

FUNDAMENTALS

GHANA'S APRIL 2024 INFLATION: FROM SNAIL'S PACE TO CHEETAH'S SPRINT

**Head, Insights**

Courage Kingsley Martey

+233 240 970 832

Courage.martey@ic.africa

IN BRIEF

- Ghana's headline CPI inflation for April 2024 declined by 80bps to 25.0% y/y, a tad slower than our forecast decline of 120bps for the month under review. On a month-on-month basis, inflation however went up by 100bps to 1.8% (vs our forecast increase of 60bps to 1.4%), reflecting the pass-through of Cedi depreciation and higher fuel prices to domestic prices.
- As expected, food inflation came in lower at 26.8% y/y, representing a 280bps slowdown compared to the annual rate in the prior month. However, non-food inflation unexpectedly quickened by 90bps to 23.5% y/y, albeit with less homogenous movements in its divisions. Notably, we observed uptick in inflation for only 4 out of the 12 reported divisions of non-food inflation with lower inflation for the remaining components.
- We had anticipated that a re-emergence of favourable base effect will provide the tailwind for a faster disinflation in 2Q2024, beginning with the April 2024 print. While this was evident in both the food and non-food inflation data, the upsurge in energy prices amidst the intractable Cedi depreciation propelled inflation for a few heavily-weighted items of non-food inflation.
- In May 2024, we expect a much faster decline in annual headline inflation as favourable base effect becomes more pronounced. While accounting for the upward pressure from sustained Cedi depreciation, higher ex-pump prices, and transport fare hikes, we forecast a 290bps decline in annual inflation to 22.1% in May 2024 due to the stronger favourable base effect. However, inflation could decline faster than our forecast if the upside risks do not feed through as feared.

Declining at a snail's pace in April 2024

Ghana's annual headline inflation declined at a sluggish pace than we anticipated for April 2024 as intractable Cedi depreciation combined with elevated energy prices and transport fare hikes to mute the benefit of favourable base effect. Headline inflation for April 2024 declined by 80bps to 25.0% y/y, a tad slower than our forecast decline of 120bps for the month under review.

We had anticipated that a re-emergence of favourable base effect will provide the tailwind for a faster disinflation in 2Q2024, beginning with the April 2024 print. While this was evident in both the food and non-food inflation data, the upsurge in energy prices amidst the unrelenting Cedi depreciation propelled inflation for a few heavily-weighted items of non-food inflation. In our view, the impact of FX pass-through and higher fuel prices dampened the downward pressure from the favourable base effect to weaken the pace of disinflation in April 2024.

As expected, food inflation came in lower at 26.8% y/y, indicating a 280bps slowdown compared to the annual rate in the prior month. This was mainly achieved on the back of a broad decline in inflation for 10 sub-classes with relatively higher weights within the food inflation category. Specifically, Fish & other seafoods (29.6% y/y | -700bps), Cereal & cereal products (15.4% y/y | -350bps), and Vegetables & tubers (39.5% y/y | -160bps) exerted the main drag on food inflation.

Non-food inflation unexpectedly quickened by 90bps to 23.5% y/y, albeit with less homogenous movements in its divisions. Notably, we observed uptick in inflation for only 4 out of the 12 reported divisions of non-food inflation with lower inflation for the remaining components. However, non-food inflation was pushed up by higher inflation for Transport (10.3% | +240bps), Housing, utilities, gas, & other fuels (28.1% | +320bps), as well as Restaurant & accommodation services (33.9% | +120bps), which together account for 43.6% of non-food inflation.

We attribute the surge in inflation for transport, as well as utilities & fuel to the higher ex-pump prices and transport fare hikes in the past month. During the CPI data collection window, we observed a 4.9% and 1.7% rise in ex-pump prices of petrol and diesel, respectively. Stretching the analysis to 4M2024, petrol prices went up by 14.2% while diesel prices rose by 13.5%. This, in addition to higher cost of spare parts and vehicle insurance premiums, resulted in an unregulated hike of between 16.0% - 20.0% in transport fares in April 2024.

Additionally, the Ghana Statistical Service noted that non-food imported items dominated the list of 144 items which recorded inflation rates above the headline rate. In our view, this reflects the pass-through of Cedi depreciation to domestic prices which was more evident in the month-on-month inflation rate.

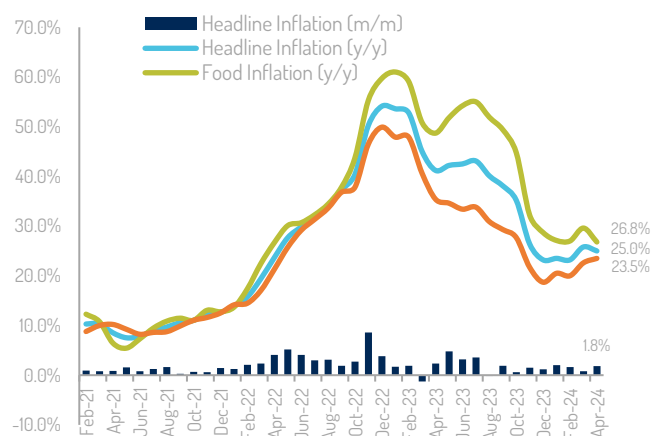
On a month-on-month basis, inflation went up by 100bps to 1.8% (vs our forecast increase of 60bps to 1.4%). This sustains the volatility in the sequential rate over the past year albeit with a downward trend. We view the volatile month-on-month inflation rate as reflecting the lingering price uncertainty with inflation expectations yet to be firmly anchored.

