GHANA | MACROECONOMIC UPDATE | INFLATION | INSIGHTS

FUNDAMENTALS

GHANA'S JUNE 2025 INFLATION:

CPI Nosedive; Bond Bulls Back In Play

03 JULY 2025

Economist & Head, Insights
Courage Kingsley Martey
+233 308 250 051
Courage.martey@ic.africa

IN BRIEF

- **A stronger-than-expected pass-through of Cedi appreciation fuels inflation dive.** Ghana's June 2025 inflation plunged to 13.7% y/y (vs. 18.4% prior), beating our 16.0% expectation and marking the lowest level since December 2021 as favourable exchange rate pass-through calmed price pressures. The surprise 470bps drop largely resets inflation to pre-crisis territory, paving the way for a deep cut in the policy rate in July and the Treasury's return to bond issuance in late-3Q2025. The disinflation was broad-based across food (16.3% y/y | -650bps) and non-food (11.4% y/y | -300bps) with core inflation (8.3% y/y) dropping to single digit for the first time since October 2021.

- **We trim our end-2025 inflation forecast, but fuel levy and electricity tariff risks linger.** On the back of the stronger pass-through of Cedi appreciation, a steeper-than-expected June disinflation and anticipated strong crop harvest in 3Q2025, we revise our end-2025 inflation forecast range to 10.3% – 12.3% (midpoint: 11.3%), down from 11.8% – 13.8%. We see scope for further disinflation on the back of favourable base effect in 4Q2025, raising the possibility of single-digit inflation by year-end. However, we opt to stay cautious due to potential risk from major electricity tariff hike in 4Q2025 and expected start of the suspended GHS 1.0/litre fuel levy on 16 July 2025.

- **We raise our expected cut in the policy rate to at least 300bps, with a cautious eye on tariff risk and continued FX stability.** We now expect the Bank of Ghana to cut the policy rate by at least 300bps at the July 2025 MPC meeting, up from our earlier call for at least 200bps cut, as a sharp rise in the real policy rate to 14.3% and core inflation back in single digits boost our dovish sentiment.

- **Disinflation sets the stage for Treasury bond comeback.** We expect the sharp decline in inflation to provide a catalyst for bond market rally and drag secondary market yields to the mid-teens, paving the way for a Treasury domestic bond issuance by late-3Q2025. With our estimated modified duration of 3.6 – 4.6 for the 2031 – 2038 tenors, we expect greater price sensitivity and rally across this maturity spectrum, making them prime candidates for potential re-opening offers.

A jaw-dropping disinflation anchored on FX

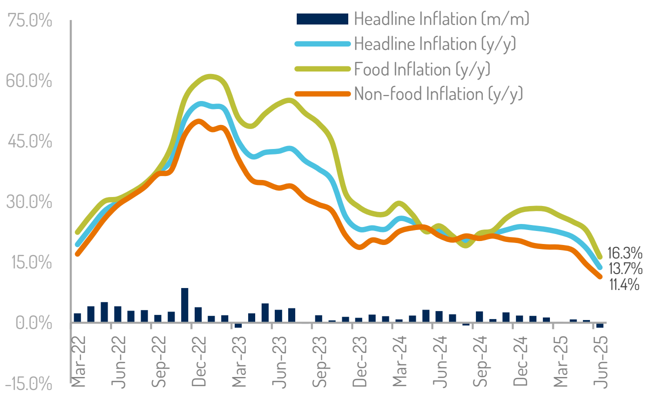
Headline inflation came in sharply below our estimate for June 2025, reflecting a stronger-than-expected pass-through of the recent appreciation of the Ghanaian Cedi and deepens our dovish expectation for the July MPC meeting. Annual inflation nosedived 470bps to 13.7% year-on-year, better than our forecast 240bps decline for June 2025. This pulls the annual headline rate to its lowest level since December 2021, largely resetting CPI inflation to its pre-crisis territory and setting the stage for the much-anticipated Treasury return to domestic bond issuances.

The disinflation was broad-based across food and non-food with core inflation plummeting to 8.3% y/y (-11.3pp), representing the first single digit core inflation since October 2021. This indicates a markedly lower underlying inflationary pressure than suggested by the headline rate and emphasizes the potential for a deeper cut in the policy rate on 23 July 2025.

The month-on-month momentum was more benign, delivering a surprise deflation (-1.2% m/m) against our projected inflation of 0.8% m/m. Overall, we attribute the sharp disinflation to the strong appreciation of the Ghanaian Cedi in May 2025, which took the 1H2025 USDGHS performance to +42.0% and triggered actual price declines across the CPI basket.

Food inflation was the main downside catalyst, decelerating by 650bps to 16.3% y/y as 14 out of the 15 sub-classes witnessed sharp disinflation. Price inflation for the heavy-weight vegetables & tubers moderated for the 6th consecutive month to 13.0% y/y, even ahead of the seasonal harvest in 3Q2025. With the Cedi's sustained stability and our expectation for a favourable crop harvest in 3Q2025, we foresee further downside for food inflation in the months ahead as price outlook for imported and locally produced food items appears contained.

