

FUNDAMENTALS

GHANA JULY 2025 INFLATION: Chilling the Price Curve

**Economist & Head, Insights**

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IN BRIEF

- **Cedi strength anchors annual disinflation amid choppy sequential rate.** Ghana's headline inflation fell sharply by 160bps to 12.1% in July 2025 (IC Insights: 12.7%), its lowest since October 2021, marking the seventh consecutive monthly decline and a cumulative 11.7pp drop year-to-date. The broad-based disinflation, driven by currency strength, lower energy costs, and tight policy settings, reinforces the improving macro backdrop. However, wild month-on-month swings persist, with July posting a 0.7% m/m inflation after June's deflation, highlighting lingering but softening short-term price pressures and the need for a cautious approach to policy easing.
- **Cooling across CPI, despite fuel levy-induced stir.** Food and non-food inflation continued to ease in July 2025, reinforcing Ghana's broad-based disinflation trend. Annual food inflation declined for the sixth straight month to 15.1% (-120bps), its lowest since January 2022, driven by easing post-harvest pressures, with inflation for vegetable and tuber falling into single digits for the first time since 2021. Non-food inflation also dropped to 9.5%, marking its ninth consecutive decline and a return to single digits for the first time since February 2021, led by sharp moderation in housing and utilities. However, the mid-July fuel levy triggered a mild rebound in transport prices on a monthly basis, with limited impact on annual inflation.
- **We foresee a risk of upside detour in August on the back of unfavourable base effect.** We expect a modest contraction in August 2025 CPI level due to steady influx of harvest supplies, but the base effect from last year's sharper contraction could push annual inflation up by 30bps to 12.4%. However, we expect softer energy prices and sustained Cedi gains to cushion the upside risk, with a projected month-on-month deflation of 0.5%.
- **The end-2025 forecast appears more bullish but we stay cautious ahead of the 4Q2025 utility tariff hike.** The stronger-than-expected disinflation in July 2025 has improved our end-year inflation outlook to a midpoint of 10.5% (from 11.3%), with a strong chance of reaching the mid-9.0% area. However, due to uncertainty over potential utility tariff hikes in 4Q2025, we maintain our forecast at 11.3% \pm 1.0pp, leaning toward the lower end (10.3%), pending the utility tariff hike.

Disinflation Marches On

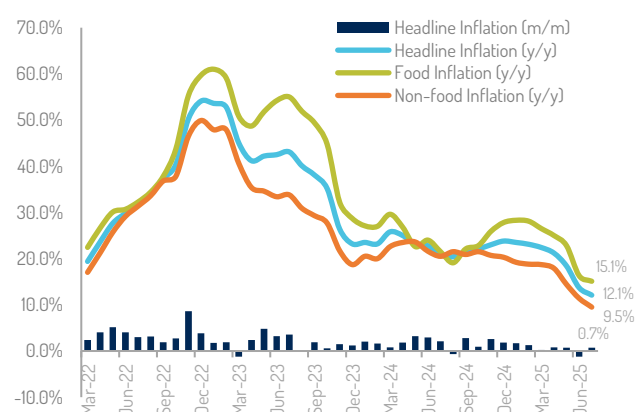
Ghana's annual headline CPI inflation declined sharply by 160bps to 12.1% in July 2025 compared to our forecast decline to 12.7% (consensus estimate: 12.4%). The disinflation trend represents the seventh successive decline in annual inflation with a cumulative drop of 11.7pp in 7M2025 to the lowest level since October 2021.

The disinflation remained broad-based, especially for the heavily-weighted items across food and non-food CPI. We believe the sustained disinflation reflects the ongoing pass-through of the Cedi's appreciation in 2Q2025, anchored on complementary tight fiscal and monetary policy framework, and lower energy prices.

Despite the sustained and linear decline in annual inflation, we continue to observe wild swings in the sequential rates, albeit with a declining trend. We think this indicates persistent but stabilising short-term price pressures and underscores the need for caution in the pace of monetary policy normalisation ahead. The month-on-month inflation surged to 0.7% m/m in July 2025 from a deflation of 1.2% m/m in June 2025, translating to an average m/m inflation of 1.0% in the past 12-months.

