

FUNDAMENTALS

GHANA'S OCTOBER 2024 INFLATION:

A wild card

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IN BRIEF

- Annual headline inflation came in above our expectation for October 2024 at 22.1% (vs our projected uptick to 21.6% y/y) with upsurges across both food (22.8%) and non-food (21.5%). The latest print represents the second consecutive month of increase in the annual rate, nudging to a 4-month high and underscoring the near-term price uncertainty.
- The announced official CPI levels for October 2023 (195.2pts) and October 2024 (237.8pts) suggested a y/y inflation rate of 21.8%, seemingly below the 22.1% print. However, we probed further and found from the authorities that the October 2023 CPI level should be 194.8pts (instead of the 195.2pts), confirming the 22.1% annual inflation print. The Statistical Service assured of ongoing automation of its processes which will eliminate future discrepancy and has already shortened the publication lag for Ghana CPI data by one week.
- **We foresee a slight decline in annual inflation for November 2024 on cooling prices of agrarian produce and muted utility inflation.** We however expect the pass-through from recent FX pressures to limit the downside scope, restraining the forecast decline in headline inflation to 21.5% y/y in November 2024 while the m/m rate ticks higher to 1.3%.
- **The heightened inflation jitters will stay the policy rate at the final MPC meeting for 2024.** Following the 200bps cut in the policy rate to 27.0% at the September 2024 MPC meeting, the two consecutive inflation readings have printed higher, dragging the ex-post real policy rate to a likely neutral zone (at 4.9%) than the required restrictive territory. Our year-end inflation forecast remains at 19.3% - 21.3% with the outlook tilted to the upper-end of the forecast, potentially staying the policy rate at 27.0% with a hawkish tone at the November MPC meeting.

Hotter-than-expected with a head-scratcher

Annual headline inflation came in above our expectation for October 2024 at 22.1% (vs our projected 21.6% y/y) with upticks across both food and non-food. The latest print represents the second consecutive month of upsurge in the annual rate, nudging to a 4-month high to underscore the near-term price uncertainty.

The announced official CPI levels for October 2023 (195.2pts) and October 2024 (237.8pts) suggested a y/y inflation rate of 21.8%, seemingly below the 22.1% print. However, we probed further and found from the authorities that the October 2023 CPI level should be 194.8pts (instead of the 195.2pts), confirming the 22.1% annual inflation print. The Statistical Service assured of ongoing automation of processes which will eliminate future discrepancy and has already shortened the publication lag for Ghana CPI data by one week.

The sequential rate continues to exhibit wild swings, slowing to 0.9% m/m in October 2024 from 2.8% in September 2024 (vs a deflation of 0.7% m/m in August 2024). We believe this volatility reflects the lingering exchange rate uncertainty, the post-harvest food price shocks, and higher energy prices.

Food inflation went up by 70bps to 22.8% y/y as an upsurge in 13 sub-classes outweighed a downshift in inflation for two heavy-weight sub-classes. Inflation for vegetables & tubers tumbled by 510bps to 38.9% y/y while cereal & cereal products eased by 150bps to 16.4% y/y. On a month-on-month basis, these agrarian outputs witnessed deflation of 6.3% and 1.8%, respectively. We believe this reflects the erratic nature of Ghana's crop harvest in 2024 due to the adverse weather conditions, which we view as a source of price uncertainty in the near-term.

Disappointingly, other influential food items witnessed higher inflation to outweigh the softer inflation for the farm produce. Ready-made food (17.5% y/y | +110bps), fish & other seafoods (20.3% y/y | +240bps), and live animals (25.7% y/y | +120bps) were the top three drivers of food inflation in October 2024 with elevated risk of near-term stickiness amidst the FX pressures.

Non-food inflation increased by 60bps to 21.5% y/y, exhibiting volatility in the past three months to reflect the pass-through of FX pressures and related uncertainty. We observed disinflation for 4 out of the 12 divisions of non-food inflation with transport (16.1% y/y | -20bps), hospitality (24.6% y/y | -330bps), and education services (21.7% | -200bps) exerting downward pressure on non-food inflation. However, higher inflation for heavy-weights such as utilities, gas & other fuel (27.6% | +120bps), clothing & footwear (20.2% | +120bps), and alcoholic beverage (31.7% | +410bps) pushed up non-food inflation for October.

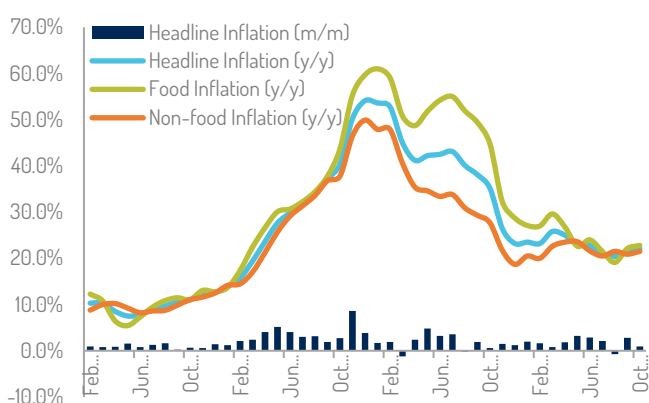
We foresee a slight decline in annual inflation for November 2024 on cooling prices of agrarian produces and utilities. We anticipate the moderation in food inflation to continue into the November 2024 CPI data window, benefiting from the belated improvement in rainfall patterns.

Following the hikes in electricity and water tariffs by 3.0% and 1.9%, respectively with effect from 01st October 2024, we believe the bulk of the price shocks was likely captured in the October CPI. This suggests only a modest upward pressure in the ensuing CPI data for November 2024, potentially restraining price pressure for non-food inflation.

We however expect the pass-through from recent FX pressures to limit the downside scope, restraining the forecast decline in headline inflation to 21.5% y/y in November 2024 while the m/m rate ticks higher to 1.3%.

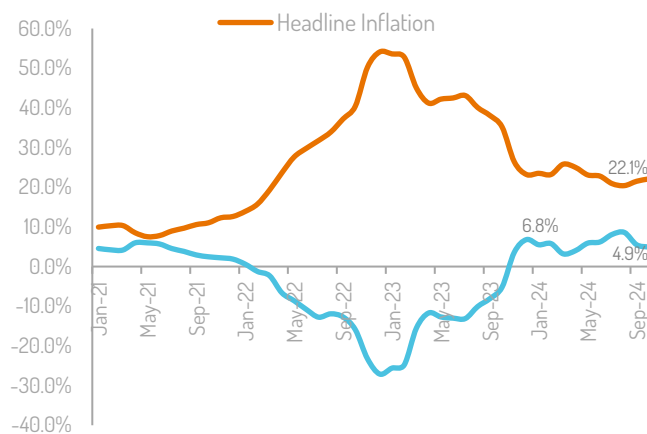
The heightened inflation jitters will stay the policy rate at the final MPC meeting for 2024. Following the 200bps cut in the policy rate to 27.0% at the September 2024 MPC meeting, the two consecutive inflation readings have printed higher, dragging the ex-post real policy rate to a likely neutral zone (at 4.9%) than the required restrictive territory. Our year-end inflation forecast remains at 19.3% - 21.3% with the outlook tilted to the upper-end of the forecast, potentially staying the policy rate at 27.0% with a hawkish tone at the November MPC meeting.

DISAGGREGATED CONSUMER PRICE INFLATION



SOURCE: GHANA STATISTICAL SERVICE

INFLATION PATH AND REAL POLICY RATE



SOURCE: IC INSIGHTS, GHANA STATISTICAL SERVICE, BANK OF GHANA



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