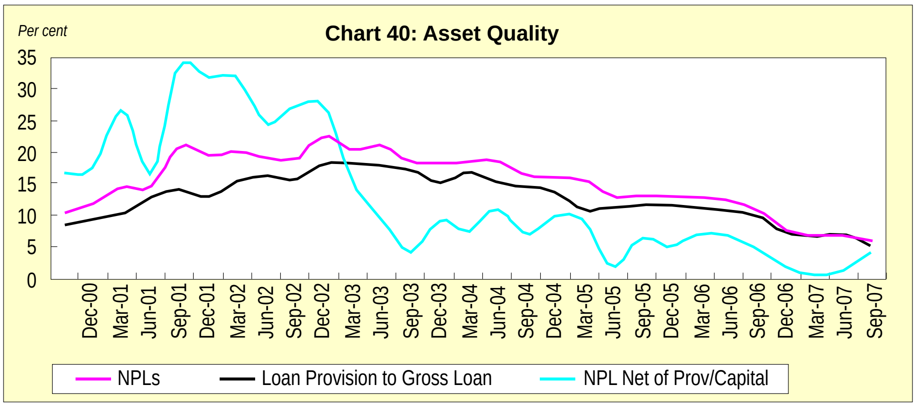


5.4 Asset Quality

The ratio of Non Performing Loans to total loan portfolio continues to decline. The NPL ratio reached a record low of 6.1 per cent in September 2007. This may be compared with the 11 per cent recorded in September 2006.

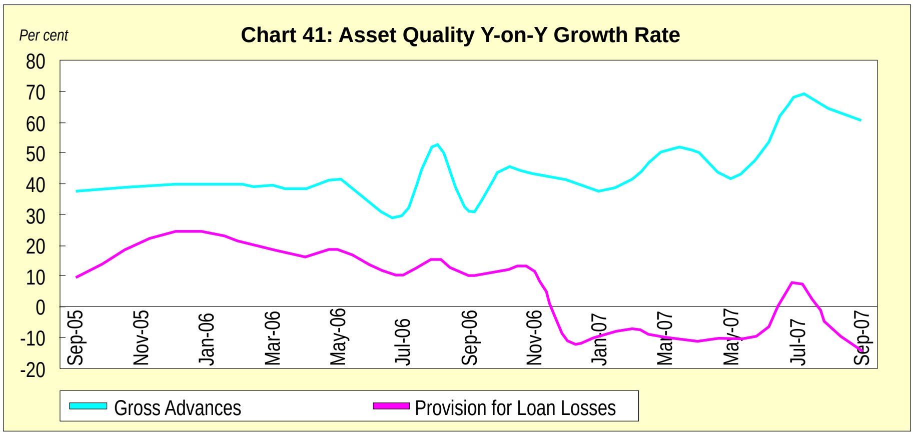
Two reasons account for this trend. Firstly, banks' loan books have expanded rapidly over the year and secondly there is significant improvement in credit risk management of banks as NPLs continue to decelerate. It is interesting to note that provision for loan losses in the banking industry continues to decelerate, possibly reflecting a moderation of loan loss probabilities associated with credit expansion and an improvement in credit quality. (See Chart 40). It registered a deceleration of 14.2 per cent in September 2007 compared with a growth of 10.4 per cent in the 12-month period to September 2006.

In the light of this development, banks' loan loss provisions to gross loans ratio declined from 9.8 per cent in September 2006 to 5.3 per cent in September 2007. Similarly, the ratio of NPLs net of provisions to capital declined significantly from 4.8 per cent in September 2006 to 4.2 per cent in September 2007. (See Chart 41).



Within banks' total loan portfolio, problem-free assets (current loans) accounted for 91.1 per cent in September 2007 up from the 86 per cent in September 2006. (See Table 1).

The various categories of rated assets witnessed significant declines in their share of total loans. The share of substandard loans in total loans declined to 1.4 per cent in



September 2007 by 50 basis points from the September 2006 figure. Similarly the shares of doubtful and loss categories declined by 1 percentage point and 3.3 percentage points to reach 1.7 per cent and 3.1 per cent respectively over the same period. Watch loans also declined by 20 basis points to 2.8 per cent during the same period.

