A. Global Economy and Monetary Policy Stance in Key Economies

4.1 Global GDP growth

While the global economy continued to grow robustly in 2007 for the fourth consecutive year, performance diverged in the first quarter of 2008 (2008:Q1) - activity in the advanced economies slowed, while emerging and developing economies continued to grow rapidly. In 2008:Q1, stresses in financial markets reached new heights, resulting in the collapse of a major global investment bank.

Looking ahead, growth is expected to slow down in 2008 and 2009 in both advanced and emerging and developing economies. It may slow more significantly than anticipated in the euro area and Japan, and more so in the US.

### Key Economic Forecasts

<table>
<thead>
<tr>
<th></th>
<th>Real GDP % growth</th>
<th>Consumer Prices % growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G7</td>
<td>2.2</td>
<td>1.2</td>
</tr>
<tr>
<td>US</td>
<td>2.2</td>
<td>1.1</td>
</tr>
<tr>
<td>Japan</td>
<td>2.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Euroland</td>
<td>2.6</td>
<td>1.3</td>
</tr>
<tr>
<td>UK</td>
<td>3.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Asia (ex Japan)</td>
<td>9.2</td>
<td>7.7</td>
</tr>
<tr>
<td>China</td>
<td>11.4</td>
<td>9.5</td>
</tr>
<tr>
<td>India</td>
<td>9.2</td>
<td>7.9</td>
</tr>
<tr>
<td>EMEA</td>
<td>6.7</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Risks to the global outlook remain on the downside with about a 25 percent risk that global growth will fall to 3 percent or less. The largest adverse risks relate to global financial conditions and domestic demand in the United States. Global imbalances remain a concern.
Global inflation

Headline inflation has increased around the world, boosted by the continuing buoyancy of food and energy prices (Chart below).

Rapid increases in commodity prices have mainly reflected continued strong demand growth in the emerging economies, which has accounted for the bulk of the increase in commodity consumption in recent years, and a sluggish supply response, with financial factors also playing some role.

In the advanced economies, core inflation has edged upward in recent months despite slowing growth. In the emerging economies, headline inflation has risen...
more markedly, reflecting both strong demand growth and the greater weight of
energy and particularly food in consumption baskets.

4.2 Survey of Monetary Policy stance

The monetary policy stances of major central banks continue to be shaped by
the:
(1) financial market crisis that erupted in August 2007 and which has developed
into the largest financial shock since the Great Depression;
(2) increasing downside risks to the global growth outlook; and
(3) rising headline inflation on the back of high energy and food prices.

One aspect of the financial crisis has been an unprecedented loss of liquidity, to
which major central banks responded aggressively by providing large-scale
access to short-term funding through existing facilities and through coordinated
initiatives, including the provision of swap lines by the US Federal Reserve (Fed)
to allow European central banks to extend dollar liquidity.

A number of central banks have also eased monetary policy in reflection of
increasing downside risks to the growth outlook. The Fed has lowered the federal
funds rate seven times by 325 basis points (bps) since August 2007, while the
Bank of Canada (BOC) and the Bank of England (BOE) have also reduced policy
rates and the European Central Bank (ECB) and the Bank of Japan (BOJ) have
forgone further interest rate increases.

The average rate of the five central banks that set policy rates for the G7
countries has declined by 50 bps in January-April 2008 from 3.40 to 2.90
percent.

4.2.1 United States

The Fed has responded to the combination of financial crisis and economic
downturn with fast and furious rate cuts. But with the 30 April cut by 25bps to 2
percent, the Federal Open Market Committee (FOMC) has probably done with
large cuts now and instead will drip-feed 25 bps moves.
In the accompanying statement, it hinted strongly at a pause. There is a widely held view that the Greenspan Fed stimulated the housing bubble by cutting rates too low. Thus, the current Fed may be anxious not to overdo the stimulus.

In theory, lowering interest rates stimulates the economy by encouraging borrowing and by raising asset prices. But the financial crisis means that the gap between official (or risk-free) rates and bank lending rates has increased (risk spreads have increased and lending terms have tightened sharply).

Also, arguably the most important asset price, real estate, will be falling for some time (Huge inventory overhang.) and lower interest rates can limit the downside but not prevent the unwinding of the housing bubble.