DISAGGREGATED CONSUMER PRICE INFLATION



SOURCE: GHANA STATISTICAL SERVICE, IC INSIGHTS

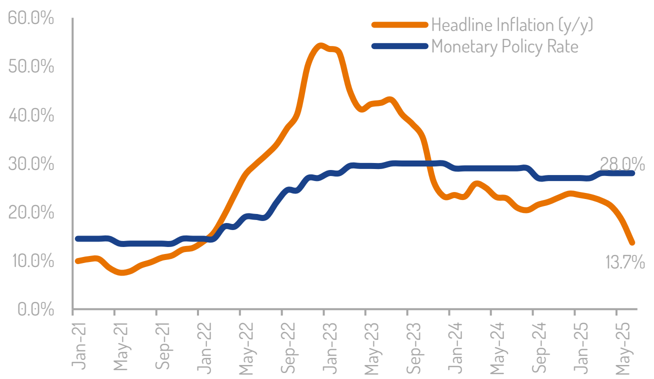
Non-food inflation declined for the 8th consecutive month to 11.4% y/y, the lowest level since November 2021, as a 330bps upsurge in inflation for housing & utilities (24.9% y/y) was outweighed by sharp disinflation across 10 out of the 12 divisions of non-food inflation. Notably, transport prices deflated (-8.5% y/y) on the back of a 15.2% y/y and 12.7% y/y decline in prices of petrol and diesel, respectively, due to the favourable impact of lower exchange rate on imported energy products.

We now expect end-2025 annual inflation slightly below our prior forecast lower band on the back of stronger-than-expected favourable FX pass-through, baring shocks from major utility tariff hike in 4Q2025. In view of the better-than-expected outcome in annual inflation on the back of favourable exchange rate pass-through, we lower our end-2025 forecast inflation to between 10.3% - 12.3% (midpoint: 11.3%) from our prior 11.8% – 13.8%. We expect the upcoming crop harvest in 3Q2025 and a favourable base effect in 4Q2025 to fan the disinflation flame in 2H2025 with a slight possibility to land on a single digit in the 9.0% area by FY2025. However, our anticipation of a major hike in electricity tariff in 4Q2025 and introduction of the suspended GHS 1.0/litre fuel levy on 16 July 2025 keeps us cautious on the pace of disinflation. For July 2025, we forecast a 100bps decline in annual inflation to 12.7% with the 2.45% electricity tariff hike and closed fishing season for industrial trawlers as key upside risks.

We maintain a dovish outlook for the July MPC meeting, raising our expected cut in the policy rate to at least 300bps from our initial anticipation of at least 200bps cut. With the real policy rate widening to 14.3% in June (vs 9.6% in May) and core inflation firmly in single digit, we think the MPC has room for a deeper cut beyond our revised call. However, we opt to stay cautious on the expected dovishness in order to consolidate FX stability and avert a second-round effect from likely higher fuel levy in 3Q2025.

The domestic bond market is on track to witness a return of Treasury bond offers. We view the sharp disinflation as a renewed catalyst for a price rally on the domestic bond market with yields likely plunging further towards the mid-teens to open an issuance window for the Treasury by late-3Q2025. Given an estimated modified duration of between 3.6 – 4.6, we see greater price sensitivity and rally across the 2031 – 2038 tenors with a likely re-opening offers across this maturity spectrum.

INFLATION AND POLICY RATE PATH



SOURCE: IC INSIGHTS, BANK OF GHANA

For more information contact your IC representative

Investment Banking | Business Development & Client Relations

Derrick Mensah
Head, Investment Banking
+233 308 250 051
derrick.mensah@ic.africa

Timothy Schandorf
Head, Client Coverage
+233 308 250 051
timothy.schandorf@ic.africa

Dora Youri
Head, Wealth Management
+233 308 250 051
dora.youri@ic.africa

Corporate Access

Benedicta Boateng
Corporate Access
+233 308 250 051
benedicta.boateng@ic.africa

Insights

Courage Kingsley Martey
Economist and Head, Insights
+233 308 250 051
courage.martey@ic.africa

Churchill Ogutu
Economist
churchill.ogutu@ic.africa

Kwabena Obeng
Associate, Equity Research
+233 308 250 051
Kwabena.obeng@ic.africa

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

Investing

Obed Odenteh
Chief Investment Officer
+233 308 250 051
obed.odenteh@ic.africa

Herbert Dankyi
Portfolio Manager
+233 308 250 051
herbert.dankyi@ic.africa

Clevert Boateng
Portfolio Manager, Risk Assets.
+233 308 250 051
Clevert.boateng@ic.africa

Hannah Mate
Analyst, Risk Assets
+233 308 250 051
Hannah.mate@ic.africa

Operations

Nana Amoa Ofori
Chief Operating Officer
+233 308 250 051
nanaamoa.ofori@ic.africa

Abigail Adu-Darkwa
Head, Business Operations
+233 53 281 9953
abigail.adu-darkwa@ic.africa

Kelly Addai
Fund Accountant
+233 308 250 051
kelly.addai@ic.africa

Trading

Allen Anang
Sales/Trader, Global Markets
+233 308 250 051
allen.anang@ic.africa

Johnson Asiamah
Trader, Equities
+233 308 250 051
johnson.asiamah@ic.africa

Samuel Kwame Ofori
Trader, Fixed Income
+233 308 250 051
Samuel.ofori@ic.africa

Terms of use - disclaimer - disclosure

This communication is from the Insights desk of IC Asset Mangers (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.