These developments suggest that robust lending activity by the banking industry during the year has been achieved without deterioration in portfolio quality.

Table 24: Composition of Ration Portfolio

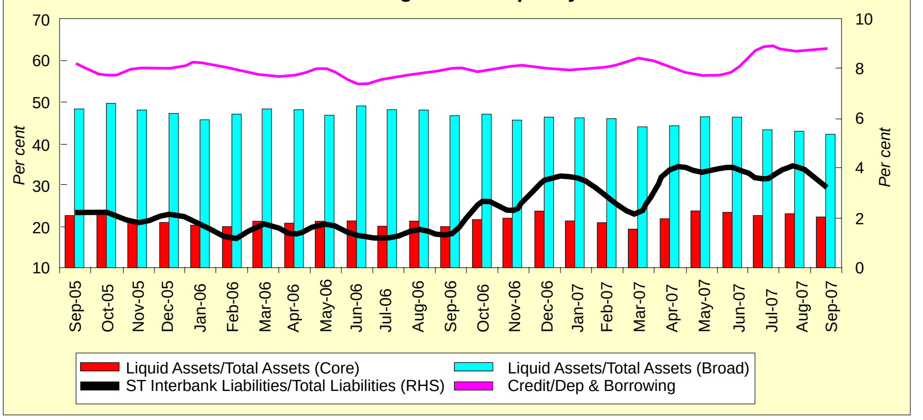
	Sep-03	Sep-04	Sep-05	Sep-06	Sep-07
Problem-Free	75.1	77.9	83.7	86.0	91.1
Past Due/Rated Assets	24.9	22.1	16.3	14.0	8.9
of which:					
Watch Loans/OLEM	6.4	5.7	3.0	3.0	2.8
Substandard	3.2	3.6	2.3	1.9	1.4
Doubtful	5.2	3.3	3.6	2.7	1.7
Loss	10.1	9.5	7.4	6.4	3.1
Total	100.0	100.0	100.0	100.0	100.0

5.5 Liquidity Indicators of the Banking Sector

Liquidity in the banking sector continues to remain generally satisfactory. The liquid asset ratio (core) dipped by 95 basis points to 22.1 per cent in September 2007 from the August 2007 level. Similarly, the broad measure dipped by 80 basis points to 42.2 per cent in September 2007.

The share of short term interbank liabilities in total liabilities also, dipped by 85 basis points to 3.24 per cent in September 2007. Credit to deposit and borrowing ratio, however, increased by 60 basis points to 62.7 per cent in September 2007. (See Chart 42). Generally liquidity levels may be classified as stable and safe.

Chart 42: Banking Sector Liquidity Indicators



5.6 Solvency

5.6.1 Minimum Capital Requirement

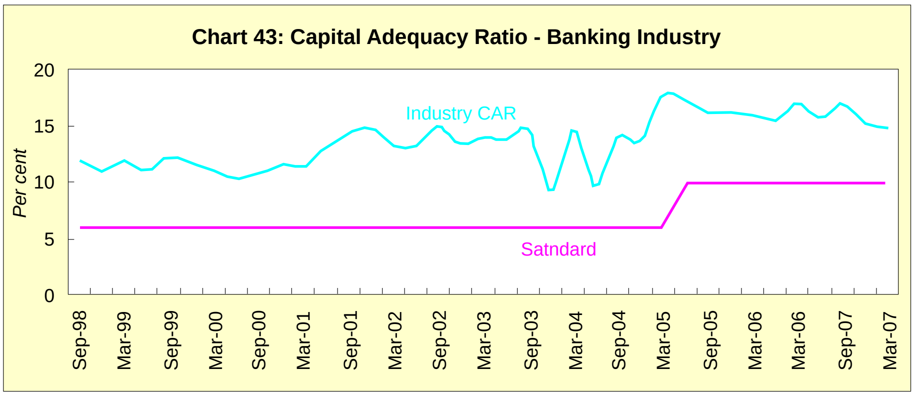
All the banks are in compliance with the minimum capital requirement of GH¢7.0 million. The total banking industry paid-up capital reached GH¢271.3 million as of September 2007, registering an annual growth of 45.9 per cent compared with 65.3 per cent in the 12-month period to September 2006.