Again, in theory, recessions cleanse inflation pressures out of the economy, and the current growing possibility of a longer and deeper recession means that inflation could come down quite significantly at some point. Over the last five US recessions, headline inflation declined by an average of two-thirds.

Furthermore, February's and March's tame CPI report, which showed flat headline and core readings, also removed some lingering inflation concerns among the hawkish FOMC officials.

**Outlook:**

In terms of the profile, the market expects a pause now and then two more 25bps cuts at the September and December meetings. The Fed will pause again for a while at 1.5 percent to judge the impact of the fiscal stimulus and the cuts so far and also to assuage its inflation conscience.

When the recovery proves disappointingly weak next year, we expect to see further cuts, down to 1.0 percent.

4.2.2 **Euro zone**

As it awaited further financial market developments and data, the ECB left rates unchanged at 4.0 percent at its 10 April meeting. It has since then indicated that it has no intention to lower rates in the foreseeable future.

Inflation has surprised on the upside (3.2 percent in January and February and 3.6 percent in March) and economic growth is slowing only gradually.
However, economic activity may weaken and exert downward pressure on future inflation.

As downside risks to growth increase and upside risks to inflation ease, the ECB may eventually change course and start cutting rates, probably in 2008:Q3. A total cut of the refinance rate by 100bps is possible during this easing cycle.

4.2.3 Japan

BOJ whose monetary policy is not considered to mirror that of the more “normal” economies of Europe and America due to its deflationary past, is beginning to experience the same dilemma faced by the other advanced economy central banks – i.e. how to set monetary policy when threatened with an American-led downturn on the one hand, and rises in prices of commodities and food on the other.

Consumer prices (including food and energy) rose by 1.2 percent y-o-y in March, the highest pace in a decade. Even the core, excluding food or energy, grew by 0.1 percent, the first increase since 1998.

At the same time, BOJ is concerned about growth. The economy is presently going through a patch of significant weakness - caused in part by a slump in construction on the back of more tightly enforced building standards - which is expected to last through most of this year. A stronger yen is also beginning to squeeze company profits. Growth in exports is slowing.

So at the policy meeting on 30 April, it cut its growth projections while keeping interest rates at 0.5 percent. But it also shifted its policy stance from tightening to neutral bias. BOJ is famously hawkish on inflation and so the change in stance is significant.

<table>
<thead>
<tr>
<th>Month</th>
<th>Current (Apr-08)</th>
<th>Jun-08</th>
<th>Sep-08</th>
<th>Mar-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>O/N Rate(%)</td>
<td>0.50</td>
<td>0.50</td>
<td>0.25</td>
<td>0.25</td>
</tr>
</tbody>
</table>

Against this background, and in view of the global credit turmoil, the Bank of Japan may well cut rates again by the third quarter of this year.

4.2.4 United Kingdom

As concerns about the fall-out from the financial crisis increased, the BOE cut rates by 25bps on 10 April, as expected. With two more cuts by 25bps likely to
follow, the repo rate is expected to reach 4.5 percent by the end of the third quarter.

According to BOE, stimulus from the sterling’s fall is “roughly equivalent” to rate cut of 3 percentage points; that inflation is likely to exceed 3.0 percent later this year due to oil, food costs and weaker sterling; and that the MPC is “walking a tight rope”.

The intense quandary facing the MPC is whether rising inflation or an economic slowdown is the bigger immediate threat.

The monthly surveys compiled by BOE’s regional Agents showed a further weakening in activity in March and, at the same time, rising price pressures.

The report provided a summary of business conditions over 2008:Q1 relative to a year ago from around 700 of their contacts around the country. These qualitative reports are then translated into ‘scores’, which are designed to put numerical handles on various indicators of activity, which are plotted over time in the chart (left) below. This highlights the policy dilemma that the BOE currently faces.

The YouGov/Citigroup survey of inflation expectations one year ahead also rose further (right chart above). However, long-run expectations eased back a little, although remain high at 3.7 percent. This latter news is unlikely to be sufficient, however, to provide much comfort to the MPC.

