FUNDAMENTALS

GHANA NOVEMBER 2025 INFLATION:

Sliding to the floor

04 DECEMBER 2025

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

IN BRIEF

- **Base effect drags inflation to the floor.** Ghana's headline inflation declined for the 11th straight month by 170bps to 6.3% y/y in November 2025, a tad below our forecast of 6.5%. A broad-based easing across food, non-food, goods, services, imported and locally produced items drove a clean convergence around the 6.0% mark, effectively touching the lower bound of the BOG's target. We view the sharp moderation as partly reflecting favourable base effect after last year's CPI surge from disappointing crop harvest is now replaced by a stronger 2025 output. We believe this alignment across inflation categories signals materially softer underlying pressures and firmly anchored expectations heading into year-end.

- **We anticipate a further disinflation to end 2025 below the lower band of the BOG's target.** With inflation expectations firmly anchored and petroleum prices remaining 14.5% below last year's level, we do not expect substantial upside risk from festivities-related demand in December 2025. We also believe the policy interventions in agrarian output has also enhanced supply chains across food production zones, keeping a lid on food price inflation. Against this backdrop, we forecast a 100bps decline in annual inflation rate to 5.3% in December 2025 with the sequential rate softening to 0.8%.

- **The MPC will have scope for a modest cut in the policy rate in January 2026 as utility tariff risk is offset by a softer VAT.** Our forecast inflation for December 2025 implies a real policy rate of 12.7% by the January 2026 MPC meeting. The announced utility tariff increases (9.9% for electricity and 15.9% for water) came in below our expectation for a typical multi-year tariff order, easing near-term inflation risk. Also, we estimate that the VAT reforms in the 2026 budget will cut cost of sales by 4.2% for VAT-registered businesses (other things being equal), further anchoring inflation. Collectively, we believe these developments will keep inflation within the Bank of Ghana's target in 2026 and pave the way for a moderate cut in the policy rate in January 2026.

Base effect drags inflation to the floor

Ghana's annual headline inflation declined for the 11th consecutive month, slowing by 170bps to 6.3% year-on-year in November 2025 and outpacing our expected decline to 6.5%. The disinflation was broad-based across various components of the consumer price index, including food, non-food, goods, services, imported and locally produced items.

We note a convergence of inflation across food, non-food, and the headline rates around the 6.0% area which virtually aligns with the lower-end of the Bank of Ghana's target range of 6.0% – 10.0%. In our view, the November 2025 disinflation largely reflects the impact of favourable base effect as the CPI surge from weak crop harvest a year ago proved transitory against the backdrop of improved crop harvest in 2025. We believe the convergence across the various inflation categories around the 6.0% area suggests that underlying price pressures have eased substantially and inflation expectations are firmly anchored.

The month-on-month inflation continued its fluctuation with an uptick to 0.9% in November 2025 from a deflation of 0.4% in October 2025. However, we note that the rate remains capped below 1.0% for the ninth consecutive month, signalling muted price pressure despite emerging upside risk from festivities-related demand for personal care, clothing and footwear.

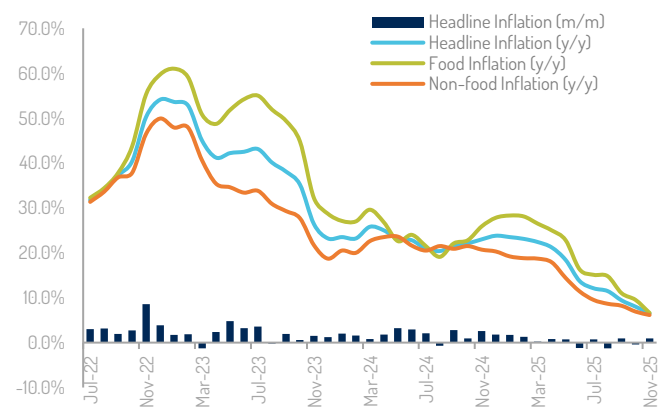
Food inflation fell by 290bps to 6.6% year-on-year, reflecting the benefit of improved crop harvest relative to the same period last year and lower transport fares which eased distribution cost. Notably, inflation for the heavily-weighted vegetables, tubers & plantain fell by 60bps to 0.7% y/y in November 2025 compared to the staggering 40.0% y/y observed at the same point in 2024. Broadly, we observed disinflation for 13 out of the 15 sub-groups of food inflation while the other two items with upticks possess negligible weights (cumulative weight of 0.2%). We believe the improved crop harvest reflects the benefit of targeted policy in the 2025 budget under the GHS 1.5bn Agriculture for Economic Transformation Agenda aimed at boosting the supply of price-sensitive food crops.

Non-food inflation declined modestly by 80bps to 6.1% y/y, sustaining its disinflation trend for the 13th consecutive month as the Cedi's strong appreciation in 2025 continue to influence year-on-year computations. The disinflation was also widespread within the non-food category as 10 out of the 12 divisions posted lower inflation including heavy-weight transport which deflated further by 4.8% y/y. We however note a reacceleration in inflation for personal care items (9.7% y/y | +230bps) and clothing and footwear (9.9% | +40bps), reflecting emerging risk from a likely frontloading of festivities-related demand pressure.

We anticipate a further drop to close 2025 below the lower band of the BOG's target range. With inflation expectation firmly anchored amid the stronger Cedi in 2025 relative to end-2024, we do not envisage meaningful upside risk from festivities-related demand in December 2025. Domestic ex-pump prices remain lower by an average of 14.5% y/y across petrol and diesel, and this support continued year-on-year deflation for the heavy-weight transport inflation. In view of the policy-induced boost in agrarian supply, we believe the authorities have also enhanced domestic supply chains to improve the distribution network across the northern and southern food production zones. This should sustain food supply and keep food inflation muted. As a result, we forecast a 100bps drop in annual inflation to 5.3% in December 2025 while the sequential rate eases to 0.8% m/m.

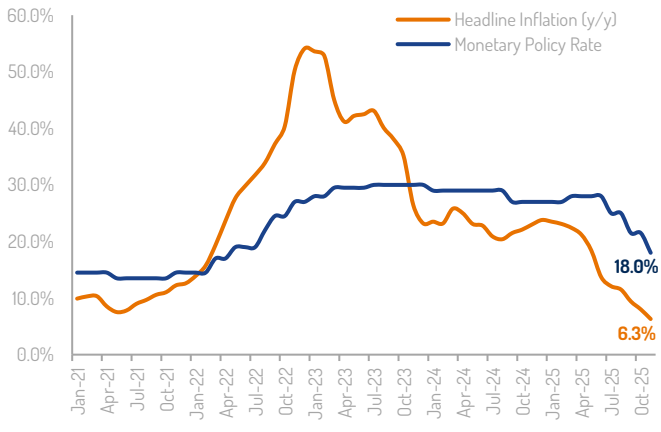
The MPC will have scope for a modest cut in the policy rate in January 2026 as utility tariff risk is offset by a softer VAT. A realisation of our forecast inflation for December 2025 will widen the real policy rate to 12.7% by the next MPC meeting in January 2026. The announced utility tariff hike of 9.9% for electricity and 15.9% for water beginning from January 2026 turned out lower than we anticipated for a multi-year tariff order, judging from the steep hike demanded by service providers and the 2022 hike. Also, our estimates suggest that the VAT reforms in the 2026 budget will reduce cost of sales by 4.2% for VAT-registered businesses (other things being equal). This should keep inflation contained within the BOG's target in 2026 and support a modest cut in the policy rate.

DISAGGREGATED CONSUMER PRICE INFLATION



SOURCE: GHANA STATISTICAL SERVICE, IC INSIGHTS

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, Equity Research
+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

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

Andre Adomakoh
Senior Analyst, Risk Assets
0308250051
andre.adomakoh@ic.africa

Bruce Senanu Foreman
Senior Analyst, Rates
+233 308 250 051
bruce.foreman@ic.africa

Adebayo Adedeji
Senior Analyst, Risk Assets
+233 308 250 051
adebayo.adedeji@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