Similarly, shareholders' funds amounted to GH¢749.4 million, an annual growth of 32.8 per cent compared with 27.2 per cent for the same period in 2006.

5.6.2 Capital Adequacy Ratio

The boom in credit over the past year has not resulted in significant deterioration of the solvency of the banking industry. However, since March 2005 it has been on a declining path as a result of the increase in risky assets of banks.

The solvency of the banking industry, as measured by the Capital Adequacy Ratio (CAR), continues to be strong remaining well-above the statutory threshold of 10.0 per cent. The industry CAR declined to 14.8 per cent in September 2007 from 16.9 per cent in September 2006. (See Chart 43).



5.7 Profitability

5.7.1 Highlights from Banks' Consolidated Income Statement

The profitability of the banking sector as of September 2007 shows some improvement. The industry's operating income recorded an annual growth of 35.3 per cent as of September 2007 reaching GH ¢593.7 million. This may be compared with 20.4 per cent annual growth recorded for the 12-month period to September 2006.

This development stemmed from the significant growth in interest income, other income and income from fees and commission. Interest income reached GH¢556.8 million, registering an annual growth of 41.3 per cent in September 2007 and may be compared with 21.7 per cent recorded in September 2006. Similarly, income from fees and commissions at GH¢160.0 million in September 2007, registered annual growth of 44.7 per cent compared with 20.4 per cent in September 2006. Other income, also registered an annual growth of 61.9 per cent to reach GH¢64.9 million compared with a deceleration of 0.2 per cent in over the same period.

Growth in banks' operating expenses followed the same trend as banks' operating income, though, at a much faster pace. Year-on-year, it recorded a growth of 38 per cent in September 2007 compared with 27.8 per cent same period in 2006. It reached GH¢336.9 million as of September 2007. This was driven principally by the faster growth in staff costs, which registered an annual growth of 89.5 per cent in September 2007 compared with 32.9 per cent growth during the same period in 2006. It may be noted that staff costs accounted for 54.4 per cent of total operating expenses compared with 39.6 per cent over the same period. Growth in other operating expenses, however, slowed registering an annual increase of 4.2 per cent in September 2007 compared with 24.6 per cent in the 12-month period to September 2006.

Consequently, Net Operating Income reached GH¢256.8 million in September 2007, registering an annual growth of 31.9 per cent compared with an annual growth of 12.3 per cent in September 2006 and a deceleration of 1.4 per cent in June 2007.

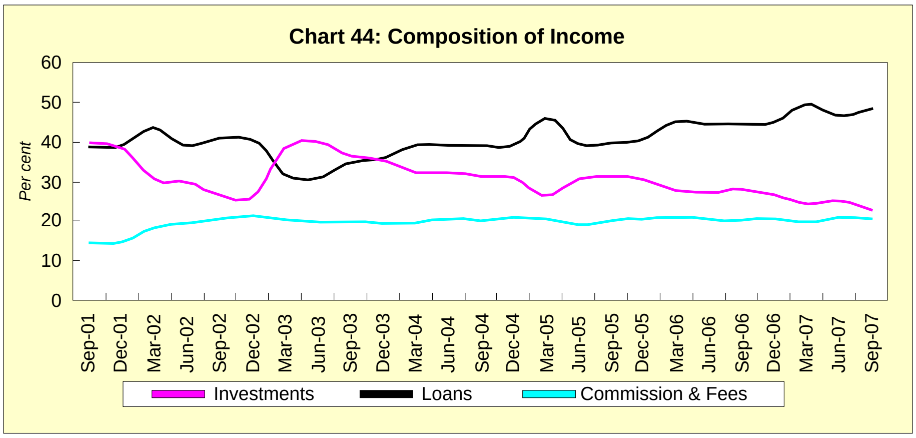
There was significant growth in total provisions for bad debts and depreciation in the third quarter of 2007. Growth in total provisions shot up to 74.8 per cent in September 2007 and may be compared with 4.2 per cent deceleration recorded in September 2006. This growth was driven mainly by the expansion in provisions for depreciation which accounts for 47 per cent of total provisions followed by provision for bad debts which accounted for 44 per cent.