The view is that further cuts will be necessary, with rates falling only twice more to a trough of 4.50 percent by end 2008:Q3.
4.2.5 China

The real economy continues to grow at a rapid pace and is expected to stay high even though there is growing evidence that the export sector is now under serious pressure - these pressures come from slowing external demand, strong raw material and wage inflation, and accelerating RMB appreciation. Consequently, GDP growth forecast has been revised for the second time this year to 9.5 percent from the previous 10.0 percent.

The biggest near-term macro risk is further upward pressure on CPI inflation. In the past six months, the acceleration of inflation could largely be explained by shortage of several food items (e.g., pork) and raw material price increases.

Going forward, inflation could be driven more by the much less stable factor - inflation expectation. According to Bloomberg, a recent PBOC survey shows that 65 percent of respondents are now expecting higher inflation (vrs a normal figure of 50 percent).

Further inflationary pressure will lead to more aggressive policy tightening.

4.2.6 Chile

In its monthly monetary policy meeting, the Board of the Central Bank of Chile (CBC) decided on 05 May to maintain the monetary policy interest rate at 6.25 percent.

The statement said that domestically, the latest information confirms that first quarter economic activity was somewhat less dynamic than predicted in the last Monetary Policy Report. Consumer indicators continue to show some signs of slowdown while unemployment has remained stable.

Although March inflation (8.5 percent) was somewhat less than expected, annualized figures are still high. Food prices have risen again but inflationary propagation appears limited and in line with projections. Core inflation measures, including the CPIX1 (which excludes fuels, perishables and some regulated utilities) remain high but have not increased further. Long-term inflation expectations remain well-anchored around 3.0 percent.
4.2.7 South Africa

Inflation surged to 10.1 percent in March, scaling a new five-year peak that was well above expectations and encouraging speculation the Reserve Bank will raise interest rates at its next policy meeting in June.

CPIX inflation, the monetary policy target measure, rose to 10.1 percent year-on-year in March from 9.4 percent in February, its highest since December 2002. Inflation measured by CPIX, which excludes mortgage costs, has now breached its 3-6 percent target range for a full year.

With food and petrol prices unlikely to recede soon, and hefty electricity price hikes likely in the next few months, there is a strong risk that inflation could rise even further this year. That will feed into price-setting and wage negotiations, making further hikes in interest rates likely.

4.2.8 Turkey

Accelerating inflation, on the back of rising food and energy prices, has forced a change of strategy from the Central Bank of Turkey (CBT).

After keeping the main Base Rate unchanged at its 17 April meeting and said it was ready to reverse the previous cuts to keep inflation under control, the CBT has announced that it has missed the 4 percent inflation target for two years and inflation will probably move into double-digit at year-end.

The bank cut the interest rate by 225 bps between September 2007 and February 2008 to 15.25 percent.

It added that it will probably raise the benchmark interest rate this year after “factors outside its control” made its inflation target unobtainable.

Consequently, CBT raised its policy rate by 50bps at the 15 May meeting. Inflation of 9.2 percent in March obliged the CBT to issue a public explanation that was released on 30 April.

Already at 9.7 percent (April), it looks set to move higher in coming months as food and oil prices continue to rise and as the impact of the Turkish lira’s depreciation (at its recent weakest in mid-April, it was down 24 percent against the euro year to date) kicks in.
Analysts expect inflation to move into double digits in May, and to peak at over 12 percent in Q3, triggering rate hikes of 150bps in coming months.

Outlook:

Regarding the longer-term outlook for inflation, in light of the falling consumer and business confidence and disappointing industrial production, the economy looks set to worsen as rates move higher, which should prevent second-round effects on inflation. Also, the lira should hold strong in coming months, on its attractive yield.

The CBT looks right to expect that the 4 percent inflation target will not be achieved for a couple of years, but a declining trend and weak economic growth should allow a renewed programme of rate-cuts from around the turn of the year.
B. Commodity and Foreign Exchange Markets

4.3 Commodities outlook

The commodity price boom that picked up in 2007 has shown little sign of abating so far in 2008, notwithstanding financial market turmoil and concerns about slowing growth in the major advanced economies.

Many prices reached new record highs in current U.S. dollar terms (left chart below). However, in constant terms, prices of many commodities remain well below their highs in the 1970s and early 1980s, with those of crude oil, lead, and nickel being the main exceptions.

