GHANA | MACROECONOMIC UPDATE | INFLATION | INSIGHTS

FUNDAMENTALS

GHANA JANUARY 2026 INFLATION:

Disinflation Shifts from Hope to Conviction

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IN BRIEF

- **Disinflation deepens on the interplay of cost-drags and cost-push factors with the former exerting greater influence.** Ghana's inflation surprised to the downside in January 2026, falling 160bps to 3.8% y/y — the lowest level since July 2002 — on broad-based softness in price pressures across food and non-food inflation which both converged at 3.9% y/y. We attribute the disinflation to year-on-year FX gain, lower fuel prices, VAT cuts and favourable base effects which outweighed utility tariff hikes and reinforced our outlook on durable single-digit inflation in 2026.

- **Our conviction gets stronger that inflation remains in single digits in 2026 with scope for the authorities to start cautious normalisation of real rates.** Prior concerns over likely second-round effects from 2026 utility tariff hikes had tempered our disinflation outlook, albeit with single digits perceived for most of the year. However, the muted January impact improves visibility, strengthening our conviction about single-digit inflation through end-2026. In our view, upside risk from higher oil prices appears limited unless crude oil price exceeds USD 80pb alongside Cedi weakness. The lower VAT rate will further anchor inflation in single digits, opening room for cautious real-rate normalisation.

- **February 2026 could deliver another disinflation despite risk of higher energy prices.** We forecast inflation to ease by 30bps to 3.5% in February 2026, supported by year-on-year Cedi appreciation, lower VAT pass-through and a firmly tight monetary policy stance.

A downside surprise on disinflation

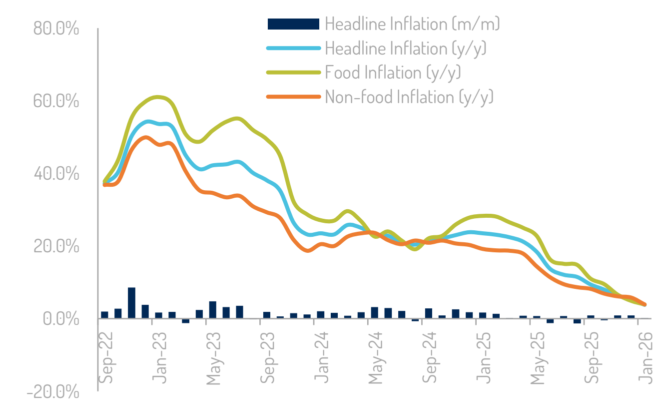
Ghana's disinflation intensified in depth and breadth in January 2026 as annual headline inflation declined for the 13th consecutive month to its lowest level July 2002. Headline inflation came in sharply below both market and our expectations, falling by 160bps to 3.8% year-on-year (IC Insights: 5.1%) as the various components of headline inflation witnessed lower prints below 5.0%. The sequential rate also showed softer price pressure with the month-on-month inflation rate coming in at 0.2% in January 2026 after two consecutive months of 0.9%.

The disinflation was broad-based across both food and non-food, which both converged at the headline rate. Excluding the energy and utilities component of the consumer price index (CPI), we opine that core inflation was probably lower at 3.0% year-on-year in January 2026. This underscores the durability of Ghana's disinflation and strengthens our conviction that the authorities will contain inflation within single digits in 2026 on the back of the prevailing tight but cautious easing in monetary stance.

In our view, the January 2026 disinflation reflects stronger drag forces from the 2025 Cedi appreciation, a resultant decline in ex-pump petroleum prices in the new year, the start of lower VAT rate implementation, and favourable base effect. We believe the weight of these downside forces overpowered the upside risk from the 1Q2026 utility tariff hike in January, deepening the price deflation for transport and cereal products and keeping headline inflation on a downward path.

Food inflation declined by 100bps to 3.9% year-on-year as 13 out of the 15 sub-groups witnessed lower annual inflation while price gain for vegetables & tubers stabilised at 1.1% y/y. Notably, cereal & cereal products recorded annual price deflation for the second successive month at a deeper rate of 4.8% y/y. We believe this reflects the protracted benefit of improved agrarian supply in late 2025 and favourable FX pass-through to imported cereal prices. Having observed the favourable impact of targeted fiscal support for price-sensitive food crops production, we expect the fiscal authorities to sustain the interventions to cap food inflation.

DISAGGREGATED CONSUMER PRICE INFLATION



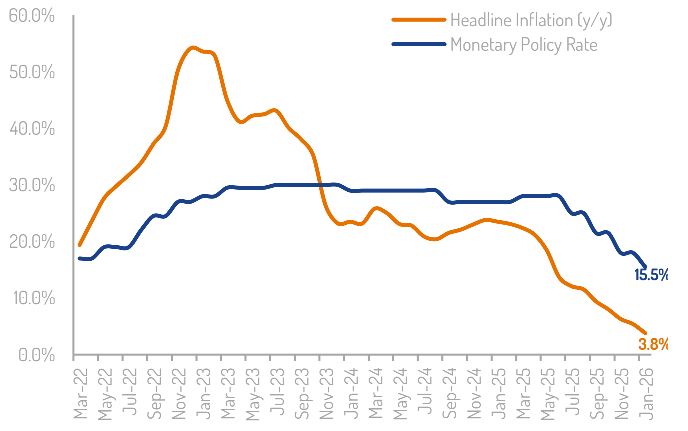
SOURCE: GHANA STATISTICAL SERVICE, IC INSIGHTS

Non-food inflation declined at a faster pace of 190bps to 3.9% y/y, dragged down by lower transport costs which recorded the eight consecutive months of annual price shrink with the January 2026 deflation coming in at 5.9% (vs -5.0% in Dec-2025). We attribute the persistent transport cost deflation to the lower domestic fuel prices occasioned by the Cedi's year-on-year gain and the year-on-year decline in global energy prices. Despite the 4.6% m/m depreciation of the Ghanaian Cedi against the US Dollar in January 2026, the year-on-year outturn remained in strong appreciation territory with favourable pass-through to inflation.

Our conviction gets stronger that inflation remains in single digits in 2026 with scope for the authorities to start cautious normalisation of real rates. The uncertainty around potential second-round effect of quarterly utility tariff hikes in 2026 kept us cautious on the inflation outlook, despite our expectation for single digits inflation in most of 2026. However, the muted impact of the January 2026 hike (effective for 1Q2026) has boosted our optimism, potentially lowering our end-2026 forecast upper bound from 10.6% into single digit with the median forecast likely shifting lower to the midpoint of the Central Bank's target range. Despite this week's escalation of US-Iran tensions compounding the weather-related upswing in global crude oil price towards USD 70pb, we opine that crude oil price would need to rise above USD 80pb with further Cedi weakness to pose inflation risk in 1Q2026. This is a scenario with low risk of occurrence, in our view. We also expect the lower VAT rate through 2026 to restrain this year's CPI growth relative to 2025, signalling firmly anchored price pressure in 2026. This strengthens the case for the authorities to begin a cautious normalisation of real policy rate (currently at 11.7%) toward our perceived neutral real rate of 5.0%.

February 2026 could deliver another disinflation despite risk of higher energy prices. We forecast annual headline inflation to come in moderately lower by 30bps to 3.5% as the Cedi remains firmly in year-on-year appreciation despite recent weakness. We also view the steady pass-through of the lower VAT rate as a curb on price pressure while the monetary policy stance remains very tight with the double-digit real policy rate as the main anchor.

INFLATION AND POLICY RATE PATH



SOURCE: IC INSIGHTS, BANK OF GHANA

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