Following these developments the banking industry recorded a Net income of GH¢127.4 million up as of September 2007 from the GH¢100.9 million recorded same period in 2006. This translates into a year on year growth of 26.2 per cent in September 2007 compared 33.2 per cent growth recorded for the 12-month period to September 2006.

Composition of Banks' Income

The share of investment income (bills, securities and shares) in total income continues to decline on account of banks' reduction in the holdings of those instruments due to their unfavourable returns. In September 2007 the share had declined further to 22.8 per cent compared to a share of 28 per cent in September 2006.

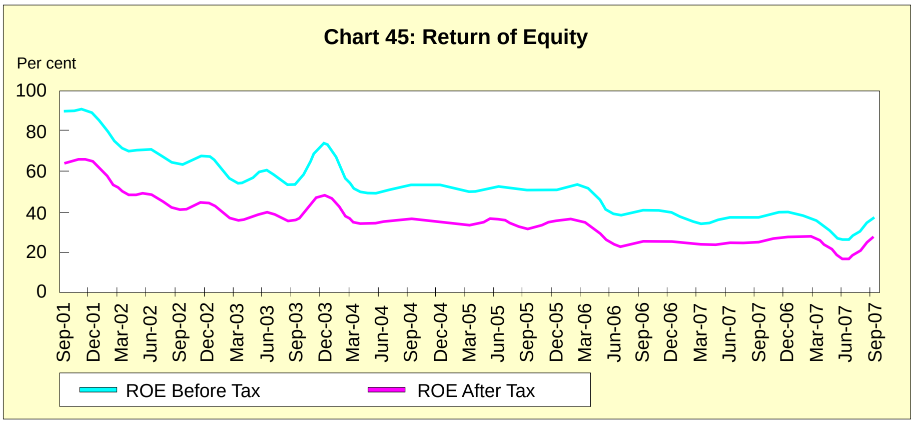
The share of income from loans and advances continues to increase. It increased to 48.4 per cent as of September 2007 relative to 44.4 per cent share recorded for September 2006. (See Chart 44).



There was a slight up tick in the share of income from fees and commission; it increased by 20 basis points to 20.5 per cent in September 2007.

5.7.2 Return on Assets and Return on Equity

There was an up tick in all measures of Return on equity (ROE) and Return on Assets (ROA) on account of developments in the consolidated income statement of the banking industry.



ROE before tax increased to 37.1 per cent in September 2007 from 26.0 per cent in June 2007 and may be compared with 37.2 per cent in September 2006. Similarly, the ROE after tax measure was up from 16.7 per cent in June 2007 to 27.4 per cent in September 2007 and may be compared with 25.3 per cent recorded in September 2006. (See Chart 45).

Similarly, the aggregate Return on Assets (ROA) before tax increased from 3.0 per cent in June 2007 to 3.8 per cent in September 2007 and may be compared with 4.7 per cent recorded in September 2006. The after tax ROA increased to 2.8 per cent in September 2007 from 1.9 per cent in June 2007 and may be compared with 3.2 per cent recorded in September 2006. (See chart 46).

