Ghana’s debt escalated to an all time high of GH¢23.4 billion at the end of November 2011, indicating an increase of 39.2 percent over the end of December 2010 level.

The amount is equivalent to 43.9 percent of Gross Domestic Product (GDP) and indicates government’s appetite for borrowing, both locally and externally.

According to the latest Monetary Policy Committee (MPC) report ending December 2011, domestic debt was estimated at GH¢11.7 billion at the end of November 201, while the external debt stock was estimated at $7.6 billion, an increase of 21.7 percent over the December 2011 level. The $3 billion Chinese loan is however excluded.

Though some economists and policy think tanks have expressed concern about the rate at which government was borrowing, Governor Paa Kwesi Amissah Arthur, who made reference to the International Monetary Fund (IMF) assessment of the Ghanaian economy, said there was no problem with the rate at which government was borrowing.

Briefing the press yesterday on developments in the economy during the last quarter of the year, the Governor of the Bank of Ghana, said the Bank of Ghana’s Composite Index of Economic Activity (CIEA) indicates a continued momentum in economic activity.

“The CIEA recorded a growth of 6.4 per cent between August and October 2011. On a year-on-year basis, the CIEA posted a growth of 18 percent. The increase was reflected in growth in all the indicators of the Index,” he added.

With regards to the relative instability of the local currency, particularly in the last six weeks against the U.S dollar, the Governor assured all and sundry that the Central Bank has been intervening in the market on hour and daily basis to strengthen the Ghana cedi against the dollar.

CITY & BUSINESS GUIDE learnt that $50 million has been injected into the market by the Bank of Ghana this week to prevent the Ghana Cedi from falling.

On fiscal developments, total revenue and grants from January to November 2011 increased to GH¢9.3 billion from GH¢6.4 billion recorded for the same period in 2010.

Total expenditure, excluding foreign financed capital expenditure for the first 11 months of 2011, amounted to GH¢11.5 billion compared to GH¢8.2 billion a year ago. Wages and salaries and related expenditures totaled GH¢4.5 billion.

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On some macroeconomic indicators, the balance of trade data showed provisional deficit of$2.6 billion for the first 11 months of 2011 compared with $2.4 billion for the corresponding period in 2010.

Total merchandise imports since the beginning of 2011 amounted to $14.4 billion, representing an annual growth of 49.9 per cent while total merchandise exports increased to $11.8 billion in 2011, representing a growth of 64.7 per cent over the value for the same period in 2010. This was driven by gold and cocoa prices with a boost from crude oil.

The Gross International Reserves of the Bank of Ghana stood at $4.8 billion as at the end of September 2011 compared to $4.7 billion in December 2010.

…Policy Rate Remains At 12.5%

The Bank of Ghana's Policy Rate, the rate at which it lends to the banks and financial intermediaries, remained at 12.5 percent confirming assertions by analysts that it will be maintained for another period.

"While upside risks remain, the slowdown in the global economy, low foreign inflation, weak domestic business and consumer confidence as well as tight credit conditions for SMEs are expected to exert a moderating effect in the outlook," Mr. Amissah Arthur said.

Interest rates broadly went down throughout the year. On the money market, the 91-day and 182-day Treasury bill rates declined to 9.6 and 10.8 per cent respectively in November 2011 from 12.3 and 12.7 per cent respectively in December 2010.

The rates on the 1-year note also declined by 140 basis points from the beginning of the year to 11.3 per cent in November 2011, while the 2-year fixed note rates went down by 60 basis points to 12.1 per cent over the same period.

The average three-month deposit rate of commercial banks fell to 7.8 per cent in November 2011 from 10.5 percent in December 2010. Similarly, average savings deposit rate also declined to 4.4 per cent from 5.9 per cent over the same period.

Average base rate within the banking industry declined to 22.8 per cent in November 2011 from 25.8 per cent in December 2010.