

FUNDAMENTALS

GHANA AUGUST 2025 INFLATION:

Beneath Target, Beyond Expectations

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IN BRIEF

- **Inflation falls below target with single digits in sight.** Ghana's inflation surprised to the downside in August 2025, easing to 11.5%, the lowest since October 2021 and below the authorities' end-2025 target of 11.9%. We attribute the sharp drop to stronger seasonal CPI contraction, boosted by crop harvest and sustained impact of 1H2025 FX gains. The surprise disinflation further sharpens our view of single digit inflation within reach by year-end.
- **Harvest relief, utility retreat:** Food and non-food inflation eased further in August 2025, with stronger harvests restraining vegetable and cereal price inflation, while tamed utilities and transport costs drove broad disinflation. We observed renewed m/m uptick in fuel prices, but momentum will remain too mild to derail the annual disinflation trend.
- **Favourable base effect will steer annual inflation into single digit in September.** We expect annual headline inflation to ease sharply to 9.6% in September 2025, driven by a favourable base effect, continued annual transport fare deflation, and disinflation in food prices as industrial fishing resumes and harvest inflows strengthen. However, renewed uptick in energy prices and low-base effect will spur a bounce in the month-on-month rate to +1.0% (vs -1.3% m/m in August 2025).
- **High real policy rate points to another deep cut ahead at the September MPC meeting.** Ghana's rapid disinflation continues to signal a significantly restrictive monetary stance, with real policy rate currently at 13.5%. Without a cut in the nominal policy rate, our forecast inflation suggests a real policy rate above 15.0% in September. This leaves ample room for the MPC to deliver a second successive rate cut with our base case pointing to a 300bps move lower to 22.0% for the nominal policy rate.

The Inflation Soft Landing

Ghana delivered another pleasant surprise on the price front in August 2025 as annual headline inflation decelerated by 60bps to 11.5%, hitting the lowest price momentum since October 2021. At the current level, headline inflation screens below the authorities' end-2025 target of 11.9% and further sharpens our view of single digit inflation in sight by year-end.

The downshift contrasted with our anticipated uptick to 12.4% as we expected that the seasonal contraction in the CPI level will persist (projected: -1.2pts), albeit slightly lower than the 1.6pts decline in August 2024. However, the CPI level for August 2025 turned out with a sharper-than-expected contraction of 3.4pts, representing 2.0x the contraction witnessed in August 2024.

Beyond the statistic, we attribute the August disinflation to the onset of Ghana's crop harvest season which boosted the supply of agrarian produce and eased food price pressures. Additionally, we note the sustained impact of the YTD FX appreciation which supports depressed ex-pump energy prices, relative to same period last year, despite recent upticks and dampened non-food price pressures beyond expectation.

The sequential rate showed a more benign price environment as actual price levels fell, on average, by 1.3% m/m in August 2025 compared to the 0.7% m/m price uptick in July 2025.

Food inflation slowed by 30bps to 14.8% y/y, dulled by improved crops supply, especially for vegetables and cereal products, as the harvest inflows intensified. The heavily-weighted inflation for vegetables & tubers posted the sharpest decline of 510bps to 4.8% y/y while cereal price inflation also slowed by 370bps to 12.2%. On the flip side, we observed offsetting price momentum for fish & other seafoods which recorded a 140bps uptick to 17.2% y/y to limit the downshift in food inflation. We think the inflation uptick for fish & other seafoods partly reflects the impact of the closed fishing season which span 01 July – 31 August 2025 for industrial trawlers.

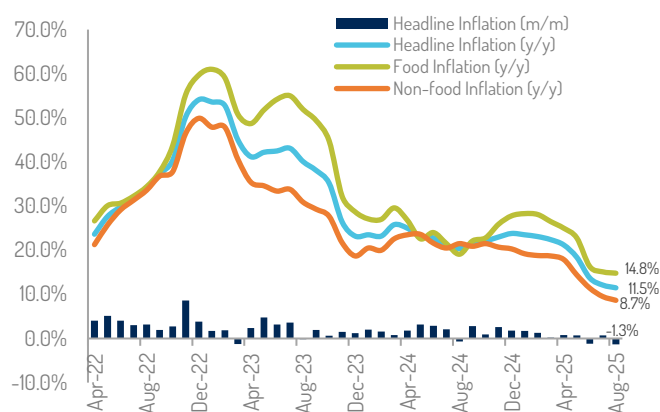
Non-food inflation delivered a second successive month of single digit inflation, declining by 80bps to 8.7% y/y as seven out of the twelve divisions witnessed disinflation. Notably, inflation for housing & utilities (14.2% y/y) moderated sharply by 480bps while transport witnessed a year-on-year deflation of 5.2%. Together, the transport and housing & utilities CPI account for more than one-third of the non-food CPI and about one-fifth of the overall CPI. This underscores their influence on Ghana's CPI dynamics and inflation outcomes.

Despite the observed year-on-year deflation in transport prices, we note a second consecutive month of uptick towards positive territory as FX-induced upturn in ex-pump prices resumes. However, we do not envisage significant escalation of upside risk from energy prices in 4Q2025 as local prices (currently at GHS 13.0 – 13.9/litre) on petrol and diesel remains below the year-ago levels.

We forecast a significant disinflation in September 2025 on the back of favourable base drift effect. We anticipate a fourth consecutive month of annual transport fare deflation in September as the 15% reduction in transport fare (in May 2025) continues to support favourable base drift in transport CPI, although the m/m re-acceleration will continue. The re-start of fishing for industrial trawlers will combine with ongoing crop harvest to sustain the food disinflation. Ultimately, we project a more modest uptick in the overall CPI compared to the upsurge in September 2024, yielding a y/y inflation of 9.6% in September 2025 (-190bps) despite an estimated m/m acceleration to 1.0%.

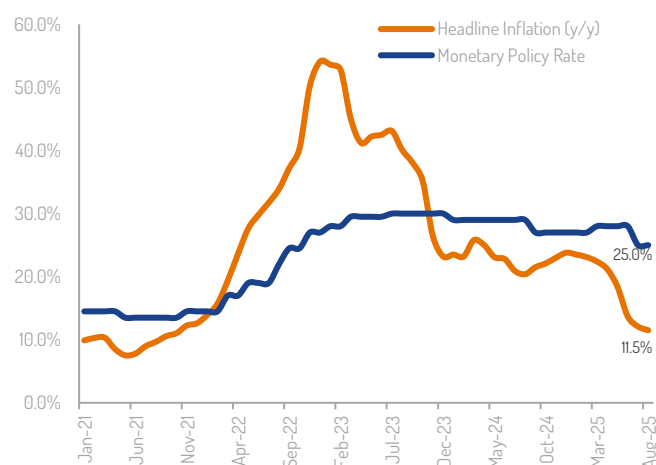
The MPC will remain dovish with a second successive cut at the September meeting. The current inflation with the nominal policy rate of 25.0% translates to an ex-post real policy rate of 13.5%, which could widen to 15.4% in September, without a cut in the policy rate (if our inflation forecast materialises). This sustains the vast window for another deep rate cut at the September 2025 MPC meeting. In view of our cautious stance on utility tariff risk, we estimate a likely 300bps cut in the policy rate to 22.0%.

DISAGGREGATED CONSUMER PRICE INFLATION



SOURCE: GHANA STATISTICAL SERVICE, IC INSIGHTS

INFLATION AND POLICY RATE PATH



SOURCE: IC INSIGHTS, BANK OF GHANA



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