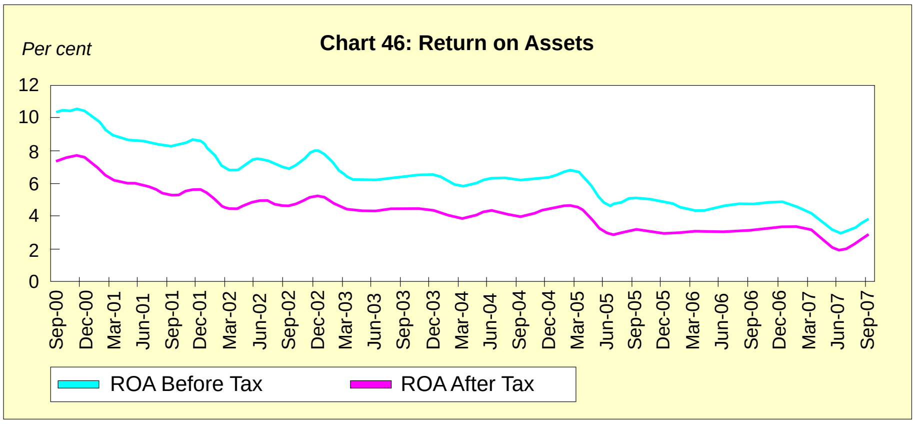


Chart 46: Return on Assets

5.8 Operational Efficiency

Indicators of efficiency measures used to determine the efficiency of the banking industry is shown on Table 2. All measures of efficiency, with the exception of the staff cost to operating expenses and cost to total asset ratios, recorded some deterioration.

The decline in deposits to total assets and cost to total asset ratios clearly reflects the stronger growth in asset relative to deposits and cost growth in September 2007. Similarly, the surge in the cost to income ratio is attributed to the significant growth in staff cost and total provisions which recorded annual growth of 89.5 per cent and 74.8 per cent respectively in September 2007.

Table 25: Efficiency Indicators

	Sep-06	Sep-07
Deposits/Total Assets (%)	67.6	61.0
Cost/Total Assets	8.5	7.8
Cost/Income	52.6	53.2
Operating Cost/Operating Income	54.0	55.1
Staff Cost/Operating Expenses	55.5	

NB: These computations excludes the new banks i.e UBA, ZENITH, GTB, FIDELITY & IBG

5.9 Conclusions

The overall outlook of the banking system is considered generally satisfactory. The financial soundness indicators of the banking industry, all show significant improvement over their performance reported at the first half of 2007.

The significant growth in costs accounts for the marginal deterioration in the industry's operational efficiency. In addition, there is strong asset growth driven mainly by the expansion in credit to the private sector. That notwithstanding, liquidity and capital levels are at generally safe levels. Similarly, asset quality remains strong despite the expansion in credit.

The banking industry remains well capitalized, resilient and stable with no immediate threat to financial system stability.

Going forward, banks may need to reduce cost to improve upon their efficiency and hence profitability. And also improve credit risk management as they endeavor to expand credit in an increasingly competitive market.

APPENDICES

Table 26: Key Developments in DMBs Balance Sheet

	Sep-06	Sep-07	Sep-06	Sep-07
	(Gh¢'million)		Y-on-Y Growth (%)	
TOTAL ASSETS	**4,555**	**7,114**	**28.4**	**56.2**
A. Foreign Assets	**435**	**552**	**23.7**	**22.3**
B. Domestic Assets	**4,102**	**6,562**	**29.0**	**59.9**
Investments	**1,251**	**1,448**	**33.5**	**15.8**
i. Bills	461	518	7.5	12.4
ii. Securities	767	912	57.2	18.8
Advances (Net)	**2,023**	**3411**	**34.0**	**68.6**
Gross Advantages	**2,243**	**3.600**	**31.2**	**60.5**
Other Assets	**242**	**465**	**20.2**	**92.1**
Fixed Assets	**142**	**219**	**35.8**	**54.2**
Total Liabilities and Capital	**4,555**	**7,114**	**28.4**	**56.2**
Total Deposits	**3,064**	**4,361**	**38.9**	**42.3**
Foreign Liabilities	**208**	**673**	**(8.9)**	**223.7**
I Short-term borrowings	35	217	(66.2)	528.9
II. Long-term borrowings	104	326	62.3	214.9
III. Deposits of non-residents	70	129	12.0	85.3
Domestic Liabilities	**3,773**	**5,683**	**31.6**	**50.6**
I Short-term borrowings	171	411	46.8	140.5
II. Long-term borrowings	115	121	78.4	5.2
III. Deposits of non-residents	2,994	4,232	39.7	41.3
Other Liabilities	**357**	**700**	**(13.7)**	**96.1**
Paid-up capital	**186**	**271**	**65.3**	**45.9**
Shareholders' Funds	**564**	**749**	**27.2**	**32.8**