Tightening market balances have been a common factor behind the price run-ups for many commodities. Financial trends have also contributed to commodity price increases.

Falling policy interest rates in the US have also played a role, as lower short-term real interest rates tend to push up spot commodity prices, everything else being equal, by reducing inventory holding costs and inducing shifts from money market instruments to commodities and other higher-yielding assets.

Outlook:

Commodity prices are expected to give up some gains later in 2008 and in 2009 with the slowing of global growth. If global growth were to slow more than
expected - which would involve a large decline in growth in emerging markets - commodity prices could fall substantially, as they have in past global downturns.

4.3.1 Oil

On 06 May, world oil prices started a daily record-breaking run reaching a fresh intraday peak of $124 dollars a barrel on Thursday 08 May despite a larger-than-expected rise in US crude stocks.

The new peak was driven by concerns over violence in key producer Nigeria and the weak US currency.

Traders say a combination of forces have pushed prices higher, including market speculators and a decision by the Organisation of the Petroleum Exporting Countries (OPEC) cartel not to increase output quotas.

Prices have also been buoyed by ongoing violence in Nigeria, Africa's largest producer. Attacks have cut Nigeria's oil production by about a quarter over the past two years.

Angst over oil prices has also been stirred by continuing diplomatic tensions over Iran's nuclear ambitions. Iran is OPEC's second-largest producer.

The average weekly price per barrel of the benchmark Brent crude closed April 2008 at $115.28. For the month of April alone, the benchmark price climbed up 11.8 percent. The end-April price represented a firming of 22.5 percent from the end-2007 level and an increase of 70.0 percent in year-on-year terms.

4.3.2 Cocoa

Cocoa arrivals since the start of the marketing season (01 October - 01 February) in the top producer Côte d'Ivoire, have gone up by around 10.0 percent y/y to 978,000 tonnes. However, concerns about quality are causing the market to scale back initial estimates of exportable supplies.

Outlook:

Cocoa has benefited significantly from fund buying and seasonal commercial demand in 2007:Q4 - 2008:Q1. The market is now looking for a small global deficit (of around 30,000 tonnes) in the 2007/08 season, as opposed to a small
surplus. Recent concerns about quality in Côte d'Ivoire will restrict supplies and further fuel the bull market which has been in place since the end of November 2007.

The London International Financial Futures Exchange (LIFFE) weekly average price in the year-opening was £1,055.00 per metric tonne. Y-t-d (end-April), the average weekly LIFFE price is £1,302.59, compared with the average of £961.33 over the same period in 2007.

The end-April price of £1,509.00 represented a firming of 43.0 percent from the end-2007 price and 52.4 percent in year-on-year terms.

4.3.3 Gold

Spot gold price which rose dramatically through 2007 has continued in early 2008, breaking through $1,000 per ounce level in early March. Some consolidation took place after this and the price at the end of April was around $891.45 per ounce - a 31.5 percent rise in y-o-y terms and 7.3 percent increase year-to-date.

The correlation between gold and the USD exchange rate reached a high of 80 percent in mid-November 2007 and currently (April 30) stands at around 50 percent. A recent modest rebound in the dollar to USD1.56/EUR in late April has served to subdue gold price.

Another important driver has been lower production levels in South Africa - the world's second largest producer after China. Ongoing power shortages resulted in output levels falling by 17 percent and 28 percent year-on-year in January and February respectively. With South Africa entering its peak period for power demand in June and July (the southern hemisphere winter) it seems likely that these problems will persist for the foreseeable future which will provide further support for gold.

Through most of this year another bullish factor has been strong investor interest in gold, due to its safe haven status. This has been most obvious in the exchange-trade fund (ETF) data which shows physical gold holdings. StreetTRACKS – the largest gold ETF – reported that holdings rose from 453 tons
at the start of 2007 to 664 tons in the middle of March – a 47 percent increase. StreetTRACKS accounts for around 70% of total ETF holdings.

Y-t-d (end-April), gold has rallied 7.3 percent to $891.45.00 per ounce, which represents a y-o-y increase of 70 percent.

4.3.4 Core terms of trade (ToT) index

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 dominate 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.

