GHANA | MACROECONOMIC UPDATE | INFLATION | INSIGHTS

FUNDAMENTALS

GHANA DECEMBER 2025 INFLATION:

Below target, Above confidence

07 JANUARY 2026

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

IN BRIEF

- **Disinflation below the target reinforces policy credibility.** Ghana ended 2025 with inflation falling to 5.4% in December (IC Insights forecast: 5.3%), marking the 12th consecutive monthly decline and an 18.4pp cumulative drop over the year. The year-end inflation outperformed both the Bank of Ghana's medium-term target floor (6.0%) and the Treasury's year-end target (11.9%), underscoring a credible return to macroeconomic stability. The disinflation remained widespread across food (4.9% y/y | -170bps) and non-food (5.8% y/y | -30bps), reflecting the impact of complementary policy tightness, fiscal intervention in agrarian supplies, Cedi strength, and lower energy prices.

- **Inflation nears the floor but we anticipate another decline in January 2026.** We noticed an uptick in some food inflation sub-classes but attribute the rise to festive-related demand and expect the pressure to be transitory. The softer VAT regime commenced in January 2026 while the end-2025 Cedi appreciation helped to lower petroleum prices as 2026 takes off on a favourable note. While the higher electricity and water tariffs pose a modest upside risk to inflation, we do not expect this upward pressure to reverse the broader disinflation trend. We therefore expect annual inflation to ease further to 5.1% in January 2026, while month-on-month inflation picks up to 1.5% due to tariff-related effects.

- **The MPC will remain in a dovish mood at the January 2026 meeting, kicking-off the year with another policy rate cut.** The real policy rate now stands at 12.6% (+90bps), giving the authorities clear room to ease without loosening grip on monetary conditions. While the restrictive stance supports a larger cut, we anticipate tariff risk and unfavourable base effect to underpin a gradualist approach. Consequently, we expect between 100bps – 150bps cut in the nominal policy rate at the January MPC meeting, lowering the policy rate to between 17.0% – 16.5% while maintaining the double-digit real rates.

CPI breaks below target as policy scope widens

Ghana's annual headline inflation delivered a strong close to 2025, declining by 90bps to 5.4% year-on-year in December (IC Insights forecast: 5.3%). This marks the 12th consecutive monthly decline in annual inflation and caps an 18.4pp cumulative disinflation over the course 2025. The year-end outturn placed inflation 60bps below the Bank of Ghana's medium-term lower bound of 6.0% and a substantial 650bps below the Treasury's end-2025 target of 11.9%. In our view, the sharp and broad-based nature of the disinflation in 2025 underscores the scale and credibility of the return to macroeconomic stability, strengthening the case for further rate cut at the January 2026 MPC meeting.

We attribute the pronounced moderation in price pressures over 2025 to a confluence of supportive macroeconomic policies and favourable external conditions. A firmly restrictive fiscal and monetary stance, sustained fiscal intervention in agrarian supply chains, and the sharp recovery in the Ghanaian Cedi combined to suppress aggregate price increases in 2025. In December alone, we note an 8.1% net appreciation of the Ghanaian Cedi against the US dollar, reinforcing the year-long disinflation trend through lower petroleum prices, softer transport inflation and offsetting any festivities-related upsurge in spending pressure.

We note continued widespread disinflation across the CPI basket with food and non-food, goods and services, as well as imported and locally produced items experiencing lower inflation. We believe the year-end currency-driven disinflation raises the prospect of favourable pass-through to January 2026 CPI print.

Food inflation witnessed the sharpest decline, slowing by 170bps to 4.9% year-on-year as softer price pressures for eight out of the fifteen sub-classes tilted the balance of shift to the downside. A modest increase in inflation for heavy-weight items such as vegetables and tubers (1.1% y/y | +40bps) and fish and other seafoods (11.3% y/y | +10bps) was outweighed by a sharp decline in inflation for similarly-weighted ready-made food (7.5% y/y | -310bps). A year-on-year price deflation of 2.9% for cereals (-350bps) added further drag on headline inflation.

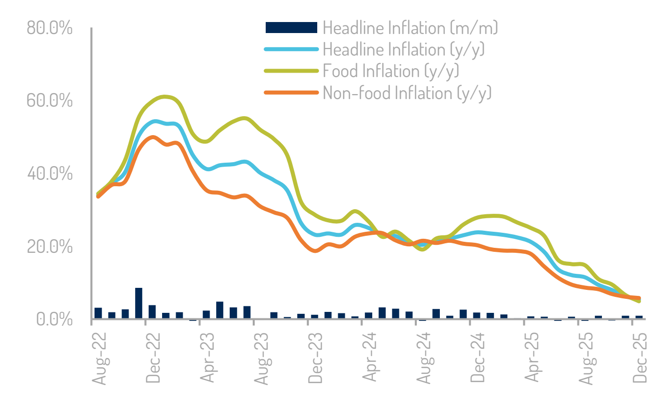
Non-food inflation fell more slowly by 30bps to 5.8% year-on-year with seven out of the twelve divisions posting lower inflation rates. Apart from the heavy-weight utilities, gas, and other fuels which declined by 140bps to 11.8% y/y and personal care items (8.3% y/y | -140bps), we observed modest declines in the other non-food inflation rates. This suggests a likely bottoming of price pressures and a shift to sustainability of stable prices. However, the transport CPI showed further price deflation, sinking to -5.0% y/y in December 2025 (vs -4.8% in November 2025) as Cedi gains kept energy prices depressed relative to end-2024.

Inflation nears the floor but we anticipate another decline in January 2026. Although we noticed an increase in the number of food inflation sub-classes that witnessed higher price pressure in Dec-2025, we believe the uptick largely reflects festivities-related spending pressure which should be transitory. The 190bps reduction in Ghana's effective VAT rate to 20.0% took off on 02 January 2026, helping to numb price pressures across food and non-food items (especially in formal markets). Petrol prices nudged lower at the start of January 2026 and likely to stay depressed year-on-year at least in 1Q2026 with low global energy prices and restrained USDGHS movements capping the upside.

However, the 9.86% and 15.92% respective hike in electricity and water tariffs took effect in January 2026 with upside risk to the CPI which will partly offset the downside for inflation. Against this backdrop, we forecast January 2026 annual inflation at 5.1% y/y (-30bps) while the month-on-month rate rises to 1.5% (+60bps).

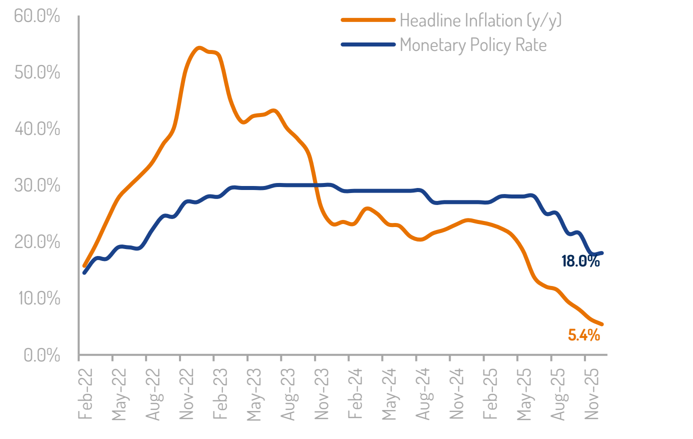
The MPC will remain in a dovish mood at the January 2026 meeting, kicking-off the year with another policy rate cut. The real policy rate now stands at 12.6% (vs our forecast 12.7%), preserving meaningful scope for policy easing without loosening. While the highly restrictive monetary stance (reflected in the double-digit real rate) argues for a deeper rate cut, we believe the authorities will opt for a gradualist loosening of the policy stance. We thus forecast a more modest cut of between 100bps – 150bps in the nominal policy rate to between 17.0% – 16.5% to preserve the double-digits restrictive stance at least through 1Q2026.

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