FUNDAMENTALS

GHANA JULY 2026 INFLATION:

The disinflation engine re-engages

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IN BRIEF

- **Disinflation Re-emerges: A sharper drop in inflation reinforces monetary policy flexibility.** Ghana's headline inflation fell sharply to 4.6% y/y in July 2026, exceeding our expectations and reversing June's base-driven spike. The 70bps decline places inflation at 140bps below the 6.0% lower bound of the Bank of Ghana's target range and lifts the real policy rate higher to 9.4%, easing pressure for a hawkish policy shift. We expect August inflation to reinforce this view despite an unfavourable base-related upside risk. The renewed disinflation should also strengthen the cap on domestic yields, which appear to have peaked in late July. Ex-post real yields have also increased with the 91-day real T-bill rate up to 1.16% (vs 0.43% in June), enhancing the attractiveness and supporting investor positioning although we expect the 364-day bill to remain the dominant tenor.

- **August Inflation: Food relief faces unfavourable base effect, fuel spike, and FX headwinds.** We expect improved crop harvests to further ease food inflation in August 2026, particularly for vegetables and tubers, although the heavier rainfall may constrain supply and create an unfavourable base effect. Meanwhile, higher fuel prices and the recent cedi depreciation pose upside risks to non-food inflation. We therefore forecast annual headline inflation at 4.9%, up 30bps, despite expected 1.1% m/m deflation in average prices. Historically, we have noticed an average deviation of 50bps between our forecast and outturn. We thus perceive the August annual inflation between 4.4% and 5.4% (midpoint forecast: 4.9%).

Benign food inflation drags headline rate lower

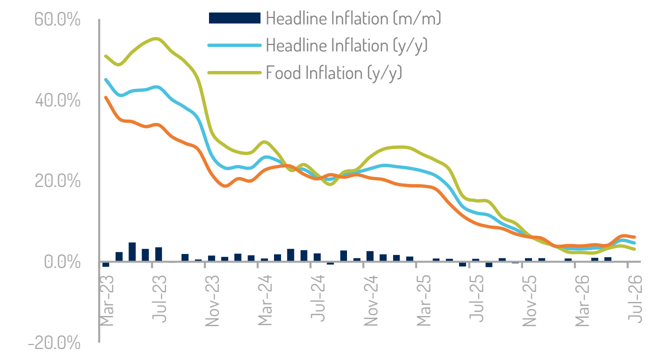
Consumer price inflation returned to a downward path in Ghana as expected for July 2026 and delivered a more decisive decline than we anticipated as the key downside factors exerted a greater-than-expected influence. Headline inflation fell sharply to 4.6% year-on-year in July 2026, declining 70bps from the June level and settling 40bps below our 5.0% forecast. The July disinflation brings actual inflation to 140bps below the 6.0% lower bound of the Central Bank's target range (twice the sub-floor gap recorded in June 2026) and elevates the real policy rate to 9.4% (vs 8.7% post-June inflation). We believe this will ease the pressure for Ghana's monetary policy authorities to adopt a hawkish stance following the unfavourable base-induced spike in the June 2026 inflation rate and the expected August print is unlikely to change this view. We also expect that the lower inflation outturn will strengthen the cap on domestic yields, which appeared to reach a near-term peak in late-July, with ex-post real rate on the 91-day T-bill now higher at 1.16% (vs 0.43% at end-June).

Our review of the overall CPI data suggests a largely broad-based easing of price pressures, especially within the food components, likely reflecting the onset of crop harvest and its early calming effect on food prices despite elevated pressure for some items. As noted in our June inflation report, the unapproved transport fare hike (captured in the June CPI) was reversed post the June data window with a favourable impact on the July inflation print.

Notably, the month-on-month price gauge continued to show a benign average pricing environment with a second consecutive decline in the monthly rate to 0.1% m/m in July 2026 (vs 0.2% in June). We believe this suggests a credible moderation in the underlying price momentum rather than a merely favourable base effect, reinforcing dovish sentiment ahead of the September 2026 MPC meeting.

Food inflation reversed its two consecutive monthly upticks and provided the stronger downside catalyst with an 80bps decline to 3.1% y/y in July 2026. We observed disinflation for 13 out of the 15 sub-groups (vs 12 in June) with heavy weights such as cereal & cereal products, milk & other dairy products, and oil & fats posting annual deflation (that is, actual year-on-year price declines).

DISAGGREGATED CONSUMER PRICE INFLATION

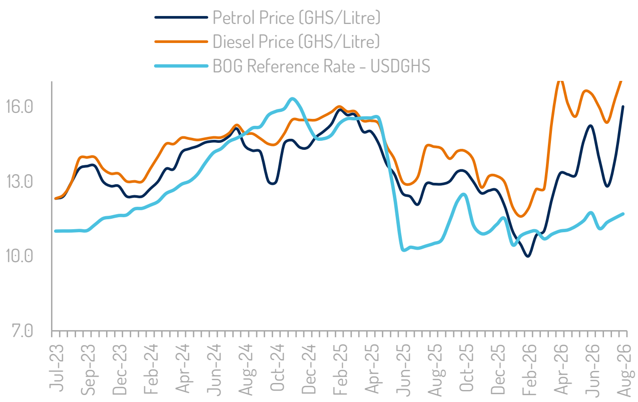


SOURCE: GHANA STATISTICAL SERVICE, IC INSIGHTS

Non-food inflation also came in lower by 20bps to 6.1% year-on-year but showed greater price pressures across divisions than food inflation. We observed increases in inflation for five out of the twelve divisions of non-food inflation which partly offset the decline in other components, resulting in the modest disinflation for non-food inflation. We note that most of the non-food divisions that recorded an increase in inflation were services items, although services inflation fell by 90bps to 8.5%. Notably, transport cost inflation slowed to 7.5% year-on-year (-160bps), reflecting the reversal of unapproved hike in transport fares in June 2026. Nevertheless, we observed higher inflation for the similarly weighted housing, utilities, gas & other fuels (8.3% y/y | +40bps), partly reflecting the impact of utility tariff hike for 3Q2026. We recall that Ghana's Public Utilities Regulatory Commission raised water tariff by 0.85% (vs no change in 3Q2025) and electricity by 3.49% (vs +2.45% a year earlier). With prices of petroleum products moving higher in early August 2026, we foresee elevated pressure ahead within non-food inflation.

Unfavourable base effect will likely nudge inflation higher in August 2026 despite anticipated drag from crop harvest. We expect a marked improvement in food supply conditions in August as crop harvest intensifies mid-quarter, especially for the heavily weighted vegetables & tubers (particularly fresh tomatoes). This should further cool the food price pressure with downside scope for food inflation. However, we reiterate our cautious view that this year's heavier-than-usual rainfall could constrain the size of the 2026 crop harvest, reducing our expected contraction in the August 2026 CPI (compared to the CPI contraction in August 2025). This is likely to produce an unfavourable base effect that will likely nudge inflation higher.

For non-food inflation, we note the increase in ex-pump prices of petroleum products with petrol and diesel respectively 24.1% and 20.0% higher y/y in early August (the CPI data window). The Cedi's recent depreciation (10.1% y/y | 2.9% m/m) also poses an upside risk for inflation. Against this backdrop, we forecast annual headline inflation to print at 4.9% in August 2026 (+30bps) but with the month-on-month rate registering a 1.1% deflation in average price levels. Historically, we have noticed an average deviation of 50bps between our forecast and outturn. We thus perceive the August inflation between 4.4% and 5.4%.



SOURCE: GOIL PLC, IC INSIGHTS, BANK OF GHANA

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