... but expect a cheetah's sprint in the next print

Inflation expectedly returned to a downward path in April 2024, although the impact of higher energy prices and FX pass-through tamed the pace of decline.

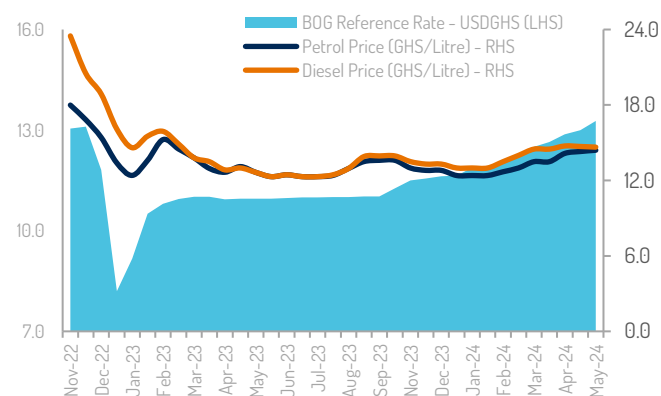
In May 2024, we expect a much faster decline in annual headline inflation as favourable base effect becomes more pronounced. While accounting for the upward pressure from sustained Cedi depreciation, higher ex-pump prices, and transport fare hikes, we forecast a 290bps decline in annual inflation to 22.1% in May 2024 due to the stronger favourable base effect. However, inflation could decline faster than our forecast if the upside risks do not feed through as feared.

DISAGGREGATED CONSUMER PRICE INFLATION



SOURCE: GHANA STATISTICAL SERVICE

EXCHANGE RATE AND PETROLEUM PRICE DYNAMICS



SOURCES: GOIL, BANK OF GHANA, IC INSIGHTS



For more information contact your IC representative

Business Development & Client Relations

Derrick Mensah

Head, Business Development
+233 24 415 5765
derrick.mensah@ic.africa

Kelvin Quartey

Analyst, Business Development
+233 57 6042802
Kelvin.quartey@ic.africa

Dora Youri

Head, Wealth Management
+233 23 355 5366
dora.youri@ic.africa

Corporate Access

Joanita Hotor

Corporate Access
+233 50 137 6100
joanita.hotor@ic.africa

Insights

Courage Kingsley Martey

Head, Insights
+233 240 970 832
courage.martey@ic.africa

Churchill Ogutu

Economist
+254 711 796 739
churchill.ogutu@ic.africa

Lydia Adzobu

Senior Analyst, Financial Sector
+233 24 656 8669
Lydia.adzobu@ic.africa

Emmanuel Dadzoe

Analyst, FMCG, OMC, Telecoms
++233 30 825 0051
Emmanuel.dadzoe@ic.africa

Investing

Isaac Adomako Boamah

Chief Investment Officer
030 225 2623
isaac.boamah@ic.africa

Obed Odenteh

Portfolio Manager, Fixed Income
+233 54 707 3464
obed.odenteh@ic.africa

Timothy Schandorf

Portfolio Manager, Risk Assets
+233 24 292 2154
timothy.schandorf@ic.africa

Herbert Dankyi

Portfolio Manager
+233 55 710 6971
herbert.dankyi@ic.africa

Clevert Boateng

Analyst, Risk Assets.
+233 24 789 0452
Clevert.boateng@ic.africa

Operations

Nana Amoa Ofori

Chief Operating Officer
+233 24 220 6265
nanaamo.a.ofori@ic.africa

Emmanuel Amoah

Fund Administrator
+233 20 847 2245
emmanuel.amoah@ic.africa

Kelly Addai

Fund Accountant
+233 20 812 0994
kelly.addai@ic.africa

Trading

Randy Ackah-Mensah

Head, Global Markets
+233 24 220 6265
randy.mensah@ic.africa

Allen Anang

Trader, Equities
+233 54 084 8441
allen.anang@ic.africa

Daniel Asante

Trader, Fixed Income
+233 55 285 7164
daniel.asante@ic.africa

Terms of use - disclaimer - disclosure

This communication is from the Insights desk of IC Asset Managers (Ghana) LTD, a member of IC Group (IC). The message is for information purposes only and it is subject to change as it is only indicative and not binding. It is not a recommendation, advice, offer or solicitation to buy or sell a product or service nor an official confirmation of any transaction. It is directed at both professionals and retail clients. This message is subject to the terms and conditions of IC Group. IC is not responsible for the use made of this communication other than the purpose for which it is intended, except to the extent this would be prohibited by law or regulation. All opinions and estimates are given as of the date hereof and are subject to change. IC is not obliged to inform investors of any change to such opinions or estimates. The views are not a personal recommendation and do not consider whether any product or transaction is suitable for any particular type of investor.