Table 27: Key Indicators Balance Sheet

	Sep-06	Sep-07
Asset to GDP	39.6	51.7
Credit to Private Sector (GH¢'million)	1,516.5	2,583.2
Private Sector Credit/GDP	13.2	18.8
Total Credit to GDP	19.5	26.2
Deposits to GDP	26.7	31.7

Table 28: DMBs Income Statement Highlights				
	Sep-06	**Sep-07**	**Sep-06**	**Sep-07**
	(GH ¢'million)		**Y-on-Y Growth (%)**	
Interest Income	394.1	556.8	21.7	41.3
Interest Expenses	105.9	188.0	16.0	77.6
Net Interest Income	288.3	368.9	24.0	28.0
Fees and Commissions (Net)	110.5	160.0	20.4	44.7
Other Income	40.0	64.9	0.2	61.9
Operating Expenses	438.8	593.7	20.4	35.3
Staff Cost	244.1	336.9	27.8	38.0
Other Operating Expenses	96.8	183.4	32.9	89.5
Net Operating Income	147.4	153.5	24.6	4.2
Total Provision (Loan Losses, Depreciation & Others)	194.7	256.8	12.3	31.9
Monetary Loss	48.5	84.8	4.2	74.8
Income Before Tax	0.1	0.6	-	-
Tax	146.1	172.7	19.1	18.2
Net Income	452	45.3	3.8	0.1
	100.9	127.4	33.2	26.2

Table 29: Financial Soundness Indicators					
	Sep-06	**Dec-06**	**Mar-07**	**Jun-07**	**Sep-07**
Earnings Indicators					
Returns:					
Return on Equity (ROE) - Before Tax	37.2	39.6	35.8	26.0	37.1
Return on Assets (ROA) - Before Tax	4.7	4.8	4.2	3.0	3.8
Return on Equity (ROE) - After Tax	25.3	27.4	26.9	16.7	27.4
Return on Assets (ROA) - After Tax	3.2	3.3	3.1	1.9	2.8
Return on Equity (ROE) - Before Tax	5.8	6.2	5.2	3.7	4.9
Inerest Margin to Gross Income	55.1	56.0	63.9	60.9	63.8
Interest Margin to Toatal Assets	8.4	7.8	8.3	7.4	6.9
Expenses to Income	66.7	65.8	67.4	77.6	71.0
Loan Interest to Gross Income	61.3	62.7	66.9	64.9	68.0
MANAGEMENT INDICATORS					
Administrative Expenses to Income	18.9	19.1	19.4	19.9	19.4
Liquidity Indicators					
Portfolio Liquidity:					
Core Liquid Assets to Total Assets	19.8	23.5	19.5	23.3	22.1
Broad Liquid Assets to Total Assets	46.7	46.3	43.8	46.1	42.2
Core Liquid Assets to Short-Term Liabilities	26.2	31.0	25.9	30.7	30.0
Broad Liquid Assets to Short-Term Liabilities	62.0	61.0	58.3	60.7	57.2
Credit to Deposits	73.2	73.1	76.7	75.7	82.6
Funding Volatility Ratio	57.1	58.4	55.4	56.4	56.8
Asset Quality					
Credits to Total Assets	44.4	45.0	46.8	45.4	47.9
Investments to Total Assets	27.5	23.3	24.6	23.1	20.3
Investments to Deposits	40.8	35.2	37.6	35.9	33.2
Non Performing Loans	11.0	7.9	6.9	7.0	6.1
Loss / NPLs	57.9	54.1	57.1	52.4	50.8
Loan provision to Gross Loan	9.8	7.4	6.8	6.6	5.3
NPL Net of Provision to Capital	4.8	2.0	0.6	1.8	4.2
Loan interest to Interest Income	61.3	62.7	66.9	64.9	68.0
Capital					
Capital Adequacy Ratio	16.9	15.8	16.9	15.2	14.8

List of Charts

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