Food inflation declined for the 6th consecutive month to 15.1% y/y in July 2025 (-120bps), its lowest level since January 2022, after peaking at 28.3% in January 2025. The continuous decline in the annual food inflation suggests that the weather-related structural shocks to agrarian output experienced in 2H2025 has largely eased. Notably, inflation for vegetables & tubers (the most influential item in food CPI) nosedived 310bps to 9.9% y/y in July 2025 representing the fifth straight decline and the first single digit since October 2021. Overall, we observed disinflation for 10 out of the 15 food sub-groups while three of the other five upticks occurred for items with insignificant weights of less than 1.0%.

DISAGGREGATED CONSUMER PRICE INFLATION



SOURCE: GHANA STATISTICAL SERVICE, IC INSIGHTS

Non-food inflation continued to moderate, declining for the 9th straight month to 9.5% y/y (-190bps), and hitting single digit for the first time since February 2021. We noted disinflation for 10 out

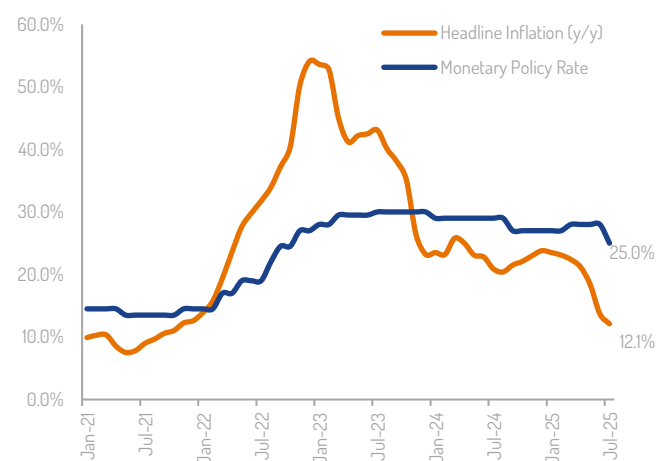
of the 12 divisions of non-food inflation with heavy-weight inflation for housing & utilities plunging 590bps to 19.0% y/y.

In our [inflation update for June 2025](#), we flagged a likely upside risk from the GHS 1.0/litre fuel levy introduced in mid-July 2025 as a basis for our cautious estimate for July 2025 and revised forecast for end-2025. Overall, we observed the impact of the fuel levy, albeit with a less intense impact than we expected, as annual transport inflation remained in deflationary territory (-7.7% y/y) despite an 80bps uplift. The month-on-month transport division accelerated from a deflation of 10.8% m/m to an inflation of 1.9% m/m, reflecting the impact of the fuel levy introduced in mid-July 2025, in our view.

We foresee a risk of upside detour in August on the back of unfavourable base effect. As the much-expected crop harvest intensifies, we anticipate a modest contraction in the CPI level for August 2025 to reflect the lower price-effect of food crop supply. However, we think the likely contraction in the August 2025 CPI level will be insufficient to outweigh the 1.6pts contraction posted in August 2024. This will create an unfavourable base drift with upside risk to the August 2025 annual inflation print. Nonetheless, we believe that energy prices will likely stay lower on a year-on-year basis with the y/y Cedi gains supporting to dampen the upside risk. Combining the upside and downside arguments, we forecast a 30bps uptick in annual inflation to 12.4% in August 2025 but with a m/m projected deflation of 0.5%.

The end-2025 forecast appears more bullish but we stay cautious ahead of the 4Q2025 utility tariff hike. The sharper-than-expected disinflation in July 2025 has markedly improved our updated end-2025 midpoint forecast to 10.5% (vs 11.3% prior). Given the uncertainty around the potential magnitude of hike in utility tariffs in 4Q2025 and caution on how the response variables will likely behave, we reiterate our view that there is a strong possibility for end-2025 inflation to hit the mid-9.0% area. However, we retain our revised forecast at 11.3% ± 1.0 pp but leans toward the lower-end of 10.3%, pending the hike in utility tariff.

INFLATION AND POLICY RATE PATH



SOURCE: IC INSIGHTS, BANK OF GHANA



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