The chart (right) tracks and compares the developments in the index for the first four months of 2007 and 2008. The fitted trend lines show that on the average the terms of trade deteriorated less in trend in January-April 2008 than over the same period in 2007. In terms of volatility, comparison of the standard deviations (1.9 and 1.7 for January - April 2007 and 2008 respectively) indicates that the index shows almost same volatility in the first four months of 2007 and 2008.

In the chart (below), the index is plotted from January 2007 to April 2008 against its 12-week (or quarterly) moving average. From December 2007, the index rose above its quarterly trend to reflect improvement in the terms of trade that resulted from the combined increase in the prices of both cocoa and gold which together more than offset the rally in crude oil.

Over the period January-February 2008, the terms of trade improved on the average by 5.2 points on the index. It however saw deterioration in the months of March and April. In the second week of March, the index fell below its quarterly trend to reflect the strong increase in the price of crude oil which was accompanied by decline in cocoa price. The value of the index at the end of April was 33.0, which represents a deterioration of 5.7 points in year-on-year terms.
4.4 Currency markets

The Chilean **peso** came out strongest against the US dollar in January – April 2008 from the selected currencies in table above. The **rand** performed weakest, depreciating by 13.3 percent cumulatively against the US dollar in the first four months of 2008.

**Pound sterling** has now breached the EUR/GBP0.80 mark, a depreciation of nearly 20 percent from the start of 2007. With the trade-weighted index having fallen now to its lowest since pre-BoE independence, there is increasing concern about the impact on imported prices in the UK.

Cumulatively, in the first four months of the year, the **cedi** depreciated by 1.8 percent against the dollar. This compares with a depreciation of 0.5 percent over the same period in 2007.
4.5 Local foreign exchange market

4.5.1 Nominal performance of the Ghana cedi - Bilateral and Effective

Bilateral movements

<table>
<thead>
<tr>
<th>Month</th>
<th>EXCHANGE RATE</th>
<th>MONTHLY CHANGE (%)</th>
<th>CUMULATIVE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
<td>GBP</td>
<td>EUR</td>
</tr>
<tr>
<td>Dec-06</td>
<td>0.9233</td>
<td>1.8069</td>
<td>1.2132</td>
</tr>
<tr>
<td>Jan-07</td>
<td>0.9244</td>
<td>1.8127</td>
<td>1.2029</td>
</tr>
<tr>
<td>Feb-07</td>
<td>0.9256</td>
<td>1.8151</td>
<td>1.2202</td>
</tr>
<tr>
<td>Mar-07</td>
<td>0.9277</td>
<td>1.8176</td>
<td>1.2357</td>
</tr>
<tr>
<td>Apr-07</td>
<td>0.9281</td>
<td>1.8747</td>
<td>1.2626</td>
</tr>
</tbody>
</table>

Developments in the nominal bilateral exchange rates of the cedi against the three core currencies - the US dollar, the pound sterling and the euro - show that in January - April 2008, the cedi depreciated, cumulatively, against all three core currencies by 1.8, 0.3 and 8.2 percent respectively. This compares with a respective cumulative depreciation of 0.5, 3.7 and 4.0 percent against the core currencies over the first four months of 2007.

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.

For the first four months of 2008, the cedi depreciated by 3.2 percentage points in trade-weighted terms. This compares with a depreciation of 1.9 percentage points over the same period in 2007. The April 2008 value of the index was 47.86 and was 1.16 percentage points below its quarterly trend represented by the 3-month moving average.

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4.5.2 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 and 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.

<table>
<thead>
<tr>
<th>Month</th>
<th>REERI (Jan.02=100)</th>
<th>MONTHLY CHG (%)</th>
<th>CUM CHG. (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RFXTWI</td>
<td>RTWI</td>
<td>RFXTWI</td>
</tr>
<tr>
<td>End-2000</td>
<td>85.9</td>
<td>85.0</td>
<td>-34.7</td>
</tr>
<tr>
<td>End-2001</td>
<td>99.1</td>
<td>98.3</td>
<td>14.4</td>
</tr>
<tr>
<td>End-2002</td>
<td>94.2</td>
<td>86.0</td>
<td>-4.9</td>
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<tr>
<td>End-2003</td>
<td>105.5</td>
<td>85.9</td>
<td>11.3</td>
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<tr>
<td>End-2004</td>
<td>108.7</td>
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<td>3.2</td>
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<td>End-2005</td>
<td>126.1</td>
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<tr>
<td>End-2006</td>
<td>131.1</td>
<td>102.7</td>
<td>5.0</td>
</tr>
</tbody>
</table>

In trade-weighted terms, the real exchange rate of the cedi depreciated by 0.4 of a percentage point in 2008:Q1 compared with an appreciation of 3.5 percentage points a year earlier. In fx transactions weighted terms, however, the real exchange rate of the cedi appreciated by 0.7 of a percentage point in the first quarter of 2008 as compared with an appreciation of 4.3 percent in 2007:Q1.

### 4.5.3 Inward remittances

Private inward transfers - received by NGOs, embassies, service providers, individuals etc. - through the banks for the first quarter of 2008 amounted to $2,008.4 million, which represents 35.4 percent increase over those for the corresponding month in 2007, which were in turn 16.4 percent increase over the transfers through banks in January-March 2006.

Of the total transfers in 2008:Q1, $400.82 million (or 20.0 percent) accrued to individuals, compared with 22.8 percent a in January-March 2007.
Of the transfers through banks 2008:Q1, the share of exports was highest at 31.6 percent. Over the same period in 2007, the share of service providers was highest at 32.8 percent.

The top five recipient banks accounted for 70.3 percent of total transfers through banks in January-March 2008, compared with 68.4 percent in 2007:Q1.

The shares of the top five for the corresponding period from 2002 to 2008 show a trend decline.

4.5.4 Foreign exchange purchases and sales

Foreign exchange transactions (i.e. purchases plus sales) by banks and forex bureaux in the first four months of 2008 amounted to $3.25 billion, which was 26.2 percent increase over purchases and sales over the same period in 2007.

<table>
<thead>
<tr>
<th>FX PURCHASES AND SALES ($'million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td>2007</td>
</tr>
<tr>
<td>DMBs</td>
</tr>
<tr>
<td>F/Bureaux</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>2008</td>
</tr>
<tr>
<td>DMBs</td>
</tr>
<tr>
<td>F/Bureaux*</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Memorandum</td>
</tr>
<tr>
<td>Change in Total ($'m)</td>
</tr>
<tr>
<td>Change in Total (%)</td>
</tr>
<tr>
<td>Banks' share (%) - 2007</td>
</tr>
<tr>
<td>Banks' share (%) - 2008</td>
</tr>
</tbody>
</table>

*F/Bureaux number for Apr-2008 is provisional

The first quarter purchases and sales registered a year-on-year increase of 27.5 percent. 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 8.4 percent in January-April 2007 to 7.0 percent in January-April 2008.
4.6 Gross International Reserves (GIR)

The GIR position of the Bank declined steadily throughout 2007:Q1, but corrected and increased steadily throughout Q2. It declined again steadily throughout Q3. Developments in Q4 and January-April 2008 were shaped by proceeds from the $750 million sovereign bond that was floated in Q4. The inflow of the proceeds impacted on the 56.5 percent increase in the GIR in 2007:Q4 alone. The end-2007 level was $2.84 billion and represented a 25.0 percent increase over the December 2006 level.

The sharp drawdown on GIR in January-April 2008 reflected the utilisation of the sovereign bond proceeds which were meant for specific projects. GIR at end-April was $2,195.01 million, representing 22.6 percent decline from the December 2007 level but an increase of 6.0 percent in year-on-year terms.

Developments in the Net International Reserves (NIR) followed a similar pattern. From its peak of $1,649.3 million in June 2006, it declined rather sharply to $1,366.3 in September. Like the GIR, it rose in October, declined marginally in November but, helped by sovereign bond proceeds, reached an all-time high of $1.83 billion in December 2007. In 2007:Q4, the NIR increased to a level of $2.24 billion in December. It declined in the first four months of the year to $1,692.84 million as sovereign bond proceeds flowed out into the earmarked projects.

The April 2008 GIR position of $2.2 billion translates, on the average, into goods and services import cover of 2.7 months.