

FUNDAMENTALS

GHANA SEPTEMBER 2025 INFLATION:

**Single Digit at Last,
with a Hint of Risk**

**Economist & Head, Insights**

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IN BRIEF

- **Back in the band as disinflation continued in September 2025.** Ghana's annual headline inflation returned to the Bank of Ghana's medium-term target band for the first time since August 2021. The headline CPI inflation declined sharply by 210bps to 9.4% y/y in September 2025, falling faster than our forecast decline of 190bps to 9.6% and continuing the linear disinflation in 9M2025. The sequential rate expectedly nudged higher from a deflation zone to an inflation of 0.9% m/m due to higher m/m inflation for transport and utilities.
- **A basket of relief but energy pressure looms:** Food inflation was the protagonist of September's disinflation, plunging to 11.0% y/y as key staples like cereals, vegetables and tubers witnessed sharp cooling in price pressures, aided by government interventions and lower distribution costs. Non-food inflation also eased slightly to 8.2% y/y, with transport prices still in deflation, although a softer pace of decline signals emerging pressure from the Cedi's recent depreciation.
- **Disinflation will persist in 4Q2025 but emerging risks could trim the downside for October print.** The 1.14% hike in electricity tariff took effect on 1st October 2025. We foresee a slight upside risk of cost-push inflation for utilities and transport inflation while the higher fuel prices from the Cedi's depreciation in 3Q2025 fans the flame. Nonetheless, we think the nine-month disinflation momentum remains intact, with expectations anchored, to outweigh the upside and drag annual inflation to 9.2% (-20bps).
- **We lean towards another cut in the policy rate in November.** The September disinflation has lifted the ex-post real policy rate to 12.1%, with our forecasts pointing as high as 13.5% for November 2025. We believe this backdrop supports likely policy rate cut of 250 – 300bps at the November MPC meeting. However, we provisionally lean cautiously towards 250bps cut to 19.0% (subject to inflation outturn in October) as the imminent 1Q2026 major utility tariff hike remains a risk.

Back in the band with a dovish outlook

Ghana's annual headline inflation returned to the Bank of Ghana's medium-term target band for the first time since August 2021. The headline CPI inflation declined sharply by 210bps to 9.4% y/y in September, falling faster than our forecast decline of 190bps and continuing the linear disinflation in 9M2025. The disinflation was largely broad-based as goods inflation (which accounts for 72.5% of overall CPI basket) eased by 270bps to 11.2% y/y while services inflation also moderated by 60bps to 4.8% y/y.

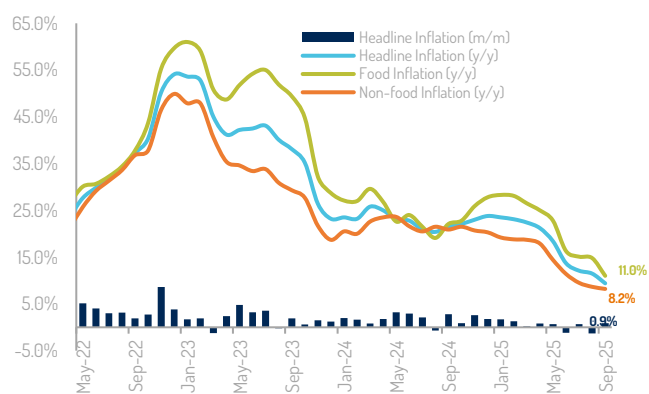
The sequential rate expectedly nudged higher from a deflation zone (-1.3% m/m in August 2025) to inflation territory of 0.9% m/m in September 2025. In our view, this reflects recent FX shift to the upside and the resultant upticks in domestic energy prices.

We view the first single digit headline inflation in September 2025 as a confirmation that the Ghanaian economy has progressed decisively towards price stability after over four years of double-digit price increases. While upside risk to the near and medium-term path looms, we believe the authorities would be minded by the need to lock-in the gains with continued policy credibility.

The durable moderation in inflation risk has further strengthened the case for another cut in the nominal policy rate with downside scope for domestic bond yields in 4Q2025.

Food inflation was the protagonist in the September disinflation as it nosedived by 380bps to 11.0% y/y on the back of broad and sharp easing in inflation across all but one of the 15 sub-groups. The heavily-weighted inflation for vegetable & tubers recorded a surprise annual deflation (-0.1% y/y), with a 490bps slump while cereal & cereal products inflation also plummeted by 640bps to 5.8% y/y. We think the softer price momentum for agrarian produce partly reflects the positive impact of the government's GHS 1.5bn targeted interventions in the 2025 budget to ease food price pressures. We also flag the lower transportation cost of food supply chain amid lower energy prices as a disinflation catalyst.

DISAGGREGATED CONSUMER PRICE INFLATION



SOURCE: GHANA STATISTICAL SERVICE, IC INSIGHTS

Non-food inflation printed 50bps lower at 8.2% y/y, delivering the third successive single digit inflation and the 11th consecutive decline in annual non-food inflation. Notably, transport prices remained lower compared to the same period last year, reflected in a 3.9% y/y deflation and churning out the fourth consecutive annual deflation for transport fares in September 2025. This reflects the lower petrol and diesel prices compared to last year following the Cedi's sharp appreciation in 1H2025 (and YTD).

However, we note a steady moderation in the size of the transport price deflation each month (from -7.7% y/y in July 2025) as the ongoing steady uptick in the USDGHS rate exerts a pass-through to energy prices.

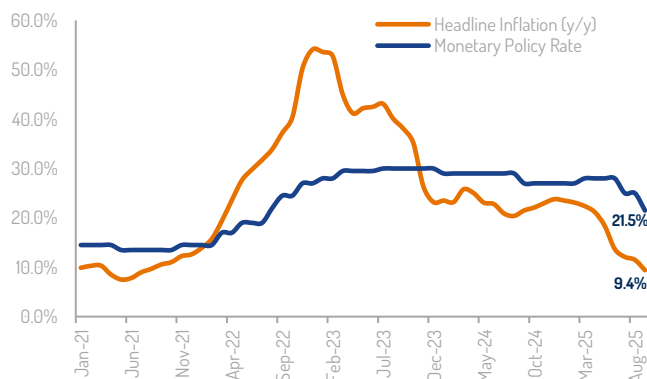
Disinflation will persist in 4Q2025 but emerging risks could trim the downside for October print.

The 1.14% hike in electricity tariff became effective on 1st October 2025 and could pose a slight cost-push after the 160bps rise in y/y inflation for housing and utilities in September 2025. The recent increases in ex-pump prices of petrol and diesel amid the Cedi's 3Q2025 depreciation has substantially eroded the year-on-year decline in energy prices, and will sustain the m/m upturn in transport inflation. This notwithstanding, we think the disinflation momentum built over the past nine months has anchored expectations and will likely nudge headline inflation marginally lower by 20bps to 9.2% y/y with the sequential rate softening to 0.6% m/m.

We lean towards another cut in the policy rate in November.

The latest decline in inflation has revealed a tighter monetary policy stance with the ex-post real policy rate now at 12.1%. Our forecast of modest decline for October inflation showed that the real policy rate could rise further to 12.3% (or higher if inflation prints lower than expected). Our November forecast shows a potential rise in the real policy rate to 13.5%, which will sustain the dovish pivot of the Bank of Ghana if the MPC considers the late-2025 drift towards the midpoint of the inflation target band. In view of this context, we foresee between 250bps and 300bps cut in November, with 1Q2026 utility tariff hike likely constraining the cut to 250bps (and subject to October inflation). This will likely spur bond market bids and drag bond yields below 15.0% by end-2025.

INFLATION AND POLICY RATE PATH



SOURCE: IC INSIGHTS, BANK OF GHANA



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