

# FUNDAMENTALS

## GHANA MAY 2026

## INFLATION:

# The hop before the jump

**Economist & Head, Insights**

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## IN BRIEF

- **Food-driven price pressures lift inflation, but underlying resilience remained intact.** Ghana's consumer price inflation increased by 30bps to 3.7% year-on-year in May 2026, marking a second consecutive increase. This pickup in price pressure was due to seasonal food supply constraints which propelled food inflation to 3.3% year-on-year (+110bps), outweighing a 10bps downtick in non-food inflation (4.1%). However, subdued goods inflation and continued deflation in transport costs highlight limited pass-through from external energy price shocks, reinforcing the resilience of Ghana's inflation framework despite near-term supply-side pressures.
- **Unfavourable base effect, Cedi weakness and food supply constraints set the stage for a sharp inflation rebound above 5.0%.** We anticipate a strong acceleration in annual inflation in June 2026, due to unfavourable base effect, emerging exchange rate pass-through and persistent seasonal food supply pressures. Although the Bank of Ghana may trigger special FX interventions to quell the Cedi pressure and temper the rise, we expect headline inflation to climb above 5.0%, marking a notable shift from the recent low inflation environment. We thus forecast a 200bps surge in annual headline inflation to 5.7% in June 2026.

## Pressured at Home, Muted Abroad

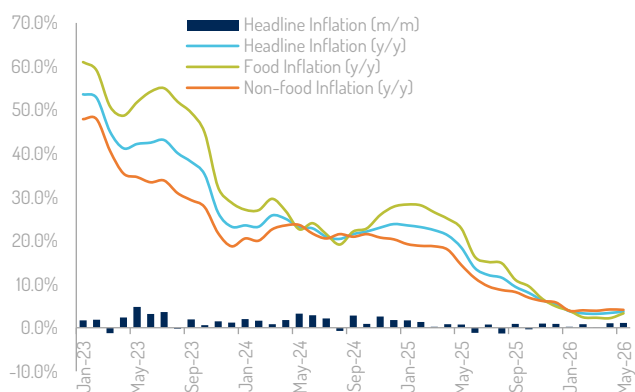
As anticipated, Ghana's headline inflation moved up in May 2026, being the second consecutive increase but coming a tad below our forecast, as overall price momentum sluggishly reboots on seasonal drivers mainly from tighter local supply conditions. Annual headline inflation printed at 3.7%, representing a 30bps pickup in price momentum relative to the April level and settling slightly below our 3.8% forecast for the month. The momentum was evenly distributed across both the heavily-weighted goods inflation (1.4% | +30bps) and services inflation (9.9% | +30bps) but with the subdued goods inflation capping the upside on headline inflation.

A review of the consumer price index data strengthens our view that Ghana's inflation framework continues to exhibit resilience to the energy price shocks occasioned by the Middle East conflict. Notably, the May 2026 inflation print revealed a second straight month of muted transmission of external shocks with transport costs remaining deflated year-on-year. However, we note that price momentum remains vulnerable to domestic structural and seasonal supply shocks which we expect to persist over the next 2-months. We observed that the inflation uptick emanated from tighter supply conditions related to agrarian produce which resulted in a surge in food inflation.

The month-on-month inflation climbed 10bps to 1.1% in May 2026, exceeding the 1.0% mark for the first time since February 2025 and emphasizing the elevation in price pressures, albeit largely due to seasonal supply factors.

**Food inflation** unsurprisingly surged by 110bps to 3.3%, providing the upside force on the headline rate. We note inflation upturn for eight out of the fifteen subgroups of food inflation with five of the eight subgroups being heavy-weight items. Vegetables & tubers (with the heaviest weight) witnessed the steepest acceleration in prices as inflation surged 340bps to exit the annual deflation in April to 2.9% price inflation in May 2026. This largely reflects price surge for fresh tomatoes with inflation at 38.8% (+300bps) amid the lean supply season.

### DISAGGREGATED CONSUMER PRICE INFLATION



SOURCE: GHANA STATISTICAL SERVICE, IC INSIGHTS

**Non-food inflation** surprisingly declined by 10bps to 4.1% year-on-year but was insufficient to exert a meaning drag on the headline rate as the surge in food inflation influenced the overall direction. The surprise fall in non-food inflation was helped by disinflation for eight out of the twelve divisions while only two divisions witnessed inflation uptick. We noticed that a 60bps rise in heavy-weight transport inflation was neutralised by the same magnitude of decline in equally-weighted housing, utilities, gas & other fuels, allowing disinflation effect from the other items.

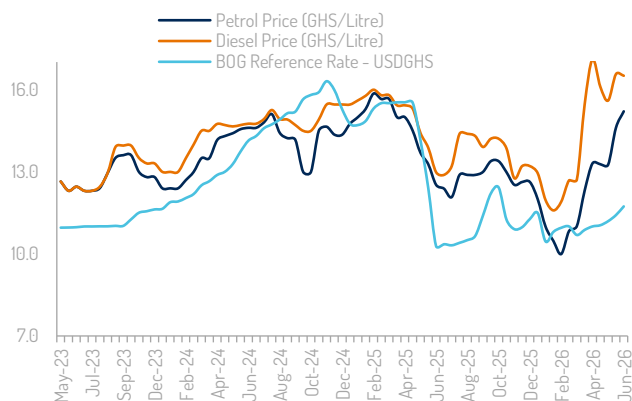
That said, transport prices remained in annual deflation (-2.8%) despite a lift-off from the deep deflation of 7.5% in February 2026 and continues to cap the upside for non-food inflation.

**We expect unfavourable base effect in June 2026 to quicken headline inflation above 5.0%.** Our analysis of the overall consumer price index (CPI) showed an unusual contraction in June 2025. We attribute this contraction to the Cedi's strong appreciation last year which bottomed-out at 10.25/USD in June, deepening the drag on fuel prices and transport cost with a resultant contraction in the CPI. Given the Cedi's 11.5% year-to-date depreciation against the US Dollar, which intensified in May and pushed up fuel prices, we do not expect another contraction in the CPI for June 2026. This will introduce an unfavourable base drift effect on the annual inflation computation to spur a strong bounce in headline inflation for June 2026.

Additionally, we foresee emerging exchange rate pass-through from the Cedi's recent weakness which reached a year-on-year depreciation of 13.2% against the US Dollar with higher fuel prices.

We also expect the seasonal lean supply of key food crop items to persist over the next couple of months with vegetables, tubers & plantains, cereal & cereal products as well as fruits being the most vulnerable. Against the backdrop of unfavourable base effect, emerging exchange rate pass-through and domestic supply-side push, we forecast annual headline inflation to surge by 200bps to 5.7% in June 2026. Although unanticipated FX market operation by the Central Bank will cap the inflation upside, we maintain our conviction for inflation to top 5.0% in June 2026.

### PETROLEUM PRICES AND EXCHANGE RATE



SOURCE: GOIL PLC, IC INSIGHTS, BANK OF GHANA

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