

FUNDAMENTALS

GHANA'S MARCH 2025 INFLATION:

A downside surprise

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IN BRIEF

- Ghana's annual headline inflation declined by 70bps to 22.4% y/y in March 2025 compared to our in-house forecast of 23.3% and the market median expectation of 23.4%. This pegs annual inflation rate at the lowest level in four months and slightly dampens the renewed post-MPC concerns about a likely upturn in domestic yields.
- **Food inflation** gave us a pleasant surprise with a second straight disinflation at a stronger pace to 26.5% y/y (-160bps), suppressed by heavy-weight items such as vegetables & tubers, while **Non-food inflation** continued its declining momentum for the 5th straight month with a 10bps downtick to 18.7%. Despite the 10bps decline in non-food inflation, our estimates point to a likely unchanged services inflation in March 2025 after declining in February, although core inflation probably dropped below 22.0% in the month under review.
- **The pace of disinflation will quicken in the months ahead as tighter monetary stance and tax reliefs take effect in April.** We note that the cooling impact of the 100bps hike in the policy rate to 28.0% and the intensified liquidity mop-up is yet to be reflected in price dynamics. Additionally, Ghana's President assented to the Bill to repeal the E-levy Act on 2nd April 2025, partly easing the tax regime with the potential for slower price increases. These complementary fiscal and monetary policy measures boost our optimism for a faster disinflation in the months ahead, especially with the May 2025 inflation print expected on 4th June 2025.
- **We reiterate our view that the policy rate hike is unlikely to spur yield upturn.** We opined in our [March 2025 MPC Note](#) that the ongoing fiscal squeeze will cap the Treasury's borrowing need and avert renewed increase in yield from the policy rate hike. The latest decline in annual inflation has strengthened our view, albeit with stable yields expected over the next 3-months. Consequently, we maintain our expectation for a first policy rate cut in July 2025.

Silver linings in a cloudy sky

Ghana's annual headline inflation surprised to the downside in March 2025, posting a third consecutive month of decline with indications of a strengthening pace of disinflation each month. Headline inflation declined by 70bps to 22.4% y/y in March 2025 compared to our in-house forecast of 23.3% and market median expectation of 23.4%. This pegs annual inflation rate at the lowest level in four months and slightly dampens the renewed post-MPC concerns about a likely upturn in domestic yields.

Notably, we observed back-to-back improvements in the pace of disinflation each month with a pickup from -30bps in January to -40bps and -70bps in February and March, respectively. Despite the lingering uncertainty surrounding global energy prices and feeble domestic food supply chain, the improving pace of disinflation and the anticipated impact of the recent policy rate hike suggests a silver lining on the horizon. This offers optimism for a faster disinflation in the months ahead as fiscal measures add a further tailwind.

The sequential rate declined faster than we expected, printing a modest 0.2% m/m in March 2025 (vs our expected decline to 1.0%) from 1.3% m/m in February 2025. This represents the fourth successive decline in the month-on-month inflation after peaking at 2.6% in November 2024, suggesting cooling price pressures.

Headline inflation was restrained by surprise declines in food and non-food inflation with the m/m deflation in food prices (-0.2% m/m) as the standout print for us.

Food inflation gave us a pleasant surprise with a second straight disinflation at a stronger pace to 26.5% y/y (-160bps), suppressed by heavy-weight items such as vegetables & tubers (40.3% y/y | -520bps), and fish & other seafood (22.1% y/y | -440bps). Despite this positive outturn, we remain cautious on food price disinflation as 9 out of the 15 sub-groups witnessed higher inflation rates.

Non-food inflation continued its declining momentum for the 5th straight month with a 10bps downtick to 18.7% y/y as the two most influential divisions, transport (16.8% | -110bps) and utilities (25.1% | +80bps), experienced contrasting fortunes. Despite the 10bps decline in non-food inflation, our estimates point to a likely unchanged services inflation in March 2025 after declining in February, although core inflation probably dropped below 22.0% in the month under review.

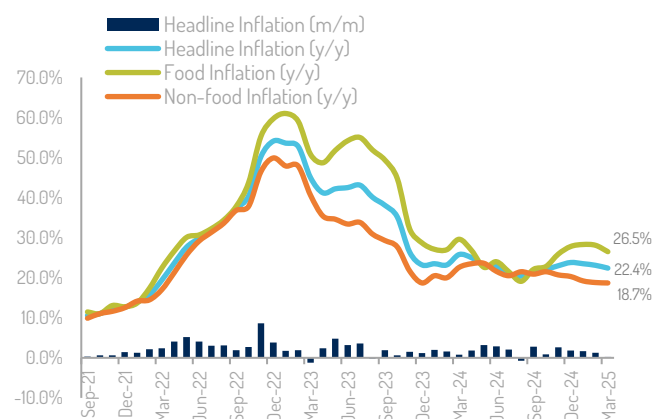
The pace of disinflation will quicken in the months ahead as tighter monetary stance and tax reliefs take effect in April.

While the latest decline in annual inflation is encouraging, we note that the cooling impact of the 100bps hike in the policy rate to 28.0% and the intensified liquidity mop-up is yet to be reflected in price dynamics. Additionally, Ghana's President assented to the Bill to repeal the E-levy Act on 2nd April 2025, partly easing the tax regime with the potential for slower price increases. These complementary fiscal and monetary policy measures boost our optimism for a faster disinflation in the months ahead, especially with the May 2025 inflation print expected on 4th June 2025.

Additionally, we observe early indications of favourable weather conditions as the planting season begins while the approval of the 2025 fiscal measures provides a timely agricultural support, albeit with the benefits expected during the crop harvest in 3Q2025. For April 2025 inflation, we anticipate a 70bps decline in the annual inflation rate to 21.7% as the stable Ghanaian Cedi and tighter policy regime tames the demand pressure. However, supply side constraints, especially with food items, will likely nudge month-on-month inflation up to 1.2%.

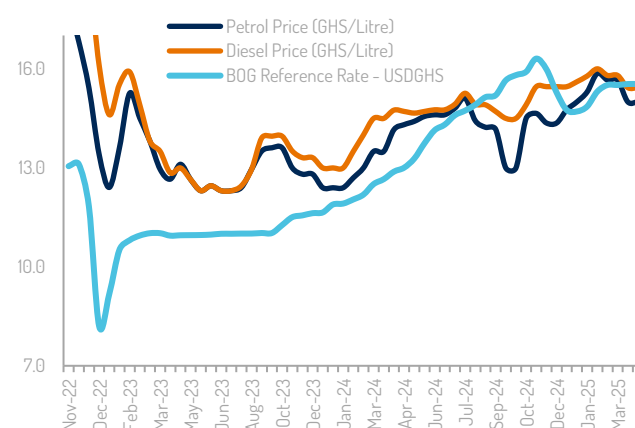
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DISAGGREGATED CONSUMER PRICE INFLATION



SOURCE: GHANA STATISTICAL SERVICE, IC INSIGHTS

PETROLEUM PRICES AND EXCHANGE RATE TREND



SOURCE: IC INSIGHTS, GOIL, BANK